The Investigation of Drivers for Cultivating Interpersonal Relationships with Customers

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I certify that all material in this thesis which is not my own work has been identified and that no material has previously been submitted and approved for the award of a degree by this or any other University.

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Abstract

The research aims to investigate why firm's employees cultivate interpersonal relationships with their customers, and identify the drivers for their relational behaviours. In the preliminary study, two performance-based defence equipment provision contracts were investigated in an attempt to understand the role of interpersonal relationships between individual service providers and customers in a maintenance, repair and overhaul environment where firms need to deliver outcomes jointly with the customer. Through two years of field work using in-depth interviews, the study uncovered two types of interpersonal relationships between service providers and customers; exchange and communal. Both strongly promoted cooperation at the individual level. In exchange relationships, service providers and customers cooperated reciprocally whilst in communal relationships, they shared a common group identity and cooperated communally towards the attainment of group goals. Specifically, individuals' perceived reciprocity from the customer and communal orientation have been identified as drivers for relationship development.

The relationship drivers were discovered through qualitative data and were matched with extant academic literature, after which several hypotheses and a measurement instrument were developed. The hypotheses and instrument were then validated through a quantitative study using exploratory factor analysis and regression analysis. Data was collected from a sample consisting of 224 Chinese salespeople dealing with business customers in manufacturing as well as service industries. The findings were used to develop a theoretical framework which showed that cognition (e.g. perceived consequences), affect (e.g. liking) and specific personality traits (e.g. communal orientation) were drivers for relational behaviours. In particular, communal orientation, perceived reciprocity from the customer, and a liking for the customer positively affected relational behaviours, while exchange orientation had a negative impact on those behaviours. This research provides a generic theoretical model of firm's employees' relational behaviours in the service provision and marketing context, filling in the gaps found in previous relationship marketing research by studying relationship drivers for individual-level customer relationships.

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Introduction

This study aims to investigate the drivers for firm's employees' relational behaviours. It examines why individual employees cultivate interpersonal relationships with their customers. In the preliminary study, two performance-based defence equipment provision contracts were investigated in an attempt to understand the role of interpersonal relationships between individual service providers and customers in a maintenance, repair and overhaul environment where firms need to deliver outcomes jointly with the customer. Through two years of field work using 19 in-depth interviews with individual service providers and customers in two contracts, the study uncovered how interpersonal relationships were initiated, developed and associated with relational governance and cooperation in service delivery. Specifically, the results revealed two types of interpersonal relationships between service providers and customers: exchange and communal. Both strongly promoted cooperation at the individual level. In exchange relationships, service providers and customers cooperated reciprocally whilst in communal relationships, they shared a common group identity and cooperated communally towards the attainment of group goals. Accordingly, two factors, perceived reciprocity from the customer and communal orientation, have been identified as drivers for relationship development.

Following the preliminary study, we attempt to reveal the insights and understanding of drivers for cultivating interpersonal relationships with customers from the firm's employees' perspective. Salespeople from business-to-business industries in China were chosen as the major informants. The relationship drivers were discovered through qualitative data and were matched with extant academic literature on relationship marketing, social exchange theory, and interpersonal relationships studies. After which, drawing on the findings of two relationship drivers such as perceived reciprocity from the customer and communal orientation, and the theoretical justification based on motivation theories and personality studies, seven hypotheses and a measurement instrument were developed. For example, six factors such as perceived reciprocity from the customer, anticipated reputational incentives, perceived learning, perceived similarities with the customer, a liking for the customer and communal orientation were proposed as drives for relational behaviours whereas exchange orientation has a negative impact on those behaviours. The hypotheses and instrument were then validated through a quantitative study using exploratory factor analysis and regression analysis. Data was collected from a

sample consisting of 224 Chinese salespeople dealing with business customers in manufacturing as well as service industries. Four out of seven hypotheses were supported. The findings were used to develop a theoretical framework which showed that cognition (e.g. perceived reciprocity from the customer), affect (e.g. a liking for the customer) and specific personality traits (e.g. communal orientation) were drivers for relational behaviours. In particular, communal orientation, perceived reciprocity from the customer, and a liking for the customer positively affected relational behaviours, while exchange orientation had a negative impact on those behaviours.

This thesis contributes to relationship marketing research by providing a generic theoretical model of firm's employees' relational behaviours in service provision as well as in marketing context, filling in the gaps found in previous relationship marketing research by studying relationship drivers for individual-level customer relationships. First, the most striking factor of this research is the finding of communal orientation as a primary driver for cultivating relationship with customers. Traditionally, the concept of customer relationships has been viewed as the ongoing exchange between the firm and the customer. The communal perspective of customer relationships is relatively nascent in relationship marketing research. Secondly, this research also demonstrated that both affect (e.g. a liking for the customer) and cognition (e.g. perceived reciprocity from the customer) drive relational behaviours. The finding confirmed that customer relationships, especially those at the individual levels are driven by a combination of social and economic considerations rather than the exchange orientation. Thirdly, the result interestingly indicated that individuals' exchange orientation e.g. the tendency to focus on short-term returns has a negative impact on relational behaviours. This is particularly important for marketing practice and management thinking as short-term based financial incentives may discourage firm's employees e.g. salespeople from developing long-term relationships with customers. Lastly, this research has been conducted in two different cultural contexts (e.g. the UK and China) and examined two different groups of firm's employees (e.g. service providers and salespeople), the consistency in findings shows that the result is highly generalisable.

This thesis is organised as follows. First, we introduce the research background of the preliminary study and review the literature on performance-based contracts and inter-organisational exchange governance. We then present methodology design and data collection procedure which is followed by data analysis and report of findings. Next, we

explained our motivations for the second study. Drawing on the findings in the preliminary study such as perceived reciprocity from the customer and communal orientation as relationship drivers, we review the literature on relationship marketing, social exchange theories and interpersonal relationship studies. Following on, theoretical justification and hypotheses development are provided. The methodology design, data analysis and results are also presented. This thesis ends with a discussion of contributions and limitations of the present study and, accordingly, directions of future research are highlighted.

1.1 Research Background

In this preliminary study, two defence contracts are investigated in an attempt to better understand interpersonal relationships between the service provider and the customer in provision of maintenance, repair and overhaul (MRO) service that is contracted on the performance (e.g. readiness and availability) of the equipment. As the prime contractors from industry, Company A and Company B work closely with the UK Ministry of Defence (MoD) to provide availability solutions to meet the demands for defence equipment 'through-life' support until its Out of Service Date. The two primary contractors are defence companies who design, manufacture and support the defence equipment. Specifically, they focus on delivering technologies, products and services which support the MoD's efforts to protect the UK from security threats. Both contracts include maintenance of the defence equipment, spares provision, technical support and maintenance training in order to provide the required availability of the equipment. Several Key Performance Indicators (KPIs) have been chosen to measure the contract performance. Under the contract agreement, the two companies work in a partnered approach with the MoD. For example, a large number of military personnel work at the service sites to help deliver the contract. This enables the industry to access existing experience and skills, and allows the UK MoD to maintain the capability of working on the equipment and reduces the contract price. Payment mechanisms such as 'gain share' and 'pain share' will reward both the companies and the MoD for reducing cost while maintaining or improving output performance, and vice versa, both parties will suffer the 'pain' if the targeted cost is exceeded.

When the previously 'in-house' MRO service is outsourced, the role of the MoD moves from being the 'provider' to becoming an intelligent 'decider' who understands what support is required from the industry. The industry is now responsible for ensuring that the required equipment at an agreed availability is provided to the users when they are needed. The business risk is thus transferred from the MoD to the industry. The contract is a partnered support approach that provides cost savings and efficiency to the MoD while developing a substantial and profitable income stream for the industry. Under the arrangement, higher availability and readiness of the defence equipment could be achieved though proactive maintenance, employment of design authority expertise in terms of technical support and knowledge transfer, and continuity/stability of maintenance manpower. The long-term 'through-life' contract also enables the industry to remain

foreseeable and flexible with planning and delivering. In addition, in traditional equipment-provision contracts, firms' downstream revenue benefits from equipment breakdowns. In other words, the more repairs there are, the more profit firms will make. The performance-based contracting encourages the industry to improve product reliability to reduce repairs.

In the implementation of contracts, the industry largely depends on MoD to co-produce service outcomes, thus the cooperation between both parties becomes essential. In this case, the industry and the MoD employees are co-located and working together at the service sites. On a day-to-day basis, service performance is accomplished by those individual employees spanning the boundaries of the two organisations. Therefore, in the present study, we are particularly interested in interpersonal relationships between the service provider and the customer and their cooperative behaviours. Throughout the preliminary study, practitioners and managers worked with researchers to ensure that industry needs were addressed. Information was gathered from meetings with representatives from the two companies and the MoD, and through the collection of documents. After these initial investigations, the following literature review was completed, through which the research question was identified. Next, through two years of field work using in-depth interviews, qualitative data was collected. Data analysis was informed by the theory-in-use approach. The preliminary study uncovered the nature of the contract changes in the dynamics of the service delivery, bringing behavioural issues to the forefront, with both the customer and the service provider focused on partnering rather than each party's contractual obligations. The findings revealed that service is co-produced in a web of relationships, rather making relationship an option. Relationship governance, effect through relationship norms, thus plays a significant role in service provision. Interestingly, interpersonal relationships between the service provider and the customer can be both exchange and communal in form. That is, in exchange type of relationships, relationship parties cooperate conditionally according to the norm of reciprocity. However, in communal type of relationships, relationship parties are likely to share a common identity and work towards their collective goals, hence greatly enhancing service performance.

We begin with a literature review that will serve to illustrate the inadequacies of academic literature in providing insights of governance and interpersonal relationships issues in the area of inter-organisational service exchange. We then describe our methodology and

discuss the field research data. The methodology section outlines the details of the exploratory investigation of 19 in-depth interviews with individual service providers and customers at all levels in both contracts. These interviews were analysed using a theory-in-use methodology, and supplemented with academic literature. In the final section, we close with a discussion of the findings.

1.2 Literature review

<u>Introduction</u>

In this section, we offer the background on the gaps that we have perceived in the relevant literature. The literature review will include topics of performance-based service contracting, governance of inter-organisational exchanges, and interpersonal relationships between the service provider and the customer. We then identify the gaps in literature, and conclude with the research question.

<u>The performance-based service contracting</u>

The concept of equipment provision has been around since the start of the industrial era. Indeed, as early as 1776, in *The Wealth of Nations* Adam Smith provided the dominant view that countries produce an excess quantity of goods for export, to generate wealth. To date, the provision of equipment has become more complex and as competition heightened, firms have felt the pressure to add value, predominantly through the provision of services integrated with their clients' capabilities (Ng, Parry & McFarlane, 2010). This provision has been commonly referred to as 'the servitization of manufacturing' (Baines et al., 2009), which has resulted in combinations of offerings to generate value from both products and services in bundled packages. Traditional product-related service offerings are based on the provision of spare parts and repair services. Nevertheless, increasing complexity and costs, particularly of major engineering systems, has led to customer demand for integrated product availability or performance-based models of service provision and increased recognition of the importance of supplier-customer partnering (Ng, 2008). Performance-based contracting (PBC) is a key example of how industry is responding to such demands. PBC was introduced as the mechanism which allows the customer to pay only when the firm has delivered required outcomes, rather than for merely activities and tasks (Ng, 2008). Conventional contracts methods tend to be based on labour and material inputs. On the contrary, the PBC approach tends to focus on achieving a required outcome rather than a contract for the supply of a set of prescribed specifications (Bramwell, 2003; Gruneberg et al, 2007). The essence of PBC is buying performance outcomes, not the individual parts and repair actions. If one considers the classic quote from Levitt (1960) where 'the customer really doesn't want a drilling machine, he wants a hole in the wall', PBC enables the customer to pay only for the results (Ng, 2008). Therefore, under PBC, there are important differences in terms of risks and

responsibilities between the supplier and the customer. In particular, suppliers tend to have full responsibilities for performance, such as including the transfer of the risk for investments, ownership, maintenance, utilised capability, recycling and resale (Glas & Essig, 2008). Overall, there are more equitably aligned risks and incentives between suppliers and customers in PBC than in traditional contracting (Kim, Cohen & Netessine, 2007).

The idea of PBC is derived from the American concept of Performance-Based Logistics (PBL) (Ng, 2008). PBL originated in the late 1990s, and was intended to make the US armed forces more responsive, to channel funds from support to the army and to cut the logistics cost. The US has embraced PBL across the majority of defence procurement which resulted in the award of some very large contracts, particularly for the provision of infrastructure and support activities in support of US deployments (Ng, 2008). In the UK, PBC has seen development in the military sector with its strong emphasis on availability contracting (Ng, 2008). The UK armed forces are equipped with complex, technologically challenging and high value systems which must last for many years. Instead of buying set levels of spares, repairs, tools and data, the new focus is on buying a predetermined level of availability to meet the military objectives. It places increased emphasis on the supplier's ability to support and upgrade the systems through life. Industry will have to reshape itself, retaining the specialist skills and systems engineering capabilities required to manage military capability on a through-life basis. Moreover, in an environment of severe cost restraint, the UK Ministry of Defence's (MoD) needs for defence manufacturing services have changed radically. It requires industrial capabilities that are able to deliver 'through-life' support solutions by delivering reduced costs together with the operational benefit of enhanced availability. The result of this change is part of a general trend to provide customers with products and services combined into a single offering, frequently with manufacturers providing through-life support for their products (Vandermerwe & Rada, 1988; Matthyssens & Vandembempt, 1988; Anderson & Narus, 1995). In particular, Contracting for Availability (CfA) is a commercial process which seeks to sustain a system or capability at an agreed level of readiness, over an extended period of time, by building a partnering arrangement between the MoD and industry (Ng, 2008). CfA usually includes incentives for both parties to improve efficiency and effectiveness over the life of the agreement (Ng, 2008).

The PBC approach highlighted the importance of service provider and customer partnership, bringing service co-production into the limelight. Service co-production represents a central construct in service literature (Zeithaml, Bitner, & Gremler, 2006), such that the customer always plays an active role in the service offering. This conceptualisation derives from a specific characteristic of the service provision, namely, that the production phase cannot be disconnected from consumption activity (Lovelock & Wirtz, 2004). Early work in co-production was largely firm-centric, as the economic rationale provides the focus on cost benefits to the firm in terms of productivity gain, with customer labour substituting for employee labour (e.g. Fitzsimmons, 1985; Lovelock & Young, 1979; Mills, Chase & Margulies, 1983; Mills & Morris, 1986). Customer participation in service provision has been defined as "the degree to which the customer is involved in producing and delivering the service" (Dabholkar, 1990, p. 484). Later on, the research domain of co-production then shifted to the customer, and research in this theme has focused on when and why customers may be motivated to participate in service production as partial employees. This perspective features in widely discussed topics such as technology readiness (Dabholkar, 1996), provision of adequate training (Goodwin, 1988), and identifying customer psychological responses (Bendapudi & Leone, 2003). In the present study, we view service co-production as "engaging customers as active participants in the organization's work" (Lengnick, Claycomb & Inks, 2000, p. 359). Therefore, we do not consider the situation of customer self-service (Meuter et al., 2000). When we refer to service co-production, we mean the joint production of service outcomes in which both the customer and the firm's contact employees interact and participate in the production (Meuter & Bitner, 1998).

Recently, service co-production has been reviewed and revisited through the new lens of a service-based view. In industry, IBM has put the SSME acronym together to represent the cross disciplinary approach of Services Science, Management and Engineering (Maglio et al., 2006). As an interdisciplinary subject, service science 'aims to combine fundamental science and engineering theories, models and applications with facets of the management field, particularly knowledge, supply chain and change management, in order to enhance and advance service innovation' (Paton & McLaughlin, 2008, p. 75). In their seminal article, Vargo and Lusch (2004) have called for a Service Dominant Logic (S-D Logic) which offers a service-centric view. The central concept in S-D Logic is that service, the application of resources for the benefit of another party, is exchanged for

service. This view implies the central role of resources. Broadly speaking, resources are of two types: operand, those that require some action to be performed on them to have value (e.g., natural resources) and operant, those that can be used to act (e.g., human skills and knowledge) (Vargo & Lusch, 2004). Service provision implies the ongoing combination of resources from the service provider as well as from the customer, through integration and their application, driven by operant resources – the activities of actors (Vargo & Lusch, 2010). In this regard, the service provider's reliance on the customer in terms of operant resources is huge. Therefore, service co-production is no longer an option but a necessity. Under PBC, service co-production has to be accomplished in the partnership between the service provider and the customer organisations. Next, we discuss literature on inter-organisational exchange governance.

<u>The transaction cost theory perspective</u>

A review of marketing literature suggests that research in inter-organisational governance has developed along two distinct streams. In the first stream, transaction cost economics was used as the primary framework for contact governance, whilst relationship norm theory was the theoretical background for relational governance in the second stream. Most contract governance research dates from transaction cost theory (TCE). A selection of empirical studies is provided in Table 1.2.1. TCE is built upon two key behavioural assumptions: bounded rationality and opportunistic behaviour. Bounded rationality assumes that individuals are intentionally rational, but limitedly so (Simon, 1961), e.g. managers are constrained by limited cognitive capability and imperfect information; therefore, any complex agreement will be incomplete. Williamson (1985, p 47) defined opportunistic behaviours as 'self-interest seeking with guile'. Williamson (1985) further developed these two behaviour assumptions into three sources of transaction cost: transaction-specific assets (TSAs), uncertainty and frequency. Williamson (1975, 1985, 1996) specifically identified four types of specific assets: 1) physical assets whose engineering or physical properties are specifically designed to support a particular relationship; 2) human assets involving worker skills, know-how, and information; 3) site-specific asset that are located in close proximity to a particular exchange partner; and 4) dedicated assets in plant and equipment. Williamson (1979) also made three assumptions; first, that special-purpose equipment is needed to produce the component in question (which is to say that the value of the equipment in its next-best alternative use is much lower). Second, that scale economies require a significant, discrete investment to be

made and third, that alternative buyers for such components are few (possibly because of the organisation of the industry, and also because of special-design features). Therefore, the productive value of transaction-specific investments is higher in the focal exchange, because specific assets uniquely support the focal exchange (Williamson, 1985). In such cases, "assets cannot be redeployed without sacrifice of productive value if contracts should be interrupted or prematurely terminated" (Williamson 1985, p. 54). Furthermore, transaction-specific investments can be used to increase the efficiency and effectiveness in the exchange relationship (Williamson, 1983, 1984), because they may lead to economies of scale and scope. For example, an investment into a logistics system may uniquely support the transactions between the exchange parties and make the exchange more efficient and effective. Since this transaction-specific investment supports the exchange process, exchange partners are able to realise economies of scale. In developing the second source of transaction cost, i.e. uncertainty, Williamson (1975, 1985, 1996) recognised three basic types of uncertainties that firms must address; primary uncertainty, secondary uncertainty and behavioural uncertainty. And the final source, i.e. frequency, refers to the frequently occurring transactions (Williamson 1985).

TCE suggests that the governance structure and ultimate performance of an exchange are influenced by the level of the exchange partners' specific investments and opportunistic behaviours. On one hand, firms enter into ongoing or non-discrete exchange arrangements (such as long-term relationships) in order to minimise their costs because some specific investments are not easily portable to other relationships (Williamson's 1981). Transaction-specific investments may even be required to support an exchange relationship (Heide & John, 1988). Under these circumstances, the interests of buyer and seller in a continuing exchange relation are plainly strong (Williamson, 1979). Long-term orientation can therefore be classified as a relational belief, because it is based on the belief that the relationship demands ongoing relational exchange to maximise outcomes (Ganesan, 1994; Lusch & Brown, 1996). Hence, buyers will neither seek supply from other sources nor divert products obtained (at favourable prices) to other uses (or users) because other sources will incur high setup costs and an idiosyncratic product is non-fungible across uses and users. Likewise, sellers will not withhold supply because better opportunities have arisen, since the assets in question have a specialised character (Williamson, 1979). As a result, relationship-specific investments (RSIs) lock the firms in a particular relationship by creating switching costs (Wathne, Biong & Heide 2001).

On the other hand, independent actors optimise their actions in order to maximise profit by acting opportunistically (Williamson, 1975). In particular, opportunism has a negative impact on inter-firm performance because it significantly increases the *ex post* costs associated with monitoring performance and safeguarding investments (Gassenheimer, Davis, & Dahlstrom, 1998; Heide & John, 1990). Research has evaluated the ability of various governance mechanisms to control relationship parties' opportunism. Overall, RSIs positively affect relational perceptions (Bello & Gilliland, 1997); idiosyncratic investments signify the importance that a partner attaches to the partnership and have a positive impact on switching costs, which makes the relationship more important to the exchange partner and enhances its efforts to maintain it (Anderson & Weitz, 1992). In contrast, opportunistic behaviours have a negative impact on the emergence of relational sentiments (Gundlach, Achrol & Mentzer, 1995) because perceiving a partner as opportunistic undermines extant relational norms and raises the spectre that the exchange partner is not concerned with the well-being or fairness of the exchange. Empirical studies (Rindfleisch & Heide, 1997) have thus supported that firms should vertically integrate when confronted with investments in idiosyncratic assets or suspicions of opportunistic behaviours by the exchange partner.

The emphasis on the twin focal constructs of specific investments and opportunism to predict governance and exchange performance has received consistent research attention (Heide & John, 1990; Wathne & Heide, 2000). The transaction cost perspective suggests that performance is enhanced as the governance structure matches the level of relationship uncertainty or ambiguity. The underlying logic is, with fewer opportunism concerns and lower monitoring and safeguarding costs, the exchange becomes more efficient and more prone to joint action and includes greater expectations of continuity, all of which contribute to enhanced performance (Heide & John, 1990; Parkhe, 1993; Smith & Barclay, 1997). However, TCE's premise that universal partner opportunism limits the effectiveness of relational governance has been shown to be untrue by researchers who have found that relational controls are effective governance mechanisms (Anderson & Narus, 1984, 1990; Heide & John, 1992; Morgan & Hunt, 1994). Specifically, research suggests a positive influence of relational norms on RSIs; strong norms reduce concerns that either exchange partner will appropriate idiosyncratic investments (Heide & John, 1992; Noordewier, John & Nevin, 1990). Noticeably, strong relationships cause partners to discount the possibility that their partner will appropriate their idiosyncratic investments,

and relational bonds increase their willingness to make RSIs (Palmatier, Dant & Grewal, 2007). As noted by Palmatier, Dant and Grewal (2007 p.177),

> 'RSIs by an exchange partner simultaneously signal its intent and generate the need to safeguard investments. Because RSIs represent sunk, unredeployable assets in an exchange relationship, parties' RSIs reduce their motivation to behave opportunistically and the credibility of switching threats, which in turn minimizes the partner's need (and costs) to monitor performance or safeguard assets.'

Moreover, because relational norms embody a promise of fair play and a mutually beneficial, long-term relationship, they provide pressure on exchange partners not to behave opportunistically and support RSIs that often pay returns only in the long run. Hence, relational norm theory emerged as the theoretical background for the second stream of research on inter-organisational governance.

Table 1.2.1 The selection of Transaction cost theory-based empirical literature

Author(s)	Key findings
Noordewier, John and Nevin (1990)	When uncertainty is high, increasing relational governance in industrial buyer-seller relationships improve buyers' purchasing performance. Relational governance had no effect on buyers' performance when uncertainty is low.
Heide and John (1992)	Buyers safeguard their investment in relationship-specific assets by implementing controls over the supplier's operations. Relational norms provide the buyer with the ability to acquire control.
Parkhe (1993)	The findings show that structure is related to performance, that the perceived potential for opportunism influences both structure and performance, and that partners erect a variety of deterrent measures to stem possible losses from agreement violations.
Gundlach, Achrol and Mentzer (1995)	The findings suggest that (1) the credibility of commitment inputs in exchange is positively related to the development of relational social norms, (2) and is positively related to long-term commitment intentions in the same time period, (3) relational social norms may be undermined by opportunistic conduct, and (4) the presence of relational social norms in one time period is positively related to commitment inputs and long-term commitment intentions in later periods.
Stump and Heide (1996)	Firm choices of control mechanisms are largely influenced by contextual factors. Specific investments by buyers are

	positively associated with buyer qualification of supplier ability and motivation, and with supplier-specific investments. Performance ambiguity is negatively associated with buyer monitoring and qualification of supplier ability.
Kim and Frazier (1997)	The results indicate that (a) three suggested components are interrelated, yet distinctive, elements of distributor commitment, and (b) each component of distributor commitment is driven by a different set of driving forces.
Jap and Ganesan (2000)	Both suppliers' transaction-specific investments and relational norms enhance retailers' perception of supplier commitment.
Cannon, Achrol and Gundlach (2000)	If uncertainty is high, explicit contracts result in reduced performance; however, at low level of uncertainty, contracts provide higher levels of performance. Relational norms result in improved performance whether uncertainty is high or low. When uncertainty is high, plural governance consisting of an explicit contract and relational norms provides improved performance.
Cannon and Homburg (2001)	The results indicate that increased communication frequency, different forms of supplier accommodation, product quality, and the geographic closeness of the supplier's facilities to the customer's buying location lower customer firm costs. In addition, customer firms intend to increase purchases from suppliers that provide value by lowering each of these costs.
Buvik (2002)	Higher frequency of transactions is needed to support higher level of governance.
Rokkan, Heide and Wathne (2003)	Expectation of relationship extendedness did not discourage opportunism on the part of the supplier, but the norm of solidarity did discourage opportunism.
Wathne and Heide (2004)	Downstream marker uncertainty has a negative effect on apparel company flexibility for lower levels of contractor qualification and a positive effect for higher levels of contractor qualification. Reciprocal hostages by the apparel company and the contractor promote flexible adaption to uncertainty.
Narayandas and Rangan (2004)	The findings suggest that weaker firms can structure and thrive in long-term relationships with powerful partners because initial asymmetries are subsequently redressed through the development of high levels of interpersonal trust across the dyad, which in turn leads to increased levels of inter-organizational commitment.
Palmatier, Gopalakrishna and Houston (2006)	The findings indicate that investments in social relationship marketing pay off handsomely, while those in financial relationship marketing investments do not, and structural relationship marketing investments are economically viable for customers who are serviced frequently.

Heide, Wathne and Rokkan (2007)	This article examines the effects of monitoring on inter-firm relationships. Whereas some research suggests that monitoring can serve as a control mechanism that reduces exchange partner opportunism, there is also evidence showing that monitoring can actually promote such behaviour. The authors propose that the actual effect of monitoring depends on (1) the form of monitoring used (output versus behaviour) and (2) the context in which monitoring takes place. With regard to the form of monitoring, the results from a longitudinal field study of buyer–supplier relationships show that output monitoring decreases partner opportunism, as transaction cost and agency theory predict, whereas behaviour monitoring, which is a more obtrusive form of control, increases partner opportunism. With regard to the context, the authors find that informal relationship elements in the form of micro-level social contracts serve as buffers that both enhance the effects of output monitoring and permit behaviour monitoring to suppress opportunism in the first place.
Bunduchi (2008)	This study presents three frameworks to analyse the outcome that the use of Internet-based electronic markets has on the nature of inter-organisational relationships: transaction cost economics, social exchange theory and an integrated framework that combines the first two. The integrated framework proposes that the nature of inter-organisational relationships depends on the interaction between the logic of transaction cost economics and the need for trust and interdependencies between exchange parties. The study finds that the integrated framework provides a more complete understanding of inter-organisational relationships, and suggests a modular approach to the implementation of electronic marketplaces.

The relational norm perspective

Research has long recognised the importance of social relations in supporting inter-organisational exchanges. Dating back to Macneil (1980), the relational exchange theory (Kaufmann & Dant 1992) focuses on contracting norms or shared expectations regarding transactional behaviour, ranging from one-time discrete to ongoing relational exchanges. The latter involves heightened perceptions of relational norms, which contribute to exchange partners' strategic ability to develop long-term, committed, trusting, value-creating associations that are difficult and costly to imitate (Palmatier, Dant & Grewal, 2007). As noted by Palmatier, Dant and Grewal (2007), relational exchange theory rests on two key propositions. First, for contracts to function, a set of common contracting norms must exist (Kaufmann & Dant, 1992). Second, it is in contrast to classical legal

theory, which assumes that all transactions are discrete events. Macneil (1980) argued that transactions are immersed in the relationships that surround them, which may be described in terms of the relational norms of the exchange partners. The relational norms perspective often appears in conjunction with the commitment–trust perspective to explain the positive influence of relational governance. For example, Morgan and Hunt (1994) suggested that cooperation, trust and commitment in marketing relationships can lead to higher value creation. They encouraged marketers to first, work at preserving relationship investments by cooperating with exchange partners; second, resist attractive short-term benefits of staying with existing partners; and third, view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically (Morgan and Hunt 1994). Commitment and trust promote the emergence of relational norms by fostering behaviours that support bilateral strategies to accomplish shared goals (Gundlach, Achrol & Mentzer, 1995). Also, interdependence enhances relational sentiments, in that perceptions of dependence indicate significant stakes in the relationship and increase exchange partners' interest in maintaining the relationship (Ganesan, 1994; Lusch & Brown, 1996). Conversely, asymmetric dependence promotes the coercive use of power and undermines relational norms.

Recently, Poppo and Zenger (2002) proposed that for relationally-governed exchanges, the enforcement of obligations, promises, and expectations occurs through social processes that promote norms of flexibility, solidarity, and information exchange. Flexibility facilitates adaptation to unforeseeable events. Solidarity promotes a bilateral approach to problem solving, creating a commitment to joint action through mutual adjustment. Information sharing facilitates problem solving and adaptation because parties are willing to share private information with one another, including short- and long-term plans and goals. As relationship parties commit to such norms, mutuality and cooperation characterise the resultant behaviours. On the basis of this logic, researchers propose that strong relational norms positively affect exchange performance (Cannon, Achrol & Gundlach, 2000; Lusch & Brown, 1996; Siguaw, Simpson & Baker, 1998). Exchanges characterised by high levels of relational norms enable exchange partners to respond more effectively to environmental contingencies, extend the time horizon for evaluating the outcomes of their relationships, and ultimately, refrain from relationship-damaging behaviours (Kaufmann & Stern, 1988). Specially, relational norms (e.g. solidarity, mutuality, and flexibility) positively affect financial results and cooperative behaviours (Cannon, Achrol & Gundlach, 2000; Siguaw, Simpson & Baker, 1998) and reduce the

level of conflict (Jap & Ganesan, 2000). For example, relational norms play a significant role in structuring economically efficient exchange relationships under conditions of uncertainty and ambiguity and therefore should lead to improved financial performance (Heide & John, 1992).

<u>Contract governance and relational governance</u>

In general, three governance mechanisms have received considerable attention in marketing literature: 1) explicit contract, 2) relationship-specific investments (RSIs) and 3) relational norms. Our review focuses on the interplay between contract governance and relational (norm) governance. In inter-organisational exchanges, formal contracts are mechanisms that attempt to reduce risk and uncertainty of opportunism. However, an undue reliance on the formal contract signifies a transaction-oriented approach and an adversarial relationship (Gundlach & Achrol, 1993). Williamson (1975) noted that contracts are incomplete because of parties' inability to write a comprehensive agreement that covers future contingencies, and Macneil (1980) recognised that the legal contract cannot explicitly state how potential situations will be handled in the future. It follows that strict adherence to the written contract may preclude the necessary flexibility in an exchange. Exchange performance can suffer when detailed contracts are used without a well-developed social relationship (Cannon, Achrol & Gundlach, 2000), and "the misuse of contracts could create irreconcilable conflict and other forms of dysfunctional behaviour that could ultimately harm channel member performance" (Lusch and Brown, 1996, p. 19). Ghoshal and Moran (1996) argued that the use of rational, formal control has a pernicious effect on cooperation. They contended that for those parties being controlled, the use of rational control signals that they are not trusted to behave appropriately without such controls. Consistent with this logic, Bernheim and Whinston (1998) developed a formal model and showed that making contracts more explicit may encourage opportunistic behaviour surrounding actions that cannot be specified within contracts. For example, explicit contracts have a negative effect on supplier's perceptions of buyer commitment (Jap & Ganesan, 2000) and are strongly related to conflicts (Young & Wikinson, 1989). Consequently, suppliers are more inclined to behave opportunistically if possible.

Nevertheless, researchers cannot agree on whether relationship norms dominate relational governance and TCE- oriented contract governance function as substitute or complementarity (see Poppo & Zenger, 2002 for a full review). One stream of research views them as substitutes. The underlying logic is that if contracting parties trust each

other, there is little need for contractually specifying actions. Informal social controls push these formal contractual controls to the background. Specifically, Adler (2001) argued that trust can replace formal contracts by 'handshakes' in marketing exchanges. Dyer and Singh (1998) concluded that formal contracts are rather unimportant, as informal self-enforcing agreements which rely on trust and reputation 'often supplant' the controls characteristic of formal contracts. Alternatively, the other research stream contends the complementary relationship between relational governance and contract governance. In particular, in settings where hazards are severe, the combination of formal and informal safeguards will deliver greater exchange performance than either governance choice in isolation (Poppo, Zhou & Zenger, 2008). A common rationale is that the presence of clearly articulated contractual terms, remedies, and processes of dispute resolution as well as social controls can inspire confidence to cooperate with the counterparty. For example, if uncertainty is high, explicit contracts result in reduced performance, yet relational norms result in improved performance whether uncertainty is high or low (Cannon, Achrol & Gundlach, 2000). Therefore, when uncertainty is high, plural governance consisting of an explicit contract and relational norms provides improved performance (Cannon, Achrol & Gundlach, 2000). Poppo and Zenger (2002) also suggested relational governance may promote the refinement (and hence increased complexity) of formal contracts. As a close relationship is developed and sustained, lessons from the prior period are reflected in revisions of the contract. Accordingly, relational exchanges may gradually develop more complex formal contracts, as mutually agreed upon processes become formalised.

However, in general, the literature on relational governance of inter-organisational exchanges has not adequately addressed the influence of interpersonal relationships between key people in service organisations and their customers (Haytko, 2004). In a service context, such key people are referred to as boundary spanners (Bowen & Schneider, 1985) or frontline and contact service employees (Bettencourt and Brown 2003). Boundary spanners can significantly influence customers' assessment of the exchange performance in terms of service quality, satisfaction, and advocacy behaviour (Parasuraman, Zeithaml, & Berry 1988; Ferguson, Paulin & Bergeron, 2005). More importantly, research has recognised that frontline service employees' interpersonal relationships with customers contribute to a successful partnership through stimulating cooperative attitudes and actions. Next, we review service literature on the boundary-

spanner's relationships with customers in order to explain our emphasis on such relationships in the investigation of relational governance in service exchange.

<u>Interpersonal relationships and cooperation</u>

It is widely acknowledged among researchers and practitioners that service quality depends on the behaviours of frontline service employees (Bettencourt & Brown, 2003). As Bettencourt and Brown (2003) concluded in three dimensions; first, individual service providers play an important role in representing the organisation to customers and enhancing the firm's image and legitimacy through their advocacy of the firm and its products and services. Second, the boundary-spanning position provides them many opportunities to share information internally about evolving customer needs and possible improvements in service delivery. And third, service quality perceptions and customer satisfaction are largely dependent on frontline employee service delivery behaviours such as courtesy, personal attentiveness, responsiveness, and keeping promises.

The service and its provider are inseparable, and this close interaction with customers is more likely to make interpersonal relationships more popular for services. The interaction between individual service providers and customers entails economic, as well as social and psychological exchanges. There is great potential for emotional bonding that transcends economic exchange (Sheth & Parvatiyar, 2000). For example, service provision is often a task-interactive and personal-interactive process (Bennett & Robson, 1999); especially for those termed as 'pure' services, the process is characterised by a high degree of person-to-person interactions. Certain service encounters, for instance, is more similar to a meeting between friends than mere economic transactions (Mars & Nicod, 1984; Siehl, Bowen & Pearson, 1992) because they occur in a setting (intimate, frequent and prolonged) more likely to foster relationships (Fournier, Dobscha & Mick, 1998). Over time, interpersonal attachment with the service provider develops as result of the interactive process (Hui & Bateson, 1991, Sheth & Parvatiyar, 2000). Thibaut and Kelley (1959) indicated that in interpersonal relationships, a major task for the interacting person is the mutual coordination of appropriate behaviour in relation to the other person. The cooperative behaviour has been linked to perceptions of trust, satisfaction (Pruitt, 1981), and more positive emotions (Andreyeva & Gozman, 1981). Also, empirical support from work in game theory suggested that cooperation precedes trust (Axelrod, 1984) and satisfactory problem resolution (Evans & Beltramini, 1987). Reciprocally, trust is a

principal influence (Berry, 1995) which leads to a growing relationship and tends to foster higher levels of commitment and cooperation (Schurr & Ozanne, 1985).

Early work on boundary-spanning behaviours (e.g., Adams, 1976; Salancik, 1977) suggested that strong interpersonal relationships should increase the likelihood of participation. More recent literature on relationship marketing (e.g., Morgan & Hunt, 1994; Wilson, 1995) suggests that retailer participation is influenced by the nature of the interpersonal attachments that exist between the boundary personnel in the respective firms. Several other work on "clans" (Ouchi, 1980), "socially embedded relationships" (Frenzen & Davis, 1990; Granovetter, 1985), and "social context" (Gulati, 1995; Håkansson & Snehota, 1995) makes similar points. The core argument underlying this literature is that the existence of a strong interpersonal relationship reflects prior selection and/or socialisation processes between the parties (Chatman, 1991). The effect of such processes is to align the goals of the parties in question (Eisenhardt, 1985) and reduce the likelihood of subsequent opportunistic behaviour. Other research, however, provided a different account of the role that interpersonal attachments play in cooperation. Murry and Heide (1998) showed that the presence of a strong interpersonal relationship does not diminish the importance of other variables such as incentives. Their results also suggested that interpersonal relationships are less important determinants of customer participation than economic incentives.

A deeper examination of literature may possibly explain the inconsistency in marketing research on the influence of interpersonal relationships on individual's cooperative behaviours. Hechter's (1987) theory of group solidarity pointed to the need for clarification of the meaning of social solidarity and the related concept of social exchange. Social exchange is motivated by a desire to promote or maintain a positive attitude from other group members, while social solidarity, in contrast, is characterised by the motive of promoting group goals in their own right (Hechter, 1987). A related distinction is then made between exchange and coordination. This yields a tentative proposition which shows an interesting difference between relationships dominated by social exchange and those by social solidarity, and sheds light on answering why marketing literature has drawn conflicting conclusions on the influence of interpersonal relationships on cooperative behaviours. In social exchange, social interdependence theory affirm that interdependence exists when the outcome of individuals are affected by each other's

actions (Johnson & Johnson, 2005). There are two types of social interdependence: positive, when the actions of individuals promote the achievement of joint goals, and negative, when the actions of individuals obstruct the achievement of each other's goals (Johnson & Johnson, 2005). When individuals need the resources of others, but do not share common goals, it motivates individuals to elicit and use other's resource to achieve their personal goals (Ortiz, Johnson & Johnson, 1996); the emphasis tends to be on obtaining resources from others without sharing one's own resources with them (Johnson & Johnson, 2005). As a result, although both parties involved in social exchange are supposed to cooperate for mutual benefit, such cooperation is motivated by the perceived reciprocity, people only cooperate conditionally on the other party's cooperation (Stone et al., 2002). On the contrary, social solidarity is an emergent product of a common fate shared by group members, and it leads to redefining self-interests to include the interests of others (Johnson & Johnson, 2005) and common group goals. Therefore, social solidarity motivates individuals to help each other in the interest of group productivity (Ortiz, Johnson & Johnson, 1996). Under this circumstance, cooperation will satisfy both relationship parties if it has the consequence of facilitating them toward the attainment of collective group goals. In addition, social solidarity is characterised with prosocial behaviours. The perspective of prosocial behaviour includes a variety of actions intended to help co-workers more effectively perform their jobs and avoid problems (MacKenzie, Podsakoff & Aheame, 1998; Organ, 1988). Concluding this discussion, the relationship norms of social exchange and social solidarity may influence relationship parties' cooperative behaviours differently. The former drives relationship parties to cooperate conditionally in exchange of resources, while the latter motivates relationship parties to cooperate to achieve collective group goals.

Summary

To summarise the literature review, although extant literature has provided researchers and practitioners with interesting and important insights of governance in inter-organisational exchanges, most of the empirical work on transactional-relational governance has pertained to exchanges of industrial and manufactured goods (Ferguson, Paulin & Bergeron, 2005). Despite the particularity of service marketing, the business-to-business exchange of services remains a relatively untapped setting for research (Brown, Dev, & Lee 2000). In service exchange, relational governance can become a necessary complement to the adaptive limits of contracts. It may heighten the probability that social

relations will enhance trust and cooperation, and safeguard against hazards poorly protected by the contract. **The purposes of this research are twofold. First, given the context of performance-based contracting, we sought to understand the role of relational and contractual governance in inter-organisational service exchange.** In our research, we describe the contractual governance as the degree to which the formal contract is currently implemented in established service exchanges (Ferguson, Paulin & Bergeron, 2005). Consistent with the literature, the relational governance is defined as the strength of the social norms present in the exchange, e.g. service activities co-delivered by the service provider and the customer (Noordewier, John, and Nevin 1990; Ferguson, Paulin & Bergeron, 2005). **Second, we wanted to find out how individual-level service provider and customer relationships are initiated, developed and associated with relational governance and with interpersonal cooperation.** Specifically, if we can discover certain factors that foster service provider and customer cooperation, then firms can focus on training their boundary spanners, create effective support or reward systems and possibly predict the cooperation level.

In the present study of two performance-based equipment provision services, the individual service providers and customers need to work together as a team to deliver service outcomes. However, they belong to their own organisations and the joint service delivery team simultaneously. Identification only occurs when an individual adopts a viewpoint or behaviour because it is associated with a satisfying self-defining relationship to another person or group. Research has suggested that when people belong to multiple groups simultaneously, they are willing to identify with groups that seem to contribute to a positive sense of self, such as high-status groups (Ellemers, 1993, Haslam, Powell & Turner, 2000). Yet, in this case, it is unknown whether the individual service providers and customers perceive themselves as members of their respective organisations or of the joint service delivery team. It is reasonable to assume that on one hand, when individual service providers and customers identify with one another as team members, their cooperative behaviours are more likely driven by the solidarity norm. On the other hand, when they identify themselves more strongly with their own organisations than with the joint service delivery team, the cooperation is more likely to be conditional, depending on the other party's reciprocity. **Taken together, in the preliminary study, we attempt to investigate the role of contractual and relational governance in inter-organisational service exchange, focusing on individual-level service provider and customer relationships and interpersonal cooperation.**

1.3 Methodology

This study was carried out as a component of Work Package 3 within the *Service Support Solutions: Strategy and Transition* research project, which involved 10 universities and 37 researchers. There are five work packages working from different perspectives: organizational transformation, service information strategy, risk and cost assessment, combined maintenance and capability enhancement and integration and co-ordination. As stated in the introduction section, the delivery of two MRO service contracts between two defence contractors and the UK Ministry of Defence (MoD) were investigated. The contracts were based on a type of performance-based contracting that delivers the outcome of *availability* of two types of defence equipment; a fighter jet and a missile system.

Contract 1

This programme is a contract for availability with the UK MoD for which the primary outcome is to maintain a defined level of available mission-ready flying hours across the UK fleet of X numbers of aircrafts. The contract is operated within an overall collaborative agreement with the MoD and another company who have a parallel contract for the availability of the aircraft engines. Developed over a number of years between the MoD and the contractor, Company A, the defence equipment support service has been a successful response to the UK's imperative initiative to significantly cut the cost of operational flying for the aircrafts. The programme is operated collaboratively between the MoD and the contractor, with a joint project team comprising staff from the MoD as well as from industry which works in close cooperation with the MoD as the tasking authority and operator. The contractor is paid and incentivised for performance against outcome-based "key performance indicators".

Contract 2

This programme provides partnered support for the British Army defence missile system, and has been fully operational since late 2008. The contractor, Company B, is responsible for sustaining the demanded availability of the missile system whilst maintaining performance and reducing cost of ownership, and responding to inevitable variability in demand (during transition to, and sustainment of operations) with changing customer priorities. The service contract is a collaboration between the MoD and the contractor (leading the industrial support), which is managed through a joint project team. Initial cost

savings have been established through improved integration of maintenance processes, facilities and staff together with a more integrated view of obsolescence. The contractor is paid and incentivised for its performance against outcome-based "critical performance indicators."

Both contracts were awarded for the MRO of the equipment's through-life i.e. for the whole operable life of the equipment until its out-of-service date. The total value of each contract exceeded USD$400 million per annum and had approximately 1500 people delivering the outcomes of the contract from both the customer and the supplier organisations. These contracts were awarded on the basis of the *availability* of the equipment. This means that the customer has to take the responsibility and abide to the level of use stipulated in the contract (in deriving service outcomes). The firm will be obliged to deliver the outcome of a set number of flying hours on the fighter jet and a fixed percentage of availability over a certain period of time (e.g. 95% availability) for the missile system for the agreed usage. While the MRO service is outsourced, the MoD has a bigger role in the partnership. Overall, the MoD's involvement takes the form of providing Government Furnished Materials (GFX) including supplying physical facilities, material, data, IT and manpower to facilitate the firm in achieving its outcomes. These service contracts were operating under complex relationships with clients and service providers, and they heavily relied on both operand (tangible equipment) and operant resources (intangibles such as knowledge and experiences) to deliver the outcomes of the contracts (Constantin & Lusch, 1994; Vargo & Lusch, 2004; 2008). Therefore, the delivery of these contracts serves as an exemplar for inter-orgnisational service exchange (with the customer) where both parties are focused on achieving outcomes e.g. the flying hour bank of the fastjet.

The field study was conducted over a two-year period from 2007 to 2008. Interviews were employed to extract data for the purpose of understanding the individual's experiences with contractual and relational governance in performance-based service contracts. The reason for using qualitative method was to secure an in-depth understanding of the phenomenon in question. The author conducted 19 interviews with people involved in both contracts, attended the project meetings, presentations and visited the service sites several times. Meanwhile, supplemental materials such as project briefing brochures and contracting documents (although not released to be reported in this thesis) were also

collected. In order to achieve rich data, the open-ended interview has been employed. The aim of the open-ended interview is described as understanding the language and culture of the respondents (Fontana & Frey, 2000). The qualitative interview method offered the opportunity to gain insight into individuals' subjective experiences with the contracts they were working on. The keynote is active listening in which the interviewer allows the interviewee the freedom to talk and ascribe meanings while bearing in mind the broader aims of the project (Noaks & Wincup, 2004). One of the strengths of the qualitative interview is its ability to access directly what happens in the world. For instance, Byrne (2004, p 182) suggested that:

> Qualitative interviewing is particularly useful as a research method for accessing individuals' attitudes and values - things that cannot necessarily be observed or accommodated in a formal questionnaire. Open-ended and flexible questions are likely to get a more considered response than closed questions and therefore provide better access to interviewees' views, interpretation of events, understandings, experiences and opinions… (Qualitative interviewing) when done well is able to achieve a level of depth and complexity that is not available to other, particularly survey-based, approaches.

What an interview produces is a particular representation or account of an individual's views or opinions. Kitzinger (2004) suggested that interviews do not appear to give direct access to the 'facts' and do not tell about people's 'experience' directly, but instead offer indirect 'representations' of those experiences. Hence, the meaning is mutually constructed by the interviewer and the interviewee, rather than accurate depictions of facts or experiences. As Kitzinger (2004 p 128) put it:

> …dispute the possibility of uncovering 'facts', 'realities' or 'truths' behind the talk, and treats as inappropriate any attempt to vet what people say for its 'accuracy', 'reliability', or 'validity' – thereby sidestepping altogether the positivist raised … from this perspective, what women say should not be taken as evidence of their experience, but only as a form of talk – a 'discourse', 'account' or 'repertoire' – which represents a culturally available way of packaging experience… This approach is valuable insofar as it draws attention to the fact that experience is never 'raw', but is embedded in a social web of interpretation and re-interpretation. Women's experience does not spring uncontaminated from an essential inner

female way of knowing, but is structured within, and in opposition to, social (heterosexist, patriarchal etc.) discourse.

The interviews included 13 members from the service provider organisations and 6 members from the client organisations in both contracts; the summary of the interviewees' information can be found in Table 1.3.1. The goal was not to compare between size and structure of the two service delivery teams but to ensure personnel representation at each level. The participants represented all levels of the joint delivery teams (e.g. project directors [senior executives], project managers and business managers [mid-level executives], and engineers/technicians [staff]). These positions were included primarily because of the significant interpersonal interactions with the counterparty involved in their work at these levels. The interviewees were not selected in advance but according to availability and also sequential recommendation by those who had participated earlier. Interviews were completed between 50 and 120 minutes, resulting in an average of one and a half hours with each participant. Prior to the interview, the participants were asked for their consent, which assured them of confidentiality with regards to the interview texts and any other materials provided. The purpose of the study was described to each participant as an exploration of the performance-based service contracts they were working on. Each interview was recorded and transcribed. This procedure resulted in a total of 469 single-spaced pages of interview data. The shortest transcript was 10 pages, the longest 39, and the average 25.

We conducted the interviews with the emphasis was on the perspectives of the participants (Thompson, Locander & Pollio, 1989), trying to understand the experiences they had in working on the contracts and how they made sense of them and what meanings those experiences hold (Smith, 2004). The interview began with the collection of general background information on the participant (e.g. position, employment history, and the length of time working on the contract). It then moved on to more specific topics such as customer relationships with the use of probing questions such as: "How would you find the relationship with the customer?" Examples of interview questions are provided in Table 1.3.2. The logic of this interview flow is straightforward: questions at the beginning of the interview provide the broader descriptions needed to contextualise the participant's specific experiences in the later part. The course of the interview dialogue was set largely by the participants. The interviewer's questions were formulated in concert with the participants' reflections and were directed at bringing about more thorough

descriptions of specific experiences. The primary objective was to allow the participants to articulate their own system of meanings (Thompson, Locander & Pollio, 1989): the personalised meanings and meaning-based categories that constitute the individual's abstracted understanding of governance in service exchange. The analysis of interview scripts is presented in the following section.

Table 1.3.1 Summary of interviewees' information

	Date of interview	Gender	Organisation/Position	
Contract 1			*The Service Provider Organisation*	*The Customer Organisation*
1	11/04/ 2008	Male	Business manager	
2	11/04/2008	Male	Business manager	
3	12/05/2008	Female		Line manager
4	12/05/2008	Male		Business manager
5	12/05/2008	Female		Assistant director
6	12/05/2008	Male	Project director	
7	13/05/2008	Male	Business manager	
8	13/05/2008	Male	Project manager	
9	14/05/2008	Male		Project director
Contract 2				
10	24/04/2008	Male	Site manager	
11	24/04/2008	Male	Programmes executive	
12	24/04/2008	Male	Project manager	
13	24/04/2008	Male		Engineer
14	24/04/2008	Male		Equipment support manager
15	14/05/2008	Male	Commercial manager	
16	14/05/2008	Male	Technical manager	

17	14/05/2008	Female	Supply chain manager	
18	06/07/2008	Male	Technician	
19	06/07/2008	Male	Technician	

Table 1.3.2 Examples of interview questions

Types of questions	Examples
Opening questions	Why don't we start by you telling me what do you do, and who you are?
	Maybe you could start with sort of explaining what you do.
Specific questions	How was (the contract) going on?
	So how would you (do something) like that?

1.4 Data analysis and findings

As demonstrated in the literature review, the divergence between practice and what the literature suggests is the backdrop against which the reasons for a theory-in-use methodology seems warranted. In their book *Theory Construction in Marketing: Some Thoughts on Thinking*, Zaltmann et al. (1982, p. 113) illustrated the fundamental concept of a theory-in-use approach:

> Practitioners . . . are generally more concerned with informal theory based on everyday observations (versus controlled experiments), having less than precise concepts (versus explicit empirical referents), and being related to one another intuitively (versus in rigorous testable relationships). The informal theory built and maintained by practitioners in their everyday activities represents an important source of insight for the researcher concerned with formal theory. By mapping these informal theories and applying their own creativity, a researcher may gain insights into marketing phenomena which might not otherwise be obtained.

This methodology is therefore an exercise in reconstructed logic; mapping informal theory, linking with academic literature and developing a greater understanding of the phenomenon. Our purpose is to understand, formalise and document practitioners' experience of contractual and relational governance as a contribution to academic literature. Such method is inductive as well as deductive, in the process of data analysis, empirical findings inform extant literature, reciprocally, extant literature is used to justify the empirical findings.

Informed by the grounded theory approach, we coded the data, generated core categories and developed them into themes. The coding summary and examples of the data coding are provided in Table 1.4.1 and Table 1.4.2 respectively. In coding the data, we were more interested in the conceptualisation offered by Glaser (Glaser, 1992) than on the full description of Strauss (Strauss & Corbin, 1990). Strauss and Corbin (1998, p. 65-68) recommended coding by 'microanalysis which consists of analysing data word-by-word' and 'coding the meaning found in words or groups of words'. Glaser (1992, p. 40) condemned this micro-approach as producing an "over-conceptualisation". The Glaserian approach has a strong focus on abstract conceptualisations that are concerned with identifying key points rather than individual words and allowing concepts to emerge.

Meanwhile, the Glaserian approach is far less prescriptive and offers the flexibility of a number of potential coding paradigms, not just one. With the assistance of qualitative software Nvivo 7, we started with open coding of the transcripts of the interviews, scrutinising the transcripts line by line in order to identify key words and phases that would give us insights into what was happening in the data. We assigned codes to the data, based upon what we see as a meaningful categorisation by which the data was organised into analysable units. At this stage, coding was unstructured and hundreds of codes had been identified. Inevitably, these codes needed to be reduced as coding moves on to a more abstract level in the search for patterns and themes that suggest a relationship. We then employed selective coding, focusing on the area of 'contract governance', 'relationship governance' and 'interpersonal relationships' that was presented in the data. This process brought together similar ideas, concepts and themes, and sorted the coded data into piles according to topics. Next, we labelled each pile with a word or phrase that captures the gist of what was going on in that pile in terms of their dynamic interrelationships. These categories were then re-evaluated and gradually subsumed into higher order categories which suggested the emergent conceptual schema. Meanwhile, memos were written to note ideas and reflections during data collection which helped to map out the emerging patterns and themes. The coding and memos had been constantly revisited and compared in the search for patterns of governance in service exchange, and individual's behaviours from pre- relationship to post- relationship. The interviews had been conducted in an ongoing manner until no new insights arose from fresh data. The fresh data were then compared with existing transcripts and were scrutinised for any new information. Whilst no new concepts emerged, the significance of those identified were reinforced and strengthened with further examples in different contexts. Finally, these concepts were compared with extant theory and literature. Next, the findings of the data are presented.

Table 1.4.1 Summary of category and code

Category	Code	No. of references
The customer's perspective		
Conflict with service provider	The service provider is a competitor	9
	Different practice	4
	Goal conflicting	21

Relationship development	Avoiding conflicts	1
	Intense interactions	5
	Joint-up	1
	Open communication	6
	Dependency on the customer	4
	The progressive process	6
Relationship governance	Beyond the contract	3
	Perceived benefits	5
	Perceived importance	2
Resistance to relationship	Individual's characteristics	20
	Out-group treatment	18
	Perceived benefits and cost	7
Relationship drivers	The success of the service	6
	One team	5
Relationship outcomes	Customer's co-operation	10
	Listening to service provider	5
	Open communication	4
	Relational governance	1
	Shared goals	2
	Shared identity	2
The service provider's perspective		
Contract governance	Limitations	9
Dependency on customer	Facilities, materials and systems	7
	Manpower	8
Relationship development	Creating goal-sharing	1
	Formal interactions	2
	Interpersonal similarities	2
	Personality	7
	Progressive process	6
Relationship driver	Customer's reciprocity	10
	One team	7
Relational behaviours	Giving favours to the customer	2
	Problem solving	6

	Informal interaction	12
	Open communication	3
	Shared identity	2
Settings	Closeness	8
	Frequency	1
	One work team	7
Relationship governance	Dependency on the individuals	4
	Perceived benefits	10
	Perceived importance	17

Table 1.4.2 Examples of category, code and memo

THE CODING OF INTERVIEWS	
Code	**Perceived differences**
Definition	Perceived differences refer to the assumed dissimilarities in appearance, mentality and behaviours between the military and the industry members by the service provider and the customer.
Example 1 The interviewee is from customer organisation	*On the whole relationships have been good I mean that sincerely. When I first came here you know I was told about the job, coming into it, I thought my God, working with the company at that close a level, clearly the biggest issue is going to be you know, the company just after profit and err the (army) guys just after operational capability, it'll be a nightmare.*
Example 2 The interviewee is from customer organisation	*In fact what we found that of the people we still have from a company perspective, the ones who have the most difficulty are to be honest, the ones who have probably a bit of a social difficulty in interacting with servicemen because I think we do have a slightly different ethos to the wider civilian population and therefore I mean we do have, it is still to an extent a little bit of a boys' culture, it's still alcohol based to some extent, and there is very much a focus on the task at the expense of anything else that is a bit of a different culture, err and so that has for some individuals understandably who didn't join up to be military, they have found it difficult to adjust to.*
Category	**Relationship development**

Example 1 (The beginning stage) The Interviewee is from service provider organisation	*when I first came down to (customer's site) I was put into a portacabin and they wouldn't allow me to go into the main pavilion at (customer's site) I don't know if you've been there so where the (customers) are they actually didn't let me engage.*
Example 2 (The later stage) The Interviewee is from service provider organisation	*my view is as I am thinking is I think we are actually making a partnership so you mentioned, when you started off I think you said corporate, middle bit and something else well I think the middle bit is actually starting a marriage here it's, it is actually building a partnership because we are all in it together end-to-end one team*
THE MEMO	
The uniform The Interviewee is from service provider organisation	In today's site tour with Mr. X (the customer's manager), he specially mentioned the uniform of the service delivery team. He said, *The uniforms are a great leveler because they know I mean if you were in a shirt and tie you could be anyone and I think because they know who you are as long as they've been told what we are there for then there's a bit more sort of interaction between us. They know that we are here to help and support and I think you will find that after a period of time you will begin to see them coming to us and asking questions more than they would do perhaps if we were (the military engineers) because we are neutral if you like you know.*
	During the site tour, we met two engineers from Company B wearing the dark blue uniforms which were customised for the joint service delivery team of Contract B. The uniform seemed to create a presence of the service delivery team, because they could be easily distinguished from the green-theme military uniforms. It also appeared to create a similarity with the military soldiers by wearing uniforms, not shirts and ties.
The cross-managed service delivery team	There are no shadowing roles in (the contract), everybody has their own unique post. (the customer's manager) is the maintenance manager for (the equipment) maintenance, he has two (the customer's staff) and two (the company's) managers. So he has four direct

	reports, two (customer's staff), and two from (the company). He does the report the appraisal for the (customer's staff) and he also writes the (the company's staff) appraisal. These two (customer's staff) have got (the company's employees) working for them, so they write their appraisals and assessments for (the company) staff.

The limitations of contractual governance

Contracts or the existence of a detailed agreement (Cannon, Achrol & Gundlach, 2000) had its enforcement under conditions of violation (Antia & Frazier, 2001), and the stipulation of expected behaviours and roles in the exchange (Lusch & Brown, 1996). First, as far as our interviewees were concerned, contracts were incomplete, and even the most comprehensive contract could not provide full safeguards against potential risks and uncertainties. For example, the negotiating parties might only write down clauses they agreed on but remained silent on issues on which they had a debate. Second, it followed that strict adherence to the written contract precluded the necessary flexibility in service delivery. For instance, the procedure of contract amendment was lengthy which would cause delay in service delivery. Third, as revealed by the interviewees, the success of the service was not to meet the contractual obligations such as Key Performance Indicators (KPIs) but actually to make the day-to-day service work. According to them, the classification for success was 'we feel that this is a successful programme' rather than 'we met the KPIs'. Thus, they suggested that the service activities were not supposed to be bounded by the contracts. Also, in our case, performance-based contracting had difficulty in specifying boundaries and roles which led to the misunderstanding that service delivery was the service provider's, not the customer's, responsibility. Finally, contracting mechanisms such as 'gain share' and 'pain share' of financial incentives were crafted to promote firm-level cooperation, but unfortunately, they failed to motivate cooperation at individual levels because the customer perceived that the provider was after profit (whilst the customer was after operational efficiency). In addition, contract benefits such as cost-savings were unable to encourage the individual customers to participate in the service delivery, and therefore they were reluctant to get involved. Due to these limitations, service performance suffered when detailed contracts were used without a well developed relationship. Table 1.4.3 provides some example quotes from the interviews referring to the contract limitations.

Table 1.4.3 Example quotes on contract limitations

Interviewee's organisation	Contract limitations	Example quotes
Service provider	Contracts are incomplete and could not provide full safeguards against potential risks and uncertainties	*"Well contracts tend to, be tend to be silent on a lot of, on a lot of issues, you don't tend to may be because you haven't thought of them may be 'cos you didn't particularly want to broach that particular subject because you knew it would be difficult or whatever so sometimes you just don't bother to write them down and you will work your way through that once you get err once you get into the contract… Well inevitably, inevitably you never, you are never able to cover I don't think everything that you are going to have to be able to do. I mean first of all you would have a contract which was probably five times the size and you probably never actually reach a conclusion you have just got to assume that certain things kind of will happen. You are not, you never ever going to be able to tie everything down to you know a black and white in a contract it just isn't going to happen, it's not practical."*
Service provider	Strict adherence to the written contract precluded the necessary flexibility in service delivery	*"Now if you just follow the absolute letter of the contract then we would just stop, we wouldn't do anything right we would officially declare that we are not going to provide this manpower and we would go through a lengthy process of asking us for a quote, we would give them the quote and then get the money approved and the money finally turns up they put a contract amendment in and then we get to go out and we recruit sub contractors. That will take months and months and*

		months. "
Customer	The success of the service is not to meet the contractual obligations such as KPIs but actually to make the day-to-day service work	*'Yeah it is, we have a totally different perspective on what's required on the day-to day-basis it's not bound by the contract which is why you know when the urgency was to sign the contract, from our perspective the urgency wasn't from what we did on the day-to-day basis it was purely financially and I think a PR-based activity and because our role really is still to make sure that they get what they need every day however we give that to the front line so, and I think within industry they have taken on a lot of ex (the customer) people both military and civilian, hopefully that ethos you know that actually because this is a contract but actually more importantly we are trying to deliver a service here and an output that will bear fruit in the future but you are never going to be able to at the minute under the current constraints.*
Customer		*we've still got a little bit of a culture I am not doing that it's not in the contract but actually what we should be doing is right, it's not in the contract push that to one side but what we need to do is resolve it and if there are some contract issues then we'll sort them out afterwards. We now have a little bit of a culture where there are loads of contract changes coming through which is to add more and more to the contract and obviously they have a pound sign attached to them and it's all very much well you know we'll we want to get these pushed through we want the money rather than well actually we know we are going to get the*

		money because there's a procedure in place which enables us to let's work the solution and you know then we'll sort out the paperwork.
Customer	Performance-based contracting has difficulty in specifying boundaries and roles which led to the misunderstanding that the contractor was the only producer of the service.	*"That's the kind of business that we should be in, you know, as well as perhaps because I don't want to be sitting there marking (the provider's) homework, you know. We've given them the task that's what we are paying for if we go with the KPI (Key Performance Indicators) and then meet the KPI then there should be no reason for me apart from a very occasional audit to go in and do a quick box check against the err the processes and procedures that they are running. There should be no other activity there for me to do."*
Service provider	The contract benefits such as cost-savings, failed to motivate the individual customers to participate in the service delivery	*"They (end users) don't know what's going on in that background and the user doesn't necessarily want to get involved in a lot of these contracts. Whether it be (end users), whether it be any, (end users) you know if it came for (end users) or something like that, the user is just principally standing back going, well it's got nothing to do with me."*
Service provider		*And they won't, the people that are around here at (site) they don't really care about finances, they don't really care about money, what they care about is being able to take their equipment to war no matter what it costs. It's the MoD at large, the (customer) the financiers and people like that they worry about money but the (users) they don't care about money apart from*

		their own, their own salaries.

The relationship development

As a result, working around contracts had caused service failure. Until then, both the service provider and the customer realised that a good working relationship was essential for the success of the service. The service provider and the customer described their initial relationships as "an arranged marriage". The newly married couple had yet to find any common goals in life. The customer community thus treated the service provider as an opportunist who was eager to make money from the marriage. Some even considered that working with the service provider would be a nightmare. It was followed by insufficient interaction and communication between the two parties. As noted by Mohr and Nevin (1990, p. 36), communication's effect on relational sentiments should be positive because "communication [is] the glue that holds together a channel of distribution" and helps create an atmosphere of mutual support and participative decision making. In both contracts, although there were formal communication channels such as regular meetings, without a close relationship, the service provider and the customer would sit separately during the meeting and the interaction was lacking. Specifically, at the beginning stage of the contract, a lack of effective communication had left the customer in the dark not knowing why the service provider delivered the service differently from what had been done in-house. Likewise, salient cultural differences posed a challenge to developing relationships. For example, the end users, in this case the soldiers, had problems in dealing with industrialists. Similarly, industry people also found it difficult to adapt to military culture. Example quotes describing the beginning stage of the relationship are provided in Table 1.4.4.

Table 1.4.4 Example quotes on the pre-relationship stage

The interviewee's organization	The pre-relationship stage	Example quotes
Customer	The contractual relationship is an arranged marriage	*We haven't, we haven't fallen in love with each err and then got married you know this is an arranged marriage and it's been arranged from outside.*
Service provider		*And I suppose it's a, it's a new environment for industry isn't it, it's about understanding you know*

		that management of that risk and having a trust in your partner that you know they are going to come up with the goods at the end of the day and actually at the end of the day it is a partnership you know it's give and take on both sides. But things are better now we've gone through, it's almost like going through divorce and apology if either of you have gone through a divorce because I don't but it's like a very turbulent you know love hate type relationship, very interesting.
Customer		*When I arrived ten months ago even up until I would say three months ago, the relationship was very much of boyfriend, girlfriend but well in fact husband, wife that are divorced acrimoniously and were now fighting over the record collection.*
Customer	The contractual parties are not driven by the same goal	*There is still very much well (the contractor) are an external company they are just here to make money. There's old attitude that yeah they are just here to screw us. They just want money.*
Customer		*But they are driven in a different way they are bonus driven they are money driven, they are results driven because the company it's like working you know for an outside company you don't deliver you are gone and I can easily get someone else in to do that job… then you know it's not the same it's not you know we are not driven by the same things.*
Service provider	The Interaction is lacking	*They would come here once a month and they would sit across the table like this and (the customer) would sit at one end and the base would sit at the other, (the customer) would say we've got a much better way of*

		doing this than you have than you have done for the last twenty years and low and behold these guys would sit there and say well what's it got to do with you and the shutters would just go straight up you know there was just no interaction.
Customer	Mutual communication is ineffective	*That's not to say they are doing them worse they are just doing them differently but they hadn't communicated that that's how they were going to do business. So therefore we were scratching our heads and not understanding why they were making some of the decisions that they were making but it was because they hadn't told us that their philosophy was that way or this way.*
Customer		*But that then gets back to the marriage analogy, if the two married parties don't communicate properly with each other they might rub along with each other, they might live in the same house, but they won't create anything and it's not necessarily going to last.*
Customer	The cultural difference between the service provider and the customer is salient	*I don't have a problem working with civilians less so than a lot of my green colleagues err where they do see it as a problem.*
Customer		*We do have, it is still to an extent a little bit of a boys' culture, it's still alcohol-based to some extent and there is very much a focus on the task at the expense of anything else that is a bit of a different culture, and so that has for some individuals understandably who didn't join up to be military they have found it difficult to adjust to.*

Fortunately, both the service provider and the customer organisations and their employees were making efforts to develop relationships with the counterparty. Apart from

the technical expertise, the firms were more focused on managers' ability in relationship building. The firms also aligned their personnel arrangement at all levels with the customer's side. For example, the service provider recruited ex-military staff who could understand the protocols of the army and build rapport with the soldiers, and the shared experience/history tended to break the ice. Meanwhile, individual service providers and customers were socialising through informal events. Social activities such as golfing, outings and barbeques were organised to promote interpersonal interactions. Over time, the ongoing interaction did not develop in a vacuum but rather, it accounted for the social relationship bonds. Many relationships seemed to have developed through social events outside the work environment. Table 1.4.5 presents some example quotes on the relationship development.

Table 1.4.5 Examples quotes on the relationship development

Interviewee's organisation	The relationship development	Example quotes
Service provider	The service provider and the customer started to develop relationships	*Individuals are very much focused on the contract but there are key individuals who are very much focused on the more relationship development side which I think is really the way forward. if you are going to, as a manager if you are going to, if you are senior in the team I think it's up to you really to show the way that you should act you know with these industrial partners and it's got to be a very grown up relationship and not a childish relationship and I think the tendency at the early stages was you can't have that its mine you know it got really, and there was a huge language barrier.*
Service provider	The firms are more focused on managers' relationship skills	*Because you are confusing learning with relationships there's a moment the relationships nicely formed make sure you choose the right key roles to get the right people in the right roles and more and more conversation about right who are we going to put in this role. Ten years ago it would have been about you know has he got this background, has he got this*

		qualification and how much experience has he got, it would have been very technical in the main but engineering technical or accountancy technical or whatever their discipline was the concept would have mainly been about that and then somebody oh brilliant but that doesn't matter don't worry about that you know.
Service provider		*On the other extreme like me I guess and (the manager's name) who is my manager there his prime job is to interface with (the customer) and the (site), but his job in the main when he was doing that was purely relationships. Purely relationship building.*
Service provider	The firms also recruited ex-military staff for the purpose of relationship building	*I think it does because I think it tends to break the ice because you've got, you've got history.*
Service provider		*There are quite a few ex-military in there. Obviously defence contractors, people that you meet and things like that when somebody's getting out they may (military service) be offered a job or something like that but fundamentally the part that, you've got to have that good working relationship because if you don't you're screwed.*
Service provider	Interpersonal relationships were eventually developed through socialising events	*So there's a lot of socialising that's done to develop relationships in and around outside of the bounds of the contract which, which is really useful so I mean it's key, key that relationships are developed outside of the work environment.*
Customer		*we had a night out with them so you get to know people that way socially and they've also got I think it's a, end of July like an open day barbeque and all that which I think most of us will be going to. Again you will get to know them that way.*

Service provider		*We started to have a meaningful debate very quickly the relationship well we are only people so it very quickly they were having drinks in the Officers' Mess Bar, they were going out you know some people were socialising. So very much a more joined up, I would say in the first three of four months you know we had made big strides actually building the trust took a much longer period of time.*
Customer		*I think over the period of time as well, a kind of respect for each other grows as well. You get to understand individuals better on a personal basis and you probably have more open conversations about things other than work, it's not all work related and I think that is kind of a leap or a step that you take but you don't take it straight off because naturally you are well I am not going to talk to you I don't know you, you are a bit wary of opening up but it's not different to any kind of friendship I think, it's very rare I think you meet somebody straightaway and think oh I am going to be your friend I really like you, it's all about a period of understanding in getting to know I think individuals and the way that they work. That takes time that doesn't happen overnight but I think you know after two years, two and a half years you know kind of there with most of them the ones that I have to deal with on a daily basis anyhow.*

The role of interpersonal relationships

The existence of interpersonal relationships has enhanced the contract performance and smoothened the service delivery. Mutual adaptation between relationship parties provided the flexibility to cope with inevitable uncertainties that arise in the contracts. The

interviewees suggested that what was stated on the contracts may never happen but relationships helped make sure things got started and finished in a positive tone. Also, interpersonal relationships were the glue that made all things work. Even when the process got stuck, relationships were the solution to disputes, and having the right relationship could move the service delivery on. Example quotes referring to the role of interpersonal relationships in service provision are provided in Table 1.4.6.

Table 1.4.6 Example quotes on the role of interpersonal relationships

Interviewee's organisation	The role of interpersonal relationships	Example quotes
Service provider	Relationships enhance the implementation of contracts	*Exactly but that doesn't mean to say that just because it's on paper it could happen in a week for instance that it will because one it never starts, one it might get to day four and just stop but relationships help make sure that the things get started and that it finishes not circumvent it necessarily... Such that when there is a relationship there when something needs to be got or happen then it would happen and then build up that trust.*
Service provider		*And the assumption in the contract is these things will be done because they've said that you should have car parking you shall have this, this and this and just because it says it there doesn't mean to say it is. Now you can either spend two years having the fight and wining or if you have got the relationships you can just, it will get sorted out so it's things that you don't put financial fund it works it just makes everybody's life a lot easier and things just get done.*
Service provider		*Now if you just follow the absolute letter of the contract then we would just stop, we wouldn't do anything right we would officially declare that we are not going to provide this manpower and we would go through a lengthy*

		process of asking us for a quote, we would give them the quote and then get the money approved and the money finally turns up they put a contract amendment in and then we get to go out and we recruit sub contractors. That will take months and months and months that's how their system works. So what we said is okay I will bring the contractors in straightaway, bang you go off and sort your system out and when you are ready come back and give me a contract amendment to pay for what I have already spent and then pay for however long you want to keep the contractors on.
Service provider	Relationships smoothened the service delivery	*I don't think we put enough spending into how much relationship is worth as a business. We tend to focus heavily on the things that you can touch and feel like somebody can write you a process or a procedure but it's the softer issues that make these things work the softer skills, you know the way in which people interact, the way in which we operate with our customer once we are on his base. You know they are the things that really grease the wheels. You talked about the glue; for me that's the glue that makes all this work.*
Service provider		*Now we are not asking them to shortcut everything because you can get into all sorts of trouble doing that with all sorts of you know, all sorts of things can go wrong if you start (to) shortcut an established process. The problem usually is getting them into the process or they come to a point where they get stuck and that's where having the right relationship or whatever can then just move it on or else it just sits*

		there, it sits there and sits there and sits there. So I am not suggesting that in relationships you cut round things because that's usually in the long term not a clever thing to do you know. The relationship that process get started or when it gets stuck to free it up. Time is wasted in general MoD. (The company) as well I am sure there are a lot of other large organisations is that the process doesn't execute fast enough.
Service provider		*You then see that he can then use those relationships to either just sort of oil the wheels altogether speed things up or he could have a conversation say with the station manager who if you are in the (customer) on base little empire so one of the (customer) wanted, wasn't perhaps feel he was in a position to go and talk to he would talk to (the manager's name) would go and do it and at the end of the day the station work for him so there is all that sort of complexity of relationship building and then you just know you are going to get benefit from that but things happen, things are much easier, things get smoothed through that could otherwise could become an huge issue. You know hoards of little things.*
Service provider		*Probably relationships are key. You never solve or you never get to where we got to and you never we shall never solve getting a bid in of this sort of nature unless your relationships with all the stakeholders are very good. You can't come at a solution like this, on an adversarial sort of basis.*
Service provider		*It doesn't matter, they won't surprise, at that time yes we*

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		would put money in if we felt it was by itself at the time it was more important to fix the problem rather than just sit back and wait or have some extended argument because at the end it comes back to relationships and the trust of the partner. We can usually react faster than the (customer) can because we are an industry and within limits we will do whatever we need to do they have a much harder, it takes a lot longer to get a decision and particularly if that decision involves spending money. So some of the time we'll say we'll fix this for you I'll spend the money right and the assumption is that when you go off and you will come back and give me the money back and I will get the cash at that point.

Moreover, the expectation of continuity minimised the possibilities of opportunistic behaviours and generated trust between relationship parties. Noticeably, trust was considered as a trait that became embedded in a promising relationship. Many conceptual (e.g. Bradach & Eccles, 1989; Dyer & Singh, 1998; Uzzi, 1997) and empirical (e.g. Artz & Brush, 2000; Dyer & Chu, 2003; Poppo & Zenger, 2002) works have established the benefits of trust-based forms of governance. In essence, once an exchange partner is granted 'trustworthy' status, they are expected to behave in a trustworthy fashion in the future. The mechanisms through which trust attenuated contract hazards were both economic and sociological in nature. Williamson (1996, p. 97) suggested that the term 'trust' is misleading, arguing that 'because commercial relations are invariably calculative, the concept of calculated risk (rather than calculated trust) should be used to describe commercial transactions.' Nonetheless, there is considerable overlap in the arguments of sociologists and economists surrounding trust and cooperation. Poppo and Zenger (2002) summarised that both sociologists and economists, for instance, argue that repeated exchange encourages effective exchange, and that repeated exchange provides information about the cooperative behaviour of exchange partners that may allow for informed choices of whom to trust and whom not to trust. While the mechanisms may

differ slightly, both economists and sociologists emphasise that reputations for trustworthy behaviour are rewarded and reputations for untrustworthy behaviour punished in the broader network of potential exchange partners (Poppo & Zenger, 2002). Consistent with the literature, many interviewees thought the trustworthy status was conditional. For example, one participant said,

> "*The first time they ever let us down then that will destroy four or five years of relationship; the same as if we ever let (them) down, that would destroy the relationship.*"

The two types of interpersonal relationships

Interestingly, we found two types of interpersonal relationships between the service provider and the customer, and each relationship demonstrated different motives, norms and outcomes. The first type of relationships has the characteristics of social exchange, while the second type entails a communal orientation of social solidarity. In some interviews, the relationship norm of reciprocity was underlined. That is, when the service provider provided resources to the customer, he/she had the expectation that the counterparty would give something in return. Typically, service providers were keen to develop relationships with customers at strategic positions in exchange of resources, information and preferable treatment, e.g. the customer can help with a milestone task. We termed this type of relationship as exchange relationships in which the relationship parties exchange favours and cooperate conditionally. The intentions and outcomes of this relationship are presented in Table 1.4.7.

Table 1.4.7 The drivers and outcomes of the exchange type of relationships: Example quotes

Interviewee's organisation	RELATIONSHIP DRIVERS	EXAMPLE QUOTES
Service provider	Perceived reciprocity from the customer: Developing relationships is to exchange benefits	*If you want to give something to somebody on the (site) you don't just go and give it to them you go through the (customer) because the (customer) rules the camp. Anything you want on the (site), any items you want on the (site), anything you want on the camp the (customer) is the man.*

Service provider		*You want white lines marked outside for car parking or you want fire extinguishers or you want something the (customer) is the man that provides it on the (site).*
Service provider		*Yeah but he's, he provides everything. If you want anything he's the man to get it.*
	RELATIONSHIP OUTCOMES	
Customer	The cooperation is conditional	*I think if you got a good relationship then you can get you know if you've got a task to do then you can work on it. If you get on it makes it easier because you, you are happy to give what the other person needs there's no sort of confrontation and they might bend the rules a bit and you might bend the rules a bit or cut corners to, to you know to meet their needs.*

Meanwhile, our findings indicated the other type of relationship which we refer to as communal type relationships. In this type, relationship parties' were driven by communal orientation towards social solidarity (to protect the 'common good') e.g. the success of service or the benefits of the team. Gradually, their relationship efforts eliminated the estrangement and the individual service providers and the customers started to form a common identity and treated each other as 'one of us'. They eventually moved from the 'them vs. us' split into a collective 'we'. Getting back to the marriage analogy, the marriage did not actually happen at the time they signed the contracts, but when both parties made the emotional commitment to act as one united team. After working on the contract for nearly one and a half years, we observed the 'we-ness' in some work teams; as visitors, we could hardly distinguish between the service provider and the customer when they were working at the service site. In such relationships, interpersonal trust and cooperation had been greatly enhanced. Individual service providers and customers were likely to conceive themselves as part of a collective team rather than separate individuals, and both parties cooperated for the attainment of team goals. Within a group, the definition of self shifts from being personal ("I") to collective ("we"), and the same motivational processes that apply to the individual self may come to apply to the collective self

(Ellemers, Gilder & Haslam, 2004). Then the collective self will exert oneself on behalf of the group, and facilitate the direction of efforts toward collective (instead of individual) outcomes (Ellemers, Gilder & Haslam, 2004). In some cases, the relationship parties were empowered to plan and solve problems for each other. Also, the communication had become more open. More importantly, both relationship parties reached the mutual understanding of the benefits of the service, and believed that with teamwork, the service performance would be greatly improved. We use example quotes to illustrate the communal type relationship drivers and outcomes in Table 1.4.8.

Table 1.4.8 The drivers and outcomes of the communal type of relationships: Example quotes

The interviewee's organisation	RELATIONSHIP DRIVERS	EXAMPLE QUOTES FROM THE INTERVIEWS
Customer	Communal orientation: The service provider and the customer believed that they belonged to one team	*My view is as I am thinking is I think we are actually making a partnership so you mentioned, when you started off I think you said corporate, middle bit and something else well I think the middle bit is actually starting a marriage here it's, it is actually building a partnership because we are all in it together end-to-end one team*
Customer	Communal orientation: The service provider and the customer developed relationships for the common good, e.g. the success of service	*It goes back to this relationship and this is where we are now coming in this last 12 weeks we are now working far, far more closely because we have forced the issue at desk level to try and bang some heads together at senior levels to say we need to work on this relationship because we haven't got one at the moment or we didn't have one and without it we were going to get further down in the doldrums.*
Customer		*We could have just walked away and said you are on contract now you can get on with it and we would have grounded the whole (equipment) but what we have chosen to do is to say well come on we've got some real problems here we can help you sort on both*

		sides I mean there's been problems on both sides let's get it sorted together and that's where we are now.
	RELATIONSHIP OUTCOMES	
Service provider	Relationship parties treated each other as team members	*Just recently only a couple of months ago I went on a, on a military field trip with them into (the place) you know just another member of the team basically that's how I get treated."*
Service provider		*So if an (equipment) goes on a test and fails and comes back we are actually feeling that pain, nothing to do with the contract, absolutely nothing to do with the contract, end to end one team trying to get that (equipment) out (working) to the right capability when the (user) needs. It feels like we're starting to feel that pain and I am using the work pain I am not sure that's the right word but we are feeling it together and we are as one.*
Service provider	Interpersonal cooperation and trust had been enhanced	*There is a change of attitude by people where they are becoming much more joined up … with that we're developing a new joint behaviour joint culture which is taking us forward and there's now much more trust between (the company) and (the customer), whereas previously it was very much a 'them and us' reaction.*
Service provider		*When they are on the shop floor doing work you can hardly distinguish between the two but their relationships aren't around the contract their relationships are about getting the job done you know the tasks in the same way they are operating in the same environment with the same constraints so there's no differentiation.*
Customer	The customer was empowered to solve problems for the service	*Now we've sat down with them, gone through a lot of that, we now understand and we are able to*

	provider	*debate a number of points you know they hadn't even read the regulations in which they were meant to be managing the contract by you know our bible. Now that they know that's there, now they know where to find it on the intranet.*
Service provider	The service provider was empowered to plan for the customer	*Oh yeah I am on the (site) now so I sit with (the client's team leader) and his team once a week and we go through they tell me things which are military, we go through military issues and they, they ask me for my industrial opinion. So they'll say we are thinking about closing (the site) next week, for a day because we've had a really good (the event) how does that affect output for us? I'll say well you'll lose a day's production you know it's, it'll cost us X number thousands of pounds but I am consulted the issue isn't the answer the issue is the consultation is the issue.*
Service provider	Communication has become more open	*So at the personal and one-to-one levels relationships have always been very, very strong but that's not to say that if there's a problem sometimes you know you have to have the harsh words which is fine.*
Service provider		*Right you know right but that's the kind of relationship we've got. I can go in there and be very outspoken with them because I've built up that level of trust with them.*
Service provider	The customer realised the benefits of the contracts	*The (customer) guys often say to me and they often brief their own teams and they ask me to come to the briefs as well, and they say you know (the company) have never been before bothered about you know how reliable our (the equipment) has been because the more it broke the more we spent but now they are really interested*

		in reliability and we spend a lot of time and effort and we have put a complete organisation in place just to look at the reliability of the (equipment).
Service provider		*Now we've got a very transactional high volume so we are reliant on things breaking unsustainable over time because (of) budget shrink as opposed to going up and as things break as the aircraft get older and they break more you need more bits and more services so looking at an innovative approach where reliability of the equipment is crucial you know and us not selling more spares is crucial is the key, I see that as being the key turning point in this relationship.*
Customer	The service performance was to be greatly improved	*I have a view if you can get that amount of passion, one team, one goal delivering the end product you, the fall out will be that it will come cheaper and it will come quicker anyway is a view, so stop worrying about it.*

Conclusion

The gap identified in literature has prompted us to conduct the field-based research involving qualitative studies that draw on interviews that offer insights into contractual and relational governance in inter-organisational service exchange, focusing on the individual-level service provider and customer relationships, and behavioural issues. In this study, we find how relational governance is effected through the development of interpersonal relationships between the service provider and the customer, and how such relationships are initiated, built, and nurtured in co-producing service outcomes. Using field research from two performance-based equipment provision contracts, we derive a set of findings that explains and integrates existing knowledge about the interpersonal relationship formation in sercive context, and advances the understanding of how the relationships evolve over time, e.g. the relationship drivers and outcomes. The findings indicated that social relations would enhance the contract performance and smoothen the service

delivery. When a close relationship was absent, the service provider and the customer were unlikely to cooperate in good terms and the service would potentially fail. On the contrary, if both parties had a trustworthy relationship, there was little need for contractually specifying actions. Relational governance thus became a necessary complement to, if not a substitute for, the adaptive limits of contracts. The enforcement of trust occurred through social processes that promoted relationships norms, and figured prominently in explaining the success and stability of service co-production. Relationship norms such as flexibility facilitated adaptation to unforeseeable situations and promoted a bilateral approach to problem solving, creating a commitment to joint action through mutual adjustment in coping with behavioural and environmental uncertainties.

As well, the present study identified the process of developing a promising relationship between the service provider and the customer. Although salient differences in organisational cultures and business interests have prevented interpersonal interactions at the initial stage, the challenge was finally met by the firm's efforts of personnel arrangement and individual employees' efforts of socialising with the counterparty. Furthermore, interpersonal relationships between the service provider and the customer in service co-production can be in the form of exchange and communal relationships. That is, in the exchange type of relationships, the service providers were motivated by perceived reciprocity from the customer and behaved reciprocally. In the communal type of relationships, both parties were driven by communal orientation, treated each other as an integral part of the team and worked towards the success of the service. Through the formation of a common group identity, the collective goal promoted interpersonal cooperation in such relationships. In this respect, cooperation in communal relationships was more effective than that for exchange relationships, as the latter was conditional.

It is interesting to note that what originally started as a study on relational governance of service contracts seems to have obtained quite unexpected results. Along the course of our study, we discovered two different drivers of interpersonal relationships between the service provider and the client: perceived reciprocity and communal orientation. Specifically from the point of view of managing cooperation, communal orientation promotes collective actions which may hugely increase service output. At the best of our knowledge, this perspective has not attracted enough attention in research as much marketing literature is focused on exchange driven relationships. In light of this, there is a need for greater research attention towards the mixed drivers for customer relationships.

2.1 Research Motivations

The preliminary study showed that perceived exchange benefits and communal orientation seem to be the drivers for relationship formation between the individual service providers and customers. This finding is consistent with literature as Portes (1998) suggested the existence of two sources of social relationships that fit the consummatory (e.g. social solidarity) versus instrumental (e.g. reciprocity) dichotomy. However, we were curious as to first whether such relationship drivers for service provider-customer relationships can be generalised to other type employee-customer relationships, e.g. salespeople- customer relationships, and second whether there are any other underlying motives behind the formation of interpersonal relationships in the business context. In light of this, a further investigation of the relationship drivers seems necessary.

From 21st to 23rd April 2009, we conducted a structured interview survey in English and Chinese with a convenient sample of 10 salespeople via face-to-face, telephone and internet media. The survey question was "why do you cultivate customer relationships?" This sample consisted of nine males and one female from business-to-business industries (e.g. Business service, IT and manufacturing) in China, holding junior to senior managerial positions in their respective organisations. All of them engage in frontline sales and actively deal with business accounts with between 4 and 12 years' sales experience. A summary of the sample's background information is provided in Table 2.1.1. In these survey interviews, the respondents shared that customer relationships are essential to their work, though their reasons for developing customer relationships may vary. We collected 65 items (see Table 2.1.2) in total which account for various reasons of cultivating customer relationships. According to the interviews, in general, relationship building is to fulfil organisational as well as personal goals such as meeting sales targets, which focused on the exchange of benefits. Also their relationship building often bears a long-term orientation and a future prospect, e.g. the customer may be useful to me in future. Alternatively, communal type relationship drivers were highlighted. The reasons for participants to foster relationships with customers included customer-orientation considerations such as problem solving for the customer, and help to improve customer's work efficiency and effectiveness. However, this short survey revealed many other reasons for relationship formation. First, the participants stressed that they wanted to build friendship with customers who were similar to them or whom they liked. For instance, one sales manager told us,

'As I don't really work on commission basis that much, I hesitate to say money. I take it as I am developing customer while building friendship.'

Second, the participants mentioned that developing a good relationship with important customers would help them to gain reputation in their organisations or in the industry in general. For example, a general sales manager from an industrial firm told us, by knowing the decision markers in the purchasing firms, he could establish his 'name' in the industry. Third, apart from the economic and social benefits we listed from the previous examples, there were a few participants who specially mentioned benefits related to personal growth. For example, one senior sales manager recognised self-growth as one of the reasons motivating him to deal with new customers. He said,

'I want to show that I can do it, especially if it is a new product, industry that I am in, like IT and design related which I have no prior experience. To a certain extent, (it is) self-actualisation.'

Another interviewee also shared that his motivation for developing relationships with a military customer, *Huawei* (the company's name), is driven by his curiosity and eagerness to learn how to deal with this specific customer. In sum, as shown in Table 2.1.3, the investigation allows us to discover various categories of reasons for salespeople to develop relationships with customers including salespeople's organisational and personal benefits, benefits for customers, benefits associated with external rewards (e.g. sales commission, peer's recognition) and those internal rewards such as self-fulfilment.

Table 2.1.1 Summary of interviewees' information

Participant	Gender	Position	Industry	Sales experience (years)	Age group
1.	Male	Senior manager	Manufacturing Training	12	35-40
2.	Male	Sales manager	Training	5	25-30
3.	Male	Senior manager	e-business Trading	10	Above 45
4.	Female	Sales	Business service	4	30-35

		executive			
5.	Male	Marketing manager	Training	9	40-45
6.	Male	General manager	Manufacturing Business service	10	40-45
7.	Male	Senior manager	Manufacturing Training	12	35-40
8.	Male	Sales manager	International trading	10	35-40
9.	Male	Senior manager	Business service IT	12	35-40
10.	Male	Senior manager	IT	12	40-45

Table 2.1.2 Summary of reasons for cultivating customer relationships

Participant	Reasons for customer relationship development
1	- Seeking information for sales purpose - The customer is the decision maker - Building long-term relationships - Work efficiency and effectiveness - Meeting organisational objectives - Personal affection of the customer
2	- Helping customer to solve problem - The fear of losing sales - For the efficiency of following-up work - Word-of-mouth - Future employment opportunities - Customer's reciprocity

3	- Customers are buyers of my products and service
	- They are my income sources
	- Word-of-mouth, reputation
	- They might be useful in future
	- Business benefits and interest
4	- Personal liking for the customer
	- Customers' personality
	- Similar attitude and thoughts (discovered at a later stage)
5	- Fulfilling sales targets
	- Seeking friendship
	- Responsibility
	- The importance of customer
6	- Seeking information
	- To establish trust
	- To communicate openly
	- Expand personal social network
	- Reputation
	- Improve oneself market value
	- Future employment opportunities
	- Social work for personal interest
	- Responsibility
	- Similarity (discovered at a later stage)
	- The customer is useful
7	- Seeking information
	- Mutual understanding
	- To establish trust

	- The customer is attractive
	- Personal goals
	- Long-term relationship
	- The importance of customer deciding the closeness of relationships
8	- Business benefits and interest
	- Financial incentives
	- Achievement motives, e.g. to enhance 'face'
9	- Meeting sales targets
	- Self-actualisation
	- Meeting company and personal goals'
	- Building friendship
	- Similar interests
10	- To identify sales opportunities
	- Meeting sales target
	- To establish trust
	- Open communication, information seeking
	- Financial incentives
	- Peer's recognition
	- Reputation
	- Influence in own organisation
	- Generate company revenue
	- Long-term orientation i.e. the customer might be useful in future
	- Responsibility i.e. 'it is part of my job'.
	- Enjoy helping customer to solve problems
	- Self-learning, i.e. curiosity to know new customers
	- Self-challenging, achievement motives

		Customer's characteristics, similar value, professionalism, honesty, ethical

Table 2.1.3 Categories of reasons for cultivating customer relationships

	Extrinsic Benefits	**Intrinsic Benefits**
Self (salesperson) - centred	- Economic related - To identify sales opportunities; - Meeting sales target; - Generating business revenue; - The customer is important (i.e. decision maker). - Social networking - Improving market value and employability.	- Personal advance and growth - Self-actualisation; - Self-learning (e.g. information seeking); - Self-achievement (e.g. developing relations with challenging customers). - Need of self-esteem by achieving or maintaining a positive social identity - Peer's recognition; - Reputation; - To enhance status in the organisation;
Customer-oriented	- Mutual understanding - Open communication - Establishing trust; - Developing friendship; - Work efficiency and effectiveness.	- Emotional enjoyment (i.e. affection and customers' similarity); - Enjoying helping customers (to solve problems); - Responsibility, e.g. 'it (helping customer) is part of my job'.

The initial findings was developed into a paper and presented at *the 9th International Conference of Relationship Marketing* at Berlin in September, 2009. Feedback from peers

at the conference, together with a further search of literature has shown the necessity to conduct an in-depth study of relationship drivers for employee- customer relationships. We thus carried out the following study to validate the findings in the preliminary investigations. In the following study of drivers for cultivating customer relationships, salespeople were defied as the major informants because first, salespeople tend to have more interactions with customers due to the nature of their job, and second, the use of salespeople other than service providers as major informants will help to test the generalisability of initial findings.

Noticeably, salespeople play a key role in achieving the firm's performance objectives of relationship marketing such as sales volume, profits and customer satisfaction. They are of fundamental importance in cultivating long-lasting relationship between the organisations involved (Guenzi, Pardo & Georges, 2007). As the primary link between the buying and selling firms, they have considerable influence on the organisational performance (Baldauf, Cravens & Grant, 2002). In industrial marketing, for example, personal selling is possibly the primary function to generate sales. Key account management in industrial firms came with the concept of the buying center (Webster & Wind, 1972). Buying center refers to all those members who are involved in the organisational buying process for a particular product or service (Robinson et al., 1967), and each member holds a different role which has been earlier defined as decider, buyer, influencer, user, or gatekeepers (Webster & Wind, 1972). The buying decision is a joint outcome of interactions between key account managers and purchasing professionals in the buying center.

Moreover, personal selling can be employed in most selling situations such as services, channels, retail and industrial (Foster & Cadogan, 2000). Wotruba (1991) suggested that the nature of personal selling, like marketing, has evolved through four stages: production, sales, marketing and partnering. Each of these roles implies different sales activities. According to Wotruba (1991), the production role is to inform the customer about the availability of products and services; the sales role is to stimulate demand for product; the implementation of the marketing role emphasises that salespeople have to consider both the needs of their customers and their firms in developing marketing strategies; while the objective in the partnering role is to develop long-term relationships and encourage a successful and rewarding relationship with customers. The partnering role is different from the more traditional roles in three ways: the focus of interpersonal communications is

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managing conflict versus influencing purchase decisions; the unit of analysis is the sales team versus the individual salesperson; and more importantly, the salesperson's objective is building and maintaining the relationship with the customer versus maximising short-term sales (Wotruba, 1991). The partnering role suggests that the sales force is ultimately responsible for implementing the firm's relationship marketing strategies.

In sum, the success of relational marketing strategies is strongly dependent on the salespeople's ability to create interpersonal bonds between the firm and the customer. Due to the strategic role of salespeople, identifying useful predictors could prove helpful in selecting, training and managing them (Franke & Park, 2006). Hence, there is a need to improve our understanding of salespeople's behavioural motivations, especially those leading to their relational behaviours. The primary objective of this study is to fill this gap by exploring the link between the motives and salespeople's relational behaviours.

In this study, China was chosen as the context of the study because the Chinese tend to integrate business and social relationships. As every relationship exists in a social setting, the relationship patterns are shown to be influenced by environmental variables (Chang & Holt, 1996). Heider (1958) suggested that people usually link their need with certain properties of the environment which then determines their motivations. Environmental factors may include family and community structures, values and norms, education and socialisation experience, occupational and organisational culture, the status of economic development, and the political and legal system (Hofstede, 1980; Triandis, 1972; Schwartz, 1994). Marketing relationships are also driven by shared behavioural norms in a common normative framework (Dwyer et al., 1987). For example, in the United States, these norms include proscriptions against the misuse of social relationships for commercial gain (Grayson, 2007), which place limits on how much salespeople can recast their business intentions.

In contrast to the American society where economic needs and friendship are kept as separate entities, Guanxi in China or overseas Chinese communities is an essential prerequisite for smoothening business negotiations (Xin & Pearce, 1996). Guanxi is a word without English equivalent, but its Pinyin Romanisation is becoming more widely used. It has two common translations; connection or relationships. However, neither of these terms sufficiently reflects the wide implications that it describes. Its origin could be derived from the concept 'Lun' in the Analects of Confucius (Tsui & Farh, 1997) which refers to the relationships between people. The philosophy of Confucius stresses that

individuals are not isolated entities but a part of a larger system of interdependent relationships (Hitt, Lee & Yucel, 2002). Guanxi is concerned with the relationship of social connections built on:

> Pre-existing relationships of classmates, people from the same native-place, relatives, superior and subordinate in the same workplace, and so forth (Yang, 1994, p.411)

Guanxi between two parties can be extended to include other parties who are within the social network of the interacting parties. Such relationships are built according to the norm of reciprocity through the exchange of gifts, favours, and banquets. Obligations have been accumulated over time (Yang, 1989) and the receiver is expected to repay the benefits to the giver. Guanxi has applications to help connected friends or business partners. Specifically, Chinese managers are more likely to rely on relationships and do business with someone they know (Chan et al, 2002).

Furthermore, China is an emerging economy, and informal constraints rise to play a larger role in regulating economic exchanges because of the weakness of formal institutions (Peng & Heath, 1996, p.504). The lack of a stable legal and regulatory environment has turned the trust-based interpersonal relationship into a means for obtaining resources as well as protection (Xin & Pearce, 1996). Under this circumstance, interpersonal relations serve as a focal point for valuable managerial networking. Although managers all over the world devote a considerable amount of time and energy to cultivate interpersonal ties (Mintzberg, 1973), managers in emerging economies perhaps are more dependent on personal relationships in business dealings due to a lack of publicly available and reliable information about the market opportunities (Child, 1994). Therefore, China is best for the study of interpersonal relationships between salespeople and their customers. It is also helpful in testing the generalisability of preliminary findings in the UK business context.

The study is organised as follows. First, we review the literature on customer relationships, identify the gap, and propose our research question. The review focused on studies of customer relationships at the individual level, the social exchange theoretical framework of customer relationships research and the combination of business and friendship. Second, theoretical justification and hypotheses development are provided. It is then followed by the methodology design. Specifically, drawing on the initial findings of relationship drivers such as perceived reciprocity from the customer and communal orientation, we developed

the constructs. Data analysis and results are also presented. This thesis ends with a discussion of contributions and limitations of the present study and, accordingly, directions of future research are highlighted.

2.2 Literatuer Review

The emergence of relationship marketing approach

The relationship marketing approach encourages firms to establish individual, ongoing relationships with their customers in order to achieve long-term profitability. In fact, in the history of trade and commerce, there is a long lasting tradition that all marketing exchanges involve a relationship (Grönroos, 2004). The buyer-seller relationship was an old-fashioned way of doing business in the pre-industrial era (Sheth & Parvatiyar, 1995), where sellers knew each of their buyers individually and suggested appropriate, customised product offerings. This situation changed during the Industrial Revolution. Less importance was given to relationships with customers when individualised practices were replaced by mass marketing. Particularly with the introduction of the middleman in the distribution chain (Sheth & Parvatiyar, 1995), marketers shifted their attention to the sale and promotion of goods. For a considerable time, the notion of exchange, and thus the transaction of goods, had been central to the meaning of marketing. The purpose of marketing was put forward as seeking to explain interrelated phenomena linked to the consummation and facilitation of exchange (Hunt, 1983).

Meanwhile, marketers started realising the limitations of their transaction- oriented strategies under the pressure of intensified competition. In the 1980s, marketing research was undergoing a paradigm shift in orientation from transactions to relationships. Even earlier, Arndt (1979) observed a tendency of doing business in the form of long-term relationships, which he labelled as domesticated markets. He concluded that "both business markets and consumer markets benefit from attention to conditions that foster relational bonds leading to reliable repeat business" (Arndt, 1979, p. 72). A few years later, Levitt (1983, p. 111) used a marriage analogy in noting that "the sale merely consummates the courtship… how good the marriage is depends on how well the relationship is managed by the seller". Advocates have gone so far as to redefine a clear domain change from selling to an anonymous mass of customers to developing and managing relationships with somehow identifiable, individual customers (Grönroos, 2004).

The effectiveness of relationship marketing

Berry (1983 p.25) first introduced the term relationship marketing in a conference paper, defining it as "attracting, maintaining and, in multi-service organizations, enhancing

customer relationships". Two years later, Jackson (1985) used it in a business-to-business context. Many later definitions bear clear similarity of Berry's notion, for example:

> Relationship marketing refers to all activities directed towards establishing, developing, and maintaining successful relational exchange (Morgan & Hunt, 1994, p. 22).

> Relationship marketing is the process of co-operating with customers to improve marketing productivity through efficiency and effectiveness (Parvatiyar, 1996, cited in Mattsson, 1997, p. 449).

> Relationship marketing is the process of identifying, developing, maintaining, and terminating relational exchanges with the purpose of enhancing performance (Palmatier, 2008, p. 5).

Much relationship marketing research thus adopted the process approach (e.g. Wilson, 1995; Parvatiyar & Sheth, 2000). For example, Payne (2000) described how the relationship process moves from identifying potential customers to establishing a relationship with them, to either maintain the relationship or to terminate the relationship if it is not profitable. Ford et al. (2003) identified four stages of the development of buyer-seller relationships: pre-relationship stage, exploratory stage, developing stage, and stable/mature stage. According to their study, time is the defining feature of a relationship. Also, each relationship evolves through five general phases: (1) awareness, (2) exploration, (3) expansion, (4) commitment, and (5) dissolution.

Some researchers have found empirical support for the influence of relational mediators on seller objective performance (e.g. Doney & Cannon, 1997; Siguaw, Simpson & Baker, 1998), but several other studies have failed to find the effectiveness of relationship marketing efforts (Colgate & Danaher, 2000). In certain situations, relationship marketing may have a negative impact on performance (De Wulf, Odekerken-Schröder & Iacobucci, 2001; Hibbard et al., 2001). Overall, these findings indicate that the effectiveness of relationship marketing is context- specific. First, in the business-to-business market, a firm's success is more dependent on its working relationships which have a greater impact on exchange outcomes than in consumer markets (Anderson & Narus, 2004). Second, customers in general are more involved in producing services. In service provisions where

the service and its provider are inseparable, this close interaction between customers and service providers likely make customer–seller relationships more critical for services. Furthermore, in the business-to-business context, Dwyer et al. (1987) developed this discrete (transactional) versus relational theme. They separated two principal forms of marketing exchange: the market exchange and the relational exchange. The former is mainly single transactions while the latter is based on long-term mutual commitment between relationship partners. When marketing to business customers, a long-term relational exchange is probably the objective. In industrial markets, for example, where long-term contracts have been very common, industrial firms usually rely on fewer suppliers and customers and become involved in closer relationships with those that remain (Emshwiller, 1991). Jackson (1985, p. 2) denoted relationship marketing in the business-to-business context as 'marketing oriented toward strong, lasting relationships with individual accounts'. Specifically, with a limited number of strategic important customers, many industrial firms have embraced the idea of "key account management" (Shapiro & Posner, 1976). By managing key accounts, firms aim to build a portfolio of loyal customers by offering them, on a continuing basis, a product/service package tailored to their individual needs (McDonald, Millman & Rogers, 1997). Key account management can be used to subsume 'all approaches to managing the most important customers' (Homburg, Workman & Jensen, 2002, p. 39).

In contrast, the consumer market is a mass market in which potentially large numbers of end-users make exchanges involving goods or services with manufacturers or service providers (Bhattacharya & Bolton, 2000). As a prevailing marketing strategy, relationship marketing was initially considered as an inappropriate approach when marketing relatively low value consumer products, as both customer involvement and switching cost are very low (O'Malley & Tynan, 2000). However, the consumer market could also benefit from 'attention to conditions that foster relational bonds leading to reliable repeat business' (Dwyer et al., 1987 p.12). Relationship marketing is now a feasible strategy in the consumer market, broadly fuelled by information technological development. In practice, it is often manifested by customer relationship management through the collection and analysis of customer-relevant information. The application of technology focuses on managing customers' databases, personalising interactions with customers, and identifying the most important customers by calculating their lifetime value (Blattberg & Deighton, 1991). Shani and Chalasani (1992, p.44) therefore defined relationship marketing as 'an integrated effort to identify, maintain, and build up a network with

individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value-added contacts over a long period of time'.

<u>The network perspective</u>

Relationship marketing research has looked beyond the buyer-seller dyad and adopted a network approach. As noted by Vargo and Lusch (2010), the view of an 'extended firm' (e.g. an organisation and its stakeholders within a total marketing framework) as an inter-linked behavioural and economic system comprising suppliers, distributors, facilitating agencies and customers, under the general rubric of marketing channels, has a long tradition that began to grow rapidly in the 1960s (Mallen, 1967; Stern, 1969). It became more dominant in the 1970s (Bucklin, 1970; Little, 1970; Walters, 1974; Stern & El-Ansary, 1977), and then fell out of favour in the 1980s before being replaced by the supply chain concept in the 1990s. During this period, both marketing channels and supply chains began to be viewed as 'value networks' and 'constellations' (Bovet & Martha, 2000; Normann & Ramirez, 1993). For example, traditional competitive barriers between supply chain members are mitigated to create mutually beneficial relationships, which lead to increased information flows, reduced uncertainty, and a more profitable supply chain (Maloni & Benton, 1997). Historically, the three fundamental stages of the supply chain in the industrial market, i.e. procurement, production and distribution, have been managed independently (Thomas & Griffin, 1996). Yet, increasing competitive pressures and globalisation are forcing firms to develop integrated supply chains that can quickly respond to customer needs (Thomas & Griffin, 1996).

In particular, several studies have expanded the scope of relationship marketing by including virtually all forms of an organisation's relationships, whether they are customers, suppliers, employees, competitors, or other influential parties (Gruen, 1995). Payne (2000) for instance, identified six markets which are central to relationship marketing. They are internal markets, supplier markets, recruitment markets, referral markets, influence markets, and customer markets. Each of these markets represents dimensions of relationship marketing and involves relationships with a number of parties, either organisations or individuals, though not all of these markets require the same degree of attention and resources.

Overlapping this work, the business-to-business sub-discipline has taken a broader, more holistic approach, perhaps particularly in the network, interactive orientation of the *Industrial Marketing and Purchasing Group* (IMP) (e.g., Håkansson & Snehota, 1995). Before the term 'relationship marketing' had been used, an explicit relationship network perspective in marketing was inherent in the interaction approach of the IMP group. The idea stressed the importance of relationships in business networks where what is exchanged is created in interaction (Håkansson, 1982). Instead of focusing solely on relationships between individual firms and customers, the IMP approach aims to understand how inter-organisational relationships develop at a dyadic level in a market network (Möllerr & Halinen, 2000). It is characterised by managing interdependence between companies (Gadde & Snehota, 2000), and encompasses connections between actors, activities and resources at both the dyadic and network levels. Inspired by concepts from the social exchange theory, e.g. interdependence exists when the outcome of individuals are affected by each other's actions (Johnson & Johnson, 2005), the IMP group views inter-organisational relationships as strongly interdependent and reciprocal (Axelsson & Easton, 1992). Marketing is thus concerned with cooperation and collaboration between the firms and many of the stakeholders, not only consisting of the vertical supplier-distributor-customer-end customer relationships, but also the horizontal relationships. For example, Moller and Halinen (1999) suggested that horizontal relationships have two streams: one is the alliance between competitors such as Star Alliance consisting of major airlines across the world; the other is the connections with government and other public agencies, universities and research institutions. In addition, the interactions amongst network actors are not always for the purpose of marketing exchange; they closely interact for other activities such as joint production, research and development, and co-marketing partnerships. Overall, there are three types of inter-organisational activities: social, economic and technical (Håkansson & Snehota, 2000). Håkansson and Snehota (2000) related trust, commitment and power to the social content of customer relationship. Economic content refers to the economic consequences of a relationship which can be seen as an asset or market investment, while technical content is basically about one company building technical resources together with its counterpart.

Likewise, the relationship notion was an integral part of the Nordic school of Services Marketing since its birth (see for example, Gummesson, 1983, 1987). Because of the unique characteristics of relationships and services, services marketing literature has explored customer relationships more thoroughly than other research streams in

marketing. In contrast to goods, the purchase of services does not end with the contact, but it is extended until the service is provided. As noted by Vargo (2009), in services marketing, which originally contrasted itself with more mainstream goods marketing, the focus was on interactivity, based partly on the "inseparability" characteristic (e.g. Zeithaml et al., 1985) of services (Grönroos, 2004; Gummesson, 1995) and the related need to foster firm/customer relationships (e.g. Berry, 1983). The Nordic School researchers had also broadened the range of relationship marketing and allowed it to be a general definition of marketing orientation. That is, although managing relationships is at the core, relationship marketing is also supported by other factors (Grönroos, 2004) such as building strategic alliances and partnerships (Hunt & Morgan, 1994), developing customer database and creating direct marketing activities (Gummesson, 2002), and managing marketing as an overall process rather than a separate function (Grönroos & Gummesson, 1985).

The two approaches to relationship marketing, IMP Group and Nordic School, have related but somewhat different notions behind them. Mattsson (1997) has comprehensively discussed the similarities and differences between these two schools of thought and concluded that they have much to gain from more research interaction. For example, services marketing would benefit from the aspects of network marketing research such as focusing on the embeddedness of value creation in networks of actors and relationships; consideration of the multi- level relationships in the governance structure, and the use of longitudinal research. Consistent with the network view, more inclusive definitions of relationship marketing were provided, for example:

> Relationship marketing is marketing seen as relationships, networks, and interactions (Gummesson, 1994, p. 32).

> Relationship marketing is marketing based on interaction within networks of relationships (Gummesson, 2004, p. 3).

Gummesson (2004, p.139) further noted, 'when relationship marketing, customer relationship management (CRM), and services marketing are combined with a network view they become drivers of a paradigm shift in marketing'. More recently, two seminal papers by Gummesson (2008) and Vargo (2009) enhanced the network approach and posited it at the centre of attention for future marketing research. Gummesson (2008) has

called for a 'many-to-many' orientation which refers to the supplier networks interacting with customer networks. He suggested that one-to-one marketing, the theme of conventional relationship marketing, is to put individual interaction in marketing as opposed to unidirectional mass marketing, whilst many-to-many marketing goes a step further by addressing the whole context of a complex world. In particular, it 'describes, analyzes and utilizes the network properties of marketing' (Gummesson, 2004 p.17). Vargo (2009) reaffirmed that relationships are not limited to dyads but rather, are nested within networks, and interactions occur between networks of relationships. With a more macro, systemic view, he contended, one can see more clearly how a single, specific actor (e.g. a firm) can participate.

The balanced centricity

Meanwhile, both articles by Gummesson (2008) and Vargo (2009) have criticised the firm-centric view adopted by mainstream relationship marketing research and called for a balanced centricity. From the 1980s onwards, the concept of relationship marketing had transitioned from the subdisciplines to "mainstream" academic marketing in which the normative, repeat patronage orientation is particularly pronounced (Vargo, 2009). The underlying logic is largely profit-driven by the firm. Indeed, as relationship marketing developed, it has increasingly gravitated toward a prescriptive imperative – to foster long-term associations resulting in repetitive transactions – especially as a mainstream marketing concept (Vargo, 2009). The economic rationale of relationship marketing viewed value creation in markets through reducing transactional costs in market exchanges, by explaining continuance in terms of the costs and benefits of staying in the relationship versus leaving it. On the contrary, transactional marketing has the belief that competition and self-interest are the drivers of value creation. Transaction-based marketing believes that the independence of choices creates a more efficient system for marketing exchanges. Yet, as every individual transaction involves costs in search, negotiation, and other associated activities, it adds to, rather than reduces the total costs (Sheth & Parvatiyar, 2000). Therefore, Jackson (1985) was instrumental in crystallising the idea of relationships being contrasted with transactions. He recognised high switching costs as the motivator for the buyer to maintain a 'quality relationship' with the supplier.

 Marketing research also recognised that on top of the value of products and/or services that are exchanged, the existence of a relationship between two parties creates additional value for the customer and also for the supplier or service provider (Grönroos, 2004).

Sheth and Parvatiyar (1995) suggested that relationship parties' willingness and ability to engage in relational marketing will lead to mutual interdependence, cooperation and thus greater marketing productivity. In particular, buyer-seller relationships driven by relationship norms (Heide & John, 1992) can reduce transactional costs, keep governance costs lower, and generate higher quality (Sheth & Parvatiyar, 2000). Relationship marketing is thus to build up close working relationships with customers, suppliers and other members of the marketing infrastructure at all levels of the value chain (Sheth & Parvatiyar, 2000), and "better quality at lower cost is achieved through interdependence and partnering among value chain actors" (Sheth and Parvatiyar, 2000, p.123). Consequently, value is generated through the production, distribution and transaction of goods in alliance partnering and customer partnering (Sharma and Sheth, 1997). Therefore, relationship marketing needs to focus on the ongoing process with immediate as well as end-users to create or enhance mutual value at reduced cost (Parvatiyar and Sheth, 2000).

Following the economic rationale, as far as a firm's motivation to engage in relationship marketing is concerned, several arguments have been proposed based either on superior economics of customer retention or on the competitive advantage that relationship marketing provides to the firm (McKenna, 1991; Nauman, 1995; Vavra, 1992). The major theme is that loyal customers are more valuable because they provide higher revenue than new customers, and it costs less to retain them. They also generate positive word-of-mouth, and are a good source of product improvement information. Buchanan and Gilles (1990) summarised that firms' benefits in terms of increased profitability are associated with customer retention efforts. They suggested:

> The cost of acquisition occurs only at the beginning of a relationship, so the longer the relationship, the lower the amortized cost. Account maintenance costs decline as a percentage of total costs (or as a percentage of revenue). Long-term customers tend to be less inclined to switch, and also tend to be less price-sensitive. This can result in stable unit sales volume and increases in dollar-sales volume. Long-term customers may initiate free word of mouth promotions and referrals. Long-term customers are more likely to purchase ancillary products and high margin supplemental products. Customers that stay with you tend to be satisfied with the relationship and are less likely to switch to competitors, making it difficult for competitors to enter the market or gain market share. Regular

customers tend to be less expensive to service because they are familiar with the process, require less "education", and are consistent in their order placement. Increased customer retention and loyalty makes the employees' jobs easier and more satisfying. In return, happy employees feed back into better customer satisfaction in a virtuous circle.

In sum, possibly the most important outcome of relationship marketing efforts is the selling firm's objective performance including sales growth, long-term profitability and share of market (Crosby, Evans & Cowles, 1990; Morgan & Hunt, 1994).

In turn, an ongoing relationship may for example, offer customer security, a feeling of control and a sense of trust, minimise purchasing risks, and in the final analysis, reduce the cost of being a customer. As marketing relationships develop over time, the level of commitment and interdependence is gradually increasing through investments (Biong & Selnes, 1995). Firms can design incentive structures (Williamson, 1983) that reward the necessary behaviours and/or penalise noncompliance in the ongoing relationship. In the long run, customers would either 'have to' or 'want to' stay in a relationship with the firm (Bendapudi & Berry, 1997). Firms thus emphasise the dependence-mediated marketing strategies and make defensive attempts to build switching barriers and increase customer satisfaction (Fornell & Wernerfet, 1987; Anderson & Weitz, 1989), which has a positive effect on relationship commitment and trust (Gruen, 1995; Berry & Parasuraman, 1991; Brown & Peterson, 1993) That is, increased customer satisfaction may generate an enduring desire to maintain a valued relationship consisting of both positive attitudes and repeat purchase behaviour (Moorman et al., 1992). In this respect, relationship marketing has become a temporal extension of customer retention. However, as noted by Vargo (2009), firms might develop more value through additional economic exchanges with a given customer but they might also reap long-term benefits from making additional transactions unnecessary, such as building brand equity and thus acquiring additional customers by providing easy to maintain, high-quality, durable goods. Therefore, only in some instances is repeat patronage essential to the value creation process from the perspective of both parties.

Needless to say, the traditional concept of marketing is firm-centric rather than customer-centric, and so is the process of relationship marketing. It is no surprise that the flow of relationship is also from the firm to the customer; the market, or an aggregation of customers, was a "target". Since firms develop and maintain firm-customer bonds in

order to profit from customers' repetitive purchases, customer orientation has been applied half-heartedly (Gummesson, 2008). Both Gummesson (2008) and Vargo (2009) asserted the balanced centricity in marketing research. The overarching philosophy behind their re-conceptualisation is the service dominant logic (S-D Logic) (Vargo & Lusch 2004, 2008). The emergent S-D logic (Vargo & Lusch, 2004) provided a new paradigm that is rapidly gaining an established position in marketing literature. It is captured in 10 foundational premises (FPs). These are shown with brief explanations in Table 2.2.1.

S-D Logic represents a departure from the traditional goods-dominant logic of exchange, in which goods are the focus of exchange and services represent an alternative form of goods (Vargo, 2009). The central tenet of S-D Logic is that service is the fundamental basis of exchange (FP1). The new logic, in contrast with the goods-dominant logic, suggests that goods are seen as vehicles for service provision. More importantly, S-D Logic gets rid of the firm-customer distinction and considers the customer as always a co-creator of value (FP6) with the firm. Therefore, this service-based view is inherently customer-oriented and relational (FP8).

Table 2.2.1 Revised foundational premises of service dominant logic

	Premise	**Explanation/justification**
FP1	Service is the fundamental basis of exchange	The application of operant resources (knowledge and skills), "service," is the basis for all exchange. Service is exchanged for service
FP2	Indirect exchange masks the fundamental basis of exchange	Goods, money, and institutions mask the service-for-service nature of exchange
FP3	Goods are distribution mechanisms for service provision	Goods (both durable and non-durable) derive their value through use – the service they provide
FP4	Operant resources are the fundamental source of competitive advantage	The comparative ability to cause desired change drives competition
FP5	All economies are service economies	Service (singular) is only now becoming more apparent with increased specialisation and outsourcing
FP6	The customer is always a co-creator of value	Implies that value creation is interactional
FP7	The enterprise cannot deliver value, but only offer value propositions	The firm can offer its applied resources and collaboratively

		(interactively) create value following acceptance, but cannot create/deliver value alone
FP8	A service-centred view is inherently customer-oriented and relational	Service is customer-determined and co-created; thus, it is inherently customer-oriented and relational
FP9	All economic and social actors are resource integrators	Implies that the context of value creation is networks of networks (resource-integrators)
FP10	Value is always uniquely and phenomenologically determined by the beneficiary	Value is idiosyncratic, experiential, contextual, and meaning-laden

Source: Adapted from Vargo and Lusch (2008)

In the traditional concept of the value creation process, the firm and the customer had distinct roles of production and consumption respectively. Value creation occurred inside the firm through its activities; it was then exchanged in the market and 'consumed' by customers outside the firm. The concept of the "value chain" epitomised the unilateral role of the firm in creating value (Porter, 1980). In this perspective, the market, viewed either as a locus of exchange or as an aggregation of customers, was separate from the value creation process (Kotler, 2002). While 'market' was viewed as a place where value was exchanged, customers were outside the firm. They had to be identified and approached, such that the firm could extract the most value from transactions (Gummesson, 2008). Firms thus conceptualised customer relationship management as targeting and managing the "right" customers, and they focused on the locus of interaction—the exchange—as the locus of economic value extraction. In this regard, value exchange and extraction were the primary functions performed by the market, which was separated from the relationship process (Vargo, 2009). As a result, the interactions between companies and customers were not seen as a source of value creation (Normann & Ramirez, 1994; Wikstrom, 1996).

Yet, S-D Logic redefines this with the premise that value creation in marketing is always relational. It understands value as customer's value that is proposed by the firm and unfolded by the customer over time, rather than being a discrete, production-consumption event. As such, value creation has to be considered in terms of the embeddedness of related actors within networks characterised by mutual service-provision relationships. According to S-D Logic (Vargo & Lusch, 2004), the personalised interaction between the firm and the customer becomes the locus of value co-creation. This new framework implies that all the points of customer-firm interaction are critical for creating value, and value is co-created through their reciprocal and mutually beneficial relationship (Vargo,

Maglio & Akaka, 2008). On the basis of S-D Logic, in order to better understand the personalised interaction in value co-creation, there is a need for relationship marketing research to examine how individual employees build personalised relationships with customers. Following the preliminary study, in the present research, we attempt to reveal the insights and understandings of drivers of such relationships from the firm's employees', e.g. the salespeople, perspective.

Customer relationships at the individual level

El-Ansary (1997) raised an interesting question as to what is the difference between 'marketing relationship' and 'relationship marketing'. Sheth and Parvatiyar's (2000) answer was that marketing relationships could take any forms, while relationship marketing is concerned only with cooperative and collaborative relationships between the firm and its customers and/or other marketing actors. Marketing relationships usually take the form of person-to-person, person-to-firm, and firm-to-firm relationships (Iacobucci & Ostrom, 1996, Haytko, 2004). Gummesson's (1999) study of marketing interactions framework summarised 30 types of marketing relationships, and categorised them into four clusters:

> Classic market relationships (supplier and customer; customer-supplier-competitor; distribution channels); Special market relationships (representing certain aspects of the classic relationships, such as full-time and part-time marketer, customer and service provider); Mega relationships (existing above the market relationship, i.e. alliances and social relationships); Nano relationships (relationships inside an organization or intraorganisational relationships)

Amongst various types of marketing relationships, the customer relationship is of central importance in relationship marketing. Berry (1994) suggested that the heart and soul of relationship marketing is marketing to customers after they have become customers. In general, customers may form a relationship with an individual employee in the selling organisation and/or with the selling organisation as a whole. Firm-level relationships usually start with first contacts between individual employees from two organisations, and business is supposed to be developed from their interactions (Ford et. al., 2003). Marketing literature has specially examined customer relationships at the individual level; a summary of empirical and theoretical research is presented in Table 2.2.2. Experimental research shows that when people evaluate another individual, they make stronger,

quicker, and more confident judgments than when they evaluate a group; those judgments are also more strongly related to outcomes and behaviours (Hamilton & Sherman, 1996). Accordingly, customers' judgments based on the relational characteristics of an individual employee will be stronger, more confident, and more strongly linked to outcomes than their judgments based on the relational characteristics of a selling firm (Palmatier, Scheer & Steenkamp, 2007). Doney and Cannon (1997, p. 45) reported that "the process by which trust develops appears to differ when the target is an organization … as opposed to an individual salesperson," and Iacobucci and Ostrom (1996, p. 69) found that "[i]ndividual-to-firm relationships [are] also typically short-term and less intense in comparison to individual-level dyads."

A close employee-customer relationship has been argued as having both beneficial and detrimental effects (Haytko, 2004). Several studies indicated that buyers often have greater loyalty to salespeople than they have to the firms employing the salespeople (Anderson & Robertson, 1995; Heide & John, 1988; Macintosh & Locksin, 1997). Nevertheless, Wathen et al. (2001) suggested that customers specially attached considerably more weight to firm-level switching costs when deciding to remain with an incumbent vendor; relatively speaking, the presence of interpersonal relationships did not seem to be an important disincentive to switch suppliers. Murry and Heide (1998) investigated the personal relationships between boundary-spanning personnel (categorised in a self-reported two-category scale item as "new" or "close") and organisational-level factors (incentives and monitoring activities) on cooperation in inter-organisational exchange. Their study found that a close personal relationship and incentives had a positive influence on cooperation, whereas monitoring activities had a negative influence. As well, Bolton et al. (2003) examined how social and economic resources interact to effect interpersonal and inter-organisational satisfaction and perceived value. They found that social bonds had a stronger influence than economic resources on customer satisfaction with company representatives and perceived value. In a recent review, Palmatier et al. (2006) indicated that the firm's objective performance is influenced most by relationship quality and least by commitment, and relationship marketing is more effective when relationships are more critical to customers (e.g. service offerings, channel exchanges, business markets) and when relationships are built with an individual salesperson rather than a selling firm. Post hoc findings support this premise. Palmatier, Scheer and Steenkamp (2007) found that only salesperson-owned loyalty directly affects the more tangible seller financial outcomes of sales growth and selling

effectiveness, whereas both salesperson-owned loyalty and loyalty to the selling firm increase the customer's willingness to pay a price premium. As such, the positive effect of relational mediators on outcomes will be greater when the relational mediator is targeted toward an individual member of the selling organisation than when it is targeted towards the organisation itself. However, many firms still discourage staff from developing strong customer relationships for the fear that customers might divert their loyalty to the salesperson (Palmatier, Scheer, & Steenkamp, 2007), and the salesperson can 'kidnap' the customer (Bendapudi & Leone, 2002) when they switch to other jobs.

Apart from studies on relationship outcomes, the relationship marketing literature does not have a lot to say about customer relationships at the individual level, other than statements such as "personal relationships and reputations between boundary-spanning members play an important role in facilitating and enhancing inter-organizational exchange" (Weitz & Jap 1995, p. 316). Weitz and Bradford (1999) improved on this with a relationship marketing perspective. They assumed that salespeople, same as the firm, manage a portfolio of relationships ranging from transactional, long-term relationships to alliances, and the relationship type is determined by the level of dependence on the customer (Weitz & Bradford, 1999). Even this improved approach has a tendency to confuse interpersonal salesperson-customer relationships with impersonal firm-level customer relationships. As Nicholson, Compeau, and Sethi (2001, p. 3) stated, previous studies of marketing relationships have focused on the "impersonal, detached, and dispassionate analytical antecedents [of trust] . . . less attention has been paid to the role played by the more personal and emotional factors [in the relationship]". Hutt and Stafford (2000, p. 51) claimed that many alliances fail to meet expectations because little attention is given to nurturing the close working relationships and interpersonal connections that unite the partnering organisations. While these personal relationships between boundary-spanning members, who work closely together, serve to shape and modify the evolving partnership, economic theories of exchange virtually ignore the role of people and their importance in the management of inter-organisational relations (Hutt & Stafford, 2000).

Hence in this literature review, we attempt to offer a holistic view of the employee-customer relationships, the marketing exchange perspective as well as the human relationship perspective. Next, we review the literature on social exchange, which provides a theoretical background for studying marketing relationships in general.

Table 2.2.2 Summary of research on customer relationships at the individual level

Author(s)	Research method	Independent variable(s)	Dependent Variable(s)	Key Findings
Crosby, Evans and Cowles (1990)	Quantitative	Similarity, service domain expertise, relational selling behaviours	Relational quality, sales effectiveness, anticipation of future interaction	Future sales opportunities depend mostly on relationship quality (i.e. trust and satisfaction), whereas the ability to convert those opportunities into sales hinges more on conventional source characteristics of similarity and expertise. Relational selling behaviours such as cooperative intentions, mutual disclosure, and intensive follow-up contact generally produce a strong buyer-seller bond.
Frenzen and Davis (1990)	Quantitative	Tie strength	Market obligation	The degree of social capital present, as measured by the strength of the buyer-seller tie and buyer indebtedness to the seller, significantly affects the likelihood of purchase.
Price, Arnould and Tierney (1995)	Qualitative and quantitative	Duration, affective content, spatial proximity	Affective response, service satisfaction	An overall model of the relationships among service provider performance, affective response, and service satisfaction.
Beatty et al. (1996)	Qualitative	NIL	NIL	Employees own customer orientation (which includes elements such as their commitment, motivation, and skills) is dependent upon top management's customer orientation.

Macintosh and Lockshin (1997)		Store attitude, satisfaction, store trust, trust in the salesperson, commitment to the salesperson	Purchase intention	For customers with an interpersonal relationship, trust and commitment to the salesperson are directly linked with purchase intention as well as indirectly through store attitude.
Zaheer, McEvily and Perrone (1998)	Quantitative	Inter-organisational trust, interpersonal trust	Negotiation, conflict, performance	Inter-organisational trust and interpersonal trust to be related, although empirically and theoretically distinct.
Murry and Heide (1998)	Quantitative	Interpersonal attachment, incentive premium, payment method, monitoring	Agreement, compliance	The presence of a strong interpersonal relationship does not diminish the importance of other variables, such as incentives. Interpersonal relationships are less important determinants of participation than economic incentives.
Wathne, Biong and Heide (2001)	Quantitative	Interpersonal relationship, switching costs, price, product breadth	Switching	Interpersonal relationships between buyers and suppliers serve as a switching barrier but are considerably less important than both firm-level switching costs and marketing variables. Moreover, unlike switching costs, interpersonal relationships do not play the frequently mentioned role of a buffer against price and product competition.
Bolton, Smith and Wagner (2003)	Quantitative	Commission, service guarantee	Inter-organisational satisfaction, perceived	Social bonds created by the employee-delivered service have a greater influence on

				value, behaviour intentions	customers' satisfaction with company representatives and perceived value, whereas structural bonds created through the exchange of economic resources have a stronger effect on their overall satisfaction.
Johnson and Selnes (2004)	Conceptual	NIL		NIL	A key to the creation of value through closer relationships lies in bringing weaker relationships into a portfolio in the first place. Firms that position themselves toward offerings with low economies of scale, such as personal services, must build closer relationships to create value.
Palmatier, Scheer and Steenkamp (2007)	Quantitative	Salesperson-owned loyalty, loyalty to the selling firm		Selling-firm financial outcomes, selling effectiveness	Salesperson-owned loyalty directly affects the more tangible seller financial outcomes of sales growth and selling effectiveness, whereas both salesperson-owned loyalty and loyalty to the selling firm increase the customer's willingness to pay a price premium.

The social exchange framework

Social exchange theory (SET) is one of the earliest frameworks used to examine business relationships (Rao & Perry, 2002). SET is an extension of Homan's (1958) propositions suggesting that interaction is a process wherein resources are exchanged between individuals through activities directed toward one another. Interaction is expected to continue between individuals only if the relationship is mutually attractive; otherwise either

or both individuals may decide to interact with others whom they perceive can better meet their needs. Thus, to remain attractive to each other in the midst of external contingencies, both individuals will work together to better meet the needs of the other. Marketing researchers have used SET to model the relationship between buying and selling firms since the early 1980s. It has been used extensively to explain the process of relationship development and maintenance in marketing exchanges. A summary of selected empirical studies in relationship marketing that have used social exchange theory as the primary framework is provided in Table 2.2.3. Overall, this literature review is a brief representation, and is not an exhaustive collection of the empirical studies that have used SET as the primary framework. For a more thorough discussion of SET-based literature, consult Lambe, Wittman and Spekman (2001).

SET (Blau, 1964; Emerson, 1962) identified two mechanisms that impact the relationship between individuals: power and trust. Power plays a major role in the social exchange process. According to Emerson (1962), the relative power of the individuals is determined by their relative dependence. Interdependence exists in any relationship whenever one actor does not entirely control all of the conditions necessary for the achievement of an action or for obtaining the outcome from the action (Hinde, 1981). An individual's power position is established by having or controlling the resource that the other needs. Essentially, the individual with the higher relative power can exert influence over the decisions of the other. Thus, relative power, or the ability of one party to get the other to adapt to its needs, is derived from the relative dependencies that exist between the two individuals. Running counter to power and control is trust. In psychology literature (Rotter, 1967, 1971, 1980), trust is viewed as 'a generalized expectancy held by an individual that the work, promise, or written statement of another individual or group can be relied upon.' Thus, trust plays a critical role in the social exchange process by establishing a mutual belief that both individuals will honour and meet their obligations. For example, Blois (1999) has discussed "reciprocity" of trust and commitment. Trust and the interaction between individuals are assumed to develop over time as both continue to demonstrate their trustworthiness to one another through their mutual commitment. In sum, trust involves a mutual expectation that the parties will continue to act in a trustworthy manner and is expected to develop as they continue to interact with each other.

There is not reducible to a trust component in marketing relationships, though marketing relationships are correlated strongly with key marketing objectives. Morgan and Hunt

(1994) proposed that commitment and trust are 'key' in relationship marketing. Specifically, Berry and Parasuraman (1991) and Berry (1995) maintained that mutual commitment and trust are the foundation of relationship marketing. Trust has been defined in marketing literature in many ways (Lambe, Wittman & Spekman, 2001). Moorman et al. (1992) denoted trust as the willingness to rely on an exchange partner in whom one has confidence that they are reliable and will fulfil their obligations. Morgan and Hunt (1994) defined trust in similar terms; the confidence in an exchange partner's reliability and integrity. Trust has also been defined as the perception that one's exchange partner possesses both credibility and benevolence (Ganesan, 1994). In marketing relationships, trust is therefore considered as a trait that becomes embedded in a particular exchange relation. Prior research in marketing suggested that trust is positively related to cooperation, communication, shared values, commitment and satisfaction (Lambe, Wittman & Spekman, 2001).

Trust is an indicator of a growing relationship that tends to foster higher levels of commitment and cooperation (Schurr & Ozanne, 1985). Moorman et al. (1992) defined commitment as an enduring desire to maintain a valued relationship which is consisting of both positive attitudes and repeat purchase behaviour. As well, Morgan and Hunt (1994, p. 23) defined commitment as an exchange partner's belief that 'the ongoing relationship is so important as to warrant maximum effort at maintaining it.' They found that commitment was positively related to cooperation. Gruen (1995) argued that commitment, as a motivational force to maintain behavioural direction, can operate independently of satisfaction and trust, but constructs of satisfaction and trust also affect commitment. Essentially, commitment and trust are considered to be the primary factors that have a direct effect on the success of buyer-seller relationships (Morgan & Hunt, 1994). Research has extensively discussed the positive outcomes of commitment and trust in relationship marketing (Gruen, 1995). For example, satisfaction is one of the most frequently used outcome variables. In a trustworthy relationship, relationship parties attempt to elicit behaviours from each other that are satisfying, thus satisfaction becomes an important motivational dynamic in the relationship process. Although trust in the relationship partner is a principal influence (Berry, 1995), Doney and Cannon (1997) argued that neither trust in the supplier nor in the salesperson are related to a specific purchase decision, but are related to intentions to use the vendor in the future.

Because of the interdependence and trust, buyers and sellers interact with each other in order to exchange needed resources that will enable them to realise desired social and economic outcomes. The underlying motivation to enter into relationships is based on a mutual expectation that higher outcomes may be realised by working with a partner than by attempting to do so individually. Through the interactions and exchange of resources between the relationship parties, positive social and economic outcomes are mutually experienced. The relationship parties are expected to continue to interact with each other (i.e. participate in the relationship) as long as the outcomes realised by each of them exceed those from other alternatives. As a consequence of ongoing exchanges, long-term relationships will emerge (Dwyer et al., 1987). Based on the tenets of SET, relationship norms govern the social exchange between relationship parties by providing mutually acceptable means for controlling behaviour of all parties (Thibaut & Kelly, 1959). Relationship parties are expected to comply with relational norms because of the positive outcomes they expect to realise from the exchange relationship (Blau, 1968; Emerson, 1962). In buyer-seller business relationships, relationship norms perform much the same role as in interpersonal relationships, by representing mutually accepted guidelines governing the social and economic interactions that occur between them (Lusch & Brown, 1996), obligations would have been accumulated according to the norm of reciprocity (Yang, 1989).

SET is the sociological framework that marketing researchers have often used to model the relationship between the buyer and the seller. Yet, the research in this stream is largely descriptive since it focuses on the outcomes of relationships rather than explaining how those outcomes occur. Moreover, SET has limited explanatory power when studying affect-based interpersonal relationships, such as friendship. Research has long recognised that, for example, both commitment and trust have an affect-related component. The first component of commitment describes an instrumental (Gundlach, Achrol, & Mentzer, 1995) or calculative (Allen & Meyer, 1990) view in which the committed party places a side bet on or believes in consistent future behaviour of the exchange partner (Becker, 1960). The second component has been described as attitudinal (Gundlach, Achrol & Mentzer, 1995) or affective. Here, the exchange partner believes in the goals and values of an exchange in a "partisan" fashion. The third component of commitment is continuance commitment (Allen & Meyer, 1990) which is a direct result of commitment inputs that create self-interest stakes in the relationship. Similarly, just as for commitment, research on trust has identified two distinct dimensions (Kumar, Scheer, &

Steenkamp, 1995). The first component of trust pertains to the partner's reliability and dependability. This facet of trust has been labelled as honesty or cognition-based trust (McAlister, 1995; Geyskens, Steenkamp & Kumar, 1999). The second component of trust has been termed affect-based trust (McAlister, 1995) or benevolence (Geyskens, Steenkamp & Kumar, 1999). It pertains to the belief that the partner is interested in one's welfare. Social psychological approaches also focus on affective responses such as satisfaction and identification with the relationship partner, and attitudinal commitment which influences relationship partners to stay in the relationship. It can be argued that, especially for individual firm's employees, developing relationships with their customers may involve an affective component. Next, we review research on the combination of business and friendship.

Table 2.2.3 Selection of empirical research on social exchange theory

Author(s)	Relationship type	Independent Variable(s)	Dependent Variable(s)	Key Findings
Anderson and Narus (1990)	Distributor and manufacturer relationships	Relative dependence, communication, outcomes given comparison levels, trust, cooperation, functionality of conflict, influence over partner, influence by partner firm	Satisfaction	Cooperation is the antecedent rather the consequence of trust.
Hallen, Johason and Mohamed (1991)	Supplier-buyer relationships	Supplier dependence, customer dependence	Customer adaptation, supplier adaption	Adaptations are made unilaterally as a result of imbalance in inter-firm power relations and reciprocal demonstrations of commitment and trust in the relationship.
Metcalf, Frear and Krisman (1992)	Buyer-seller relationships	Social exchange, information exchange, product importance	Cooperation, adaption	Information and social exchange factors serve as general predictors of cooperation

				between buyers and sellers.
Gundlach and Cadotte (1994)	Distributor and manufacturer relationships	Magnitude of interdependence, relative asymmetry of interdependence	Non-coercive strategy, coercive strategy, conflict, and performance	Increasing magnitudes of interdependence are associated with more frequent use of non-coercive strategy, lower level of residual conflict, and more favorable evaluation of partner performance.
Anderson, Håkansson and Johanson (1994)	Buyer-seller relationships	NIL	NIL	The essential commonality of dyadic and business network perspectives is the interdependencies that exist between the buying and selling firms. A critical difference between these two perspectives is the focus on relationship states in dyadic perspective and focus on activity in the network perspective.
Ganesan (1994)	Retailer and supplier relationships	Environmental diversity, environmental volatility, perception of specific investment by supplier, reputation of the supplier, retailer's experience with the supplier, satisfaction with previous	Retailer's long-term orientation	Dependence and trust are important in creating a long-term orientation.

		outcomes		
Morgan and Hunt (1994)	Buyer-seller relationships	Relationship termination costs, relationship benefits, shared values, communication, opportunistic behaviour.	Acquiescence, propensity to leave, cooperation, functional conflict, uncertainty	Relationship commitment and trust are key mediating variables in buyer-seller relationships.
Doney and Cannon (1997)	Buyer-seller relationships	Buying firm's trust of supplier firm, buying firm's trust of salesperson, both variables lead to purchasing choice	Anticipated future interaction	The key criteria for supplier selection are delivery performance and relative price. Trust in supplier firm and salesperson increase the likelihood that buyers expect to do business with the supplier in the future.
Grayson and Ambler (1999)	Advertising manager and customer relationships	User trust in advertising managers, perceived quality of interaction, advertising managers involvement, commitment to the relationship, advertising service use, length of relationship, rising expectations, loss of objectivity, opportunism	The interaction of the independent variables	Trust was found to be influential only in shorter relationships. The use of trust was not significantly associated with long-term relationships.
Wilson and Nielson (2000)	Supplier-buyer relationships	Information sharing, joint working, flexibility and harmony lead to global	Relationship continuity	Global cooperation indirectly affects relationship continuity, particularly through trust. Global

		cooperation, global cooperation leads to strategic benefits and trust		cooperation and trust are positively and highly related.
Bennett and Gabriel (2001)	Shipping manger and customer relationships	Reputation, experience, switching cost, and performance satisfaction	Trust, closeness, commitment, adaptations	Desired closeness is positively influenced by supplier reputation. Reputation is a positive and significant moderator of the impact of trust on closeness, commitment, and the buyer's willingness to adapt and make relationship-specific investments.
Homburg et al. (2002)	Buyer-seller relationships	Perceived quality, perceived flexibility, and perceived information sharing	Customer satisfaction	Lower levels of perceived quality, perceived flexibility, and perceived information sharing are related to lower levels of customer satisfaction.
Hewett, Money and Sharma (2002)	Buyer-seller relationships	Buyer perception of relationship quality, buyer corporate culture	Purchase intention	Buyer perception of relationship quality is positively associated with purchase intention. Corporate culture influences this association such that more internally focused buying firms (as opposite to externally oriented firms) are more likely to positively relate relationship quality to purchase intention.

Narayandas and Rangan (2004)	Buyer-seller relationships	NIL (Case study)	NIL	Relationships are built on the intentions and interactions of firms and individuals. More specifically, they emphasise the role of initial power-dependence asymmetries in the development of contracts and their subsequent reduced impact on relationships that are characterised by high degrees of commitment and trust.
Palmatier, Dant and Grewal (2007)	Manufacturer and distributor relationships	Customer Relationship Specific Investments (RSIs), seller RSIs, seller opportunistic behaviours, interdependence, dependence asymmetry, relational norms, communication, customer commitment, customer trust, relational norms	Sales growth, overall financial performance, cooperation, conflict	The parallel and equally important roles of commitment–trust and relationship-specific investments as immediate precursors to and key drivers of exchange performance.
Leonidou, Talias and Leonidou (2008)	Buyer-seller relationships	Coercive power, Non-coercive power	Conflict, satisfaction, trust, commitment	The exercise of power derived from coercive sources increases conflict and reduces satisfaction, while the exercise of non-coercive power sources leads to lower conflict (but not significantly increasing satisfaction).

<u>The combination of business and friendship</u>

In marketing literature, several studies have specifically examined the combination of business and friendship in a relationship marketing setting. A summary of empirical and theoretical research is presented in Table 2.2.4. Price and Arnold (1999) termed such relationships as commercial friendships, and found that individuals engaged in business-to-business relationships could easily distinguish business friendships from other types of marketing relationships. Their empirical findings suggested that commercial friendship is "correlated strongly with key marketing objectives" (Price & Arnould, 1999, p. 51). As well, Haytko (2004) has investigated 109 brand managers' interpersonal relationships with particular account managers in the advertising industry. In the study, four relationship combinations are mentioned most often: partner/business friends, partner/personal, vendor/strictly business, and vendor/business friends. The findings show that brand managers made little or no attempt to further develop relationships like vendor/strictly business and vendor/business friends, into closer international relationships, or friendship in general. Personal relationships in marketing bear some similar traits with friendship, such as sociability (Price & Arnould, 1999); both are characteristic of regular and frequent interactions. In particular, service research suggested that certain service encounters are more similar to a meeting with friends than being merely economic transactions (i.e. Mars & Nicod, 1984; Siehl, Browen, & Pearson, 1992). Geiger and Turley (2005) indicated that socialising with clients positively influenced both the exchange and the relational aspects of the buyer-seller interactions. Specifically, "reciprocal self-discourse, an important factor in friendship formation, can contribute positively to commercial exchange satisfaction." (Price & Arnould, 1999, p. 38)

To define the friendship role, Price and Arnould (1999, p. 39-40) identified four critical properties, each of which has also been recognised by other researchers. First, friendship is associated with intimate self-disclosure. Friends are expected to share personal problems with one another and to "open up" their lives more fully to one another (Cozby, 1973; Fischer, 1982; Haytko, 2004; Veltman, 2004). Second, friendship is based on voluntary social interaction. Friends are expected to willingly seek out one another's company rather than to interact only because of bureaucratic demands or practical convenience (Allan, 1989; Allan, 1979; Carrier, 1999; Du Bois, 1974; Fischer, 1982; Haytko, 2004; Montaigne, 1580 [1910]; Reohr, 1991; Silver, 1990). Third, friendship is motivated by a communal orientation, which means that benefits given by one partner are

not expected to incur a feeling of obligation on the other (Clark, 1984; Silver, 1990; Wolf, 1966). This characteristic is particularly important to the present research because it is a primary source of the tension between friendships and exchange-driven relationships. The fourth expectation of the friendship role is an exclusively intrinsic orientation. An intrinsic relational orientation is the desire to maintain a relationship because of inherently enjoyable aspects of the relationship (Carrier, 1999) and because "the relationship itself generates its own rewards" (Rempel, Holmes & Zanna 1985, p. 98).

As noted by Grayson (2007), although these four characteristics co-occur in friendship, the existence of any one of them does not necessarily imply the appearance of others. He concluded that,

> 'For instance, individuals will often disclose intimate information to a psychological counsellor, but may not feel that spending time with this counsellor is intrinsically enjoyable. In fact, even if the self-disclosure process is uncomfortable, individuals may maintain a relationship with a counsellor for the instrumental goal of coping better with life challenges. In such cases, intimate self disclosure does not co-occur with intrinsic orientation. As another example, those involved in a book club may intrinsically enjoy the time they spend with other members. Yet, they also may feel that when they provide benefits to other members (such as leading a discussion or hosting a meeting), this invokes the obligation that other individual members must provide the same kind of benefit. In situations like these, an intrinsic orientation does not co-occur with a communal orientation.' (Grayson, 2007, p. 7-8)

In developing customer relationships, the role of firm's employees is initially created and subsequently activated as friend and/or businessperson roles, and they may try to balance the different demands by enacting behaviours (Heide & Wathne, 2006). In contrast with business relationships, friendship is expressive. A few studies in marketing have specifically examined the combination of friendships and business, and many suggest that the effects are generally positive (Beatty et al., 1996; Frenzen & Davis, 1990; Haytko, 2004; Johnson & Selnes, 2004). However, some of these same articles (Beatty et al., 1996; Haytko, 2004), along with others (Heide & Wathne, 2006; Krugman, 1958; Price, Arnould & Tierney, 1995), have noted that combining friendship and business can also create potential conflicts because doing business with friends imposes a clear instrumental goal on existing friendships. Friends usually have "a concern for the good of

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the friend for his own sake" (Blum 1980, p. 43), and encourage a minimal or nonexistent instrumental orientation. Although people use friends to achieve instrumental objectives (Allan, 1989; Gouldner & Strong, 1987), true friendship is supposed to be expressive. Adam Smith suggested that the most "morally superior form of friendship" is one that is "unconstrained by necessity", that is, free from the need to interact with one another for business purposes (Silver 1990, p. 1481). More recent scholars shared this view. An ideal friendship "should be undertaken for its own sake rather than for some ulterior motive or as a means to some other end" (Allan, 1979, p. 43) and should be "unfettered by any selfish or instrumental concerns" (Allan, 1989, p. 13). Friendship is "not concerned with outcomes" (Reohr, 1991, p. 21) and "is threatened when one party is too clearly exploitative of the other" (Wolf, 1966, p. 13). As Price and Arnould (1999, p. 39) explain, friendship is "expressive rather than instrumental… [F]riendships are not generated or sustained for extrinsic material benefits that accrue. Perceiving that one party is sustaining a friendship for instrumental purposes is likely to damage it."

Grayson (2007) further examined the effect of friendship on business outcomes, and the result suggests that a conflict between friendship and instrumentality can dampen the positive effects of the friendship. In addition, the conflict is more severe for friendships that become business relationships as opposed to business relationships that become friendships. In network marketing companies, for example, some agents were reluctant to use their existing social network as a pool for recruiting new agents although they were encouraged to do so (Grayson, 2007). Likewise, Price and Arnould's (1999) study of hairdressers also found a friendship–averse segment of customers who would rather maintain an arm's length relationship with their service providers. Although Price and Arnould (1999) documented the existence of a segment of customers who habitually seek to avoid the relationship, their study left open the possibility that only a minority of customers are particularly sensitive to the relationship and did not further explain why they behave so.

Table 2.2.4 Summary of research on the combination of business and friendship

Author(s)	Research type	Independent variable(s)	Dependent Variable(s)	Key Findings
Iacobucci and Ostrom (1996)	Quantitative	NIL	NIL	The standard properties of closeness, valence, asymmetry, and

				formality were useful in characterising interpersonal dyads to commercial relationships.
Price and Arnould (1999)	Quantitative and Qualitative	Friendship	Service satisfaction, intention to recommend	Friendships are associated with satisfaction, strong service loyalty, and positive word of mouth.
Haytko (2004)	Qualitative	NIL	NIL	Interpersonal relationships exist across categories including strictly business, business friends, and highly personal. Developing close, interpersonal relationships is beneficial to both the professional and personal lives.
Heide and Wathne (2006)	Conceptual	NIL	NIL	Two prototypical relationship roles, namely (1) a "friend," who uses a "logic of appropriateness" and follows established rules, and (2) a "businessperson," whose decisions are guided by utility-maximising considerations under a "logic of consequences" over time.
Grayston (2007)	Quantitative	Friendship, instrumentality	Business outcome	A conflict between friendship and instrumentality can undermine some of the business outcomes that friendship might otherwise foster. This conflict is more severe for friendships that become business relationships as

				opposed to business relationships that become friendships.

The motivations for cultivating employee-customer relationships

A few marketing studies have attempted to investigate relationship engagement from the customers' perspective (Sheth & Parvatiyar, 1995; Bendapudi & Berry, 1997; Price & Aenould, 1999). Sheth and Parvatiyar (1995) proposed that consumers' engagement in relational market behaviour is due to personal influences, social influences, and institutional influences (i.e. family and social norms, peer group pressures, government mandates, religious tenets, employer influences), and marketer policies. They argued that consumers reduce their available choices and engage in relational market behaviour because they want to simplify their buying and consuming tasks, simplify information processing, reduce perceived risks, and maintain cognitive consistency and a state of psychological comfort. Bendapudi and Berry (1997) suggested four broad drivers: environmental variables, partner variables, customer variables and interaction variables, that affect customers' dependency on the partner and thus their willingness to engage in a relationship.

Furthermore, there is a key component of the behavioural theory proposing that uncertainty avoidance is a motivator of organisational actors (Cyert & March, 1963). In the context of the business market, research has incorporated motivation theory and attempted to examine the organisational buyer's motives. As described by Webster and Wind (1972), the organisational buyer's motivation has both a task and non-task dimension. Task-related motives relate to the specific buying problem to be solved, and involve the general criteria of buying the right quality in the right quantity at the right price for delivery at the right time from the right source. Non-task motives, broadly speaking, can be placed into two categories: achievement motives and risk-reduction motives. Achievement motives are those related to personal advancement and recognition. Risk-reduction motives are related, but somewhat less obvious, and provide a critical link between the individual and the organisational decision-making process. There is frequently a rather direct relationship between task and non-task motives, but non-task-related motives are often more important. Prior research examining risk perceptions in marketing has found that risk perceptions are negatively correlated with willingness to buy (Shimp & Bearden, 1982; White &Truly, 1989). As perceived risk of purchasing decreases,

consumers' willingness to buy increases. Therefore, if the purchase is with a salesperson with whom the customer has a trustworthy relationship, the business risk is low (Griesinger, 1990).
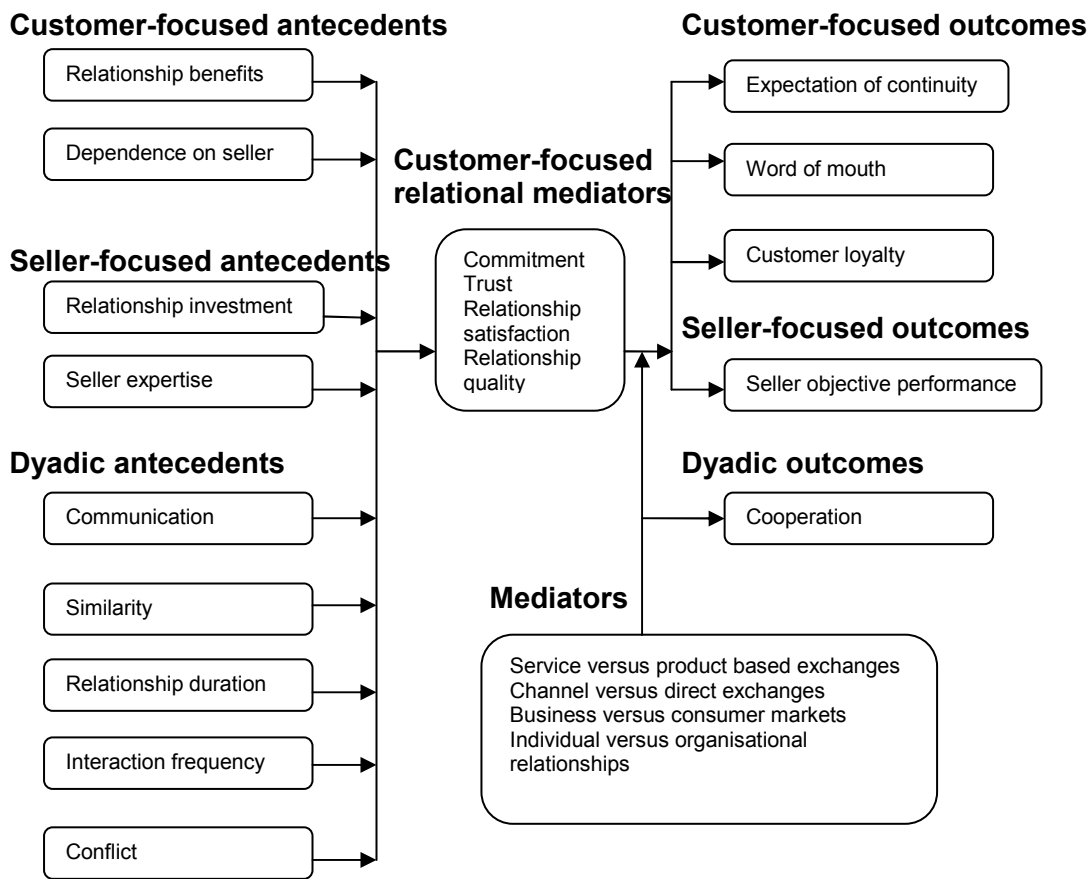
On the contrary, investigations on salespeople's motives for relationship engagement are relatively nascent. To some extent, literature has demonstrated a link between the salesperson's characteristics and customer relationships. Those characteristics include familiarity (Brown,1995), expertise (Brown & Swartz, 1989), customisation (Smith & Smith, 1997), similarity (Morgan & Hunt, 1994; Bendapudi & Berry, 1997), empathy (Pilling & Eroglu, 1994), likability (Jones et al, 1998), and power within the organisation (Moorman, Deshpande & Zaltman, 1993). Yet, the drivers of salespeople's relational behaviours are unclear. To date, little research has been published that studies, in depth, the motivators influencing salespeople's relational behaviours. Of two articles, one is conceptual (Martin & Bush, 2003) and the other is empirical (Boles et al., 2000). Both have extended Walker et al. (1977)'s original study on determinants of sales force performance and suggested that the salesperson's selling behaviour is influenced by personal, organisational and environmental variables including sales manager leadership style, psychological climate and empowerment (Martin & Bush, 2003). Boles et al. (2000) found that the salesperson's extrinsic and intrinsic motivation have an effect on their relational selling behaviour. That is, intrinsic motivation is positively related to, whilst extrinsic motivation is negatively related to, the salesperson's cooperative intentions. Within the same article, as revealed by the empirical test, demographic factors such as salespeople's age, gender, and marital status, do not seem to be relevant to the salesperson's overall relational selling behaviour (Boles et al., 2000). As such, in Boles' et al. (2000)'s study, generic factors such as intrinsic and extrinsic motivations and demographic information failed to predict salespeople's specific relational behaviours. It still remained ambiguous 'why do salespeople develop relationships with their customers'.

More recently, by summarising the factors that influence marketing relationships, Palmatier et al. (2006) established the association between the relationship antecedents (e.g. relationship benefits, dependence on seller, relationship investment, seller expertise, communication, similarity, relationship duration, interaction frequency, and conflict) and the relationship outcomes (e.g. expectation of continuity, word of mouth, customer loyalty, seller objective performance, and cooperation) of buyer-seller relationships from the customer, seller and dyadic perspectives (see Figure 2.2.1). Yet, even such a

comprehensive framework failed to capture specifically salespeople's motivations for cultivating customer relationships. It overlooked why the salesperson as an individual, is motivated to perform relational behaviours that occur behind the scenes, yet contribute to customer relationship development. Therefore, we propose our research question of the following investigation:

Why do salespeople cultivate relationships with their customers?

Figure 2.2.1 Relational mediator meta-analytic framework

Customer-focused antecedents

- Relationship benefits
- Dependence on seller

Seller-focused antecedents

- Relationship investment
- Seller expertise

Dyadic antecedents

- Communication
- Similarity
- Relationship duration
- Interaction frequency
- Conflict

Customer-focused relational mediators

Commitment
Trust
Relationship satisfaction
Relationship quality

Customer-focused outcomes

- Expectation of continuity
- Word of mouth
- Customer loyalty

Seller-focused outcomes

- Seller objective performance

Dyadic outcomes

- Cooperation

Mediators

Service versus product based exchanges
Channel versus direct exchanges
Business versus consumer markets
Individual versus organisational relationships

Source: Palmatier et al. (2006)

2.3 Theoretical framework and hypotheses

In this section, we explain the rationale of the theoretical framework used in this study, followed by the hypotheses development.

<u>The theory planned behaviour (TPB) model: The case against its use in this study</u>

The theory of planned behaviour (Ajzen, 1991) has emerged as one of the most influential and popular conceptual frameworks for the study of human action. It assumes that most human social behaviour can be predicted from intentions together with perceptions of behavioural control. The combination of attitude toward the behaviour, subjective norm, and perceptions of behavioural control lead to the formation of a behavioural intention. Wicker's (1969) review examined the relationship between attitudes and behaviour, and concluded that attitudes probably do not predict behaviour. Social psychologists have sought to improve the predictive power of attitudes; according to Ajzen (2005), attitudes are typically viewed as being more malleable than personality traits. In the case of attitude, these responses are evaluative in nature, and they are directed at a given object or target (a person, institution, policy or event). Evaluations can change rapidly as events unfold and new information becomes available, but personality traits are more stable and much more resistant to transformation.

TPB is essentially an extension of the reasoned action theory (Ajzen & Fishbein, 1980; Ajzen & Fishbein, 1975) made necessary by the original model's limitations in dealing with behaviours over which people have incomplete volitional control. TPB introduced a measure of perceived behaviour control to allow the prediction of behaviours that were not under complete volitional control. The inclusion of perceived behaviour control provides information about the potential constraints on action as perceived by the actor, and is held to explain why intentions do not always predict behaviour. As a general rule, the more favourable the attitude and subjective norm with respect to a behaviour and the greater the perceived behaviour control, the stronger should be an individual's intention to perform the behaviour under consideration. TPB has met with some degree of success in predicting a variety of behaviours (e.g. online purchase behaviour; Koufaris, 2002). Yet, inquiries into the role of beliefs (behavioural, normative, and control) as the foundation of attitude toward a behaviour, subjective norm, and perceived behavioural control have only been partly successful. Other extensions to the TPB such as belief salience, past

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behaviour habit, self-efficacy, moral norms, self-identity, and affective beliefs also play a key role (Armitage & Conner, 2001).

The idea that behavioural achievement depends jointly on motivation (intentions) and ability (behavioural control) is by no means new. It is arguable whether perceived behaviour control is directly linked to behaviour or rather, a moderator on intention-behaviour interactions. According to Conner and Armitage (1998), Ajzen (1991) reported that only one study had found the (marginally) significant ($p < .10$) intention– perceived behaviour control interaction that would support this moderator hypothesis. He suggested that this finding reflected the fact that linear models account well for psychological data. Following the lack of evidence for the interactive effects of perceived behaviour control on the intention–behaviour relationship, Ajzen (1991) argued for a direct relationship between perceived behaviour control and behaviour which more closely fitted the available data. However, several more recent studies (e.g. Terry & O'Leary, 1995, cited in Conner and Armitage, 1998) have found significant perceived behaviour control -intention interactions. Also, TBP tends to regard perceived behaviour control and self-efficacy as being synonymous, both conceptually and operationally (e.g. Ajzen, 1991, cited in Conner and Armitage, 1998). Yet, within TPB research, there is a growing body of evidence to support the theoretical distinction between self-efficacy and perceived behaviour control. As noted by Conner and Armitage (1998), consistent across all of these studies is the strong relationship between self-efficacy and behavioural intention: people intend to engage in behaviours of which they feel they are capable. In some cases, prediction of behaviour from self-efficacy and perceived behaviour control is typically not consistent. For example, Manstead and Van-Eekelen (1998) reported that self-efficacy (but not perceived behaviour control) was a significant predictor of grades achieved in English, whereas Terry and O'Leary (1995) reported that perceived behaviour control (but not self-efficacy) predicted exercise behaviour. Under conditions of very high volitional control, behavioural intention should be the only predictor of behaviour (Armitage & Conner, 2001).

Furthermore, social norms are informal rules that social groups adopt to regulate and regularise members' behaviour which refer to the individual's perceptions of general social pressure to perform (or not to perform) the behaviour. That is, if an individual perceives that significant others endorse (or disapprove of) the behaviour, they are more (or less) likely to have the intention to perform it. In TPB, subjective norm is operationalised as a global perception of social pressure either to comply with the wishes of others or not

(Ajzen, 1991). However, social pressure is rarely so direct or explicit, leading a number of researchers to suggest alternative conceptualisations. For example, researchers have drawn on self-categorisation and social identity theories (Hogg & Abrams, 1988) and have specifically shown that identification with a behaviourally relevant group moderates the effects of group norm on intention (Terry & Hogg, 1996). The findings indicated that higher identifiers tend to subject themselves more to group norms compared to low identifiers (Terry & Hogg, 1996). Hence, in referring to norms, there may not be a very clear separation in the individuals' mind between wanting to do something because "I want to do it" and because other people think they should, except in the case of true compliance. In an overall means-ends analysis, pleasing others is a positive outcome. It is possible to think of such favourable social consequences as simply additional aspects of the behaviour which should be factored in. It can be argued that normative consequences, e.g. peers' approval, could be viewed as one among a number of different subsets of consequences, and should not necessarily be treated any differently than other consequences (e.g. economic). **Therefore, in the present study, it is reasonable to treat the normative consequence as one of the consequences of salespeople's relational behaviours.**

Finally, TPB overlooks the significance of affect-based attitudes and assess them in a limited fashion. TPB emphasises cognition-based attitude and treats the affective component of attitudes as post-cognitive. According to Ajzen and Fishbein's (1975), affect is derived from attribute beliefs that are evaluated in an expectancy-value manner. For cognition-based attitudes, domain-relevant information is acquired first, and affective factors come into play only after, and as a result of, considerable cognitive appraisal. Although affective processes often occur in cognition-based attitudes, their role in shaping attitude development is minimal. Many theorists (e.g., Lazarus, 1982) consider affect to be post-cognitive. That is, affect is thought to be elicited only after a certain amount of cognitive processing of information has been accomplished. In this view, an affective reaction, such as liking, disliking, evaluation, or the experience of pleasure or displeasure, is based on a prior cognitive process in which a variety of content discriminations are made and features are identified, examined for their value, and weighted for their contributions (Brewin, 1989).

Some scholars (e.g. Lerner & Keltner, 2000) argued that affect can be both pre- and post-cognitive, with thoughts being produced by initial emotional responses, and further affect

being produced by the thoughts. In a further iteration, other scholars argued that affect is necessary to enable more rational modes of cognition (e.g. Damasio, 1994). Nevertheless, Zajonc (1980) has made a strong case for the primacy of affect in the formation of certain preferences. The term "affect" can be taken to indicate an instinctual reaction to stimulation occurring before the typical cognitive processes considered necessary for the formation of a more complex emotion. Robert B. Zajonc asserted that this reaction to stimuli is primary for human beings, and that it is the dominant reaction for lower organisms. Zajonc suggested that affective reactions can occur without extensive perceptual and cognitive encoding, and can be made sooner and with greater confidence than cognitive judgments (Zajonc, 1980). For affect-based attitudes, affective reactions are a primary and powerful influence on the individual. The attitude is initially acquired with minimal cognitive appraisal. Relevant information that is acquired subsequent to these affective reactions may serve to confirm or bolster the initial attitude. Eventually, the individual's attitude will be supported both by strongly felt emotions and by an arsenal of facts and beliefs about the issue. The cognitive structuring that takes place is likely to be in service of the affect and does not constitute the basis of the attitude (see Wilson et al., 1984; Zanna & Rempel, 1988). One possibility is that attitudes with affective origins may be relatively impervious to influence attempts that rely on rational argumentation and might be more responsive to persuasive appeals that tap on their affective bases (Zajonc, 1980), e.g. emotional arguments are more effective when they come from attractive people.

As noted by Zajonc (1980), affect dominates social interaction, and it is the major currency in which social intercourse is transacted. This assumption is also supported by other studies in explaining that people's initial relationship involvement is largely affect-based (e.g. Hinde, 1981, Byrne, 1971). For example, Hinde (1981) suggested that interpersonal relationships typically entail cognitive, affective, and behavioural aspects. Also, Byrne (1971) argued that affective responses have explained initial attraction and acquaintance in interpersonal relations. **Therefore, we argue that salespeople's affect e.g. a liking for the customer, probably influence their decision to develop relationships with the customer.**

In sum, when studying initiatives of salespeople's relational behaviours, TPB may not be sufficient due to its problematic propositions of perceived behaviour control and norms,

and exclusion of affect-based attitudes. Hence, we do not rely on the TPB framework in the study of salespeople's relational behaviours.

<u>Motivation theories and their use in this study</u>

Motivation theories have been extensively applied in management disciplines, especially in the study of work motivation. In the past, marketing has attempted to capture salespeople's motivations with the focus on sales performance. In the tradition of work performance literature, Vroom (1964) realised that an employee's performance is based on individual factors such as personality, skills, knowledge, experience and abilities. Salespeople's motivations to expand effort on the job were usually viewed as functions of one or several independent variables such as aptitude or ability, financial compensation and incentives, psychological incentives, and organisational and managerial factors (Walker et al., 1977). Alternatively, a set of personal and organisational variables such as role perceptions, motivation and ability may impact on salespeople's performance (Weitz et al., 1977). Similarly, Churchill et al. (1985) summarised six influencing factors of salespeople's performance, namely, role, skill, motivation, personal factors, aptitude and organisational/environmental factors.

Need theories

One of the very clearest analyses of people's motivation to work is contained within the principles of scientific management. According to Taylor (1911/1971), the natural state of the worker in an organisation is one of indolence and slothfulness, and the individual is coaxed out of this by the prospect of personal financial incentives. Apart from some apparent empirical problems, a more fundamental limitation of the economic approach is that it presents a thoroughly inhuman model of human behaviour (Brown, 1954; Griesinger, 1990). These arguments were fleshed out by McGregor (1957, 1960) in his assertion that conventional Taylorist was underpinned by a profoundly pessimistic theory of motivation. McGregor referred to this traditional view as Theory X. He argued that the assumption of Theory X was not only limited, but that motivation was better understood in terms of exactly the opposite set of assumptions. These, he referred to as Theory Y. This theory includes assumptions that people will generally tend to exercise self-direction and self-control to reach objectives to which they are committed. This analysis was partly informed by previous theorising that had noted the contribution of needs to human motivation. Need theories date from the seminal works of Henry Murray and Abraham

Maslow. Murray (1938) believed that people are motivated by perhaps two dozen needs (e.g. achievement, affiliation, autonomy, and dominance) that become manifest or latent depending upon circumstances. For example, 'the need of belongingness' is a fundamental human motivation which explains the desire for social bonding, or interpersonal attachment in relationships (Baumeister & Leary, 1995). Maslow (1943) further argued that human beings have a hierarchy of needs that range from the low-level and basic (such as a need for food) to high-level and complex (e.g. a need for self-esteem).

McClelland (1961) and Alderfer (1972) adapted original works of need theories to the workplace. They focused their efforts on high-level needs for achievement, affiliation and dominance (referred to as the need for power) (McClelland, 1961), or in Alderfer (1972): needs for growth, relatedness and existence. McClelland has argued that everyone shares lower-level physical and security needs, but that motivation to work reflects a higher-order, more specialised need for achievement. Within McClelland's work, need for achievement is differentiated from two other lower-order needs: The need for affiliation and the need for power. On this basis, whether or not people work hard is largely a function of the need for achievement, whilst people with high affiliation need to learn social relationships more quickly and they prefer friends to experts as working partners.

The needs approach has led to important organisational innovation. For example, ideas are central to Herzberg's (1968) motivation-hygiene theory, suggesting that when workers are dissatisfied, they tend to refer to an absence of hygiene factors (e.g. poor pay and so forth). When they are satisfied, workers tend to link this to the presence of motivator factors (such as the sense of achievement). However, the underlying theoretical principles on which such innovation is based remain poorly specified and quite difficult to test (Chell, 1993). Landy (1989) questioned why needs are arranged in one hierarchy rather than another. He argued that in order to justify the title 'theory', there should be a tight set of interrelated propositions that can be empirically tested. This is where most of the need approaches have fallen short. In addition, people usually link their needs with certain properties of the environment which then jointly determines their motivations (Heider, 1958).

Cognitive approaches

Alternatively, cognitive work on motivation is dominated by two main approaches. The first reflects the influence of social exchange theories, while the second is especially interested in issues of intrinsic motivation. In the exchange theory tradition, three distinct approaches are particularly influential: expectancy theory, goal-setting theory and equity theory. The principle of expectancy theory is that rewards should be closely tied with behaviour, rewards administration should be frequent and consistent, and people are motivated by outcomes (expected or past) (Mitchell, 1982). It proposed that people's behaviour is based on a given consequence and on the value or attractiveness of the consequence (Lawler, 1973). Victor Vroom (1964) developed the first application of expectancy to organisational behaviour. His original theory was concerned primarily with predicting the amount of effort a worker would expand on various tasks associated with his work motivation. According to expectancy theory, the motivational process is described as a circle; the motivational level of salesperson influences the effort or behaviour, which leads to some level of achievement on one or more dimensions of job performance (outcome), and the performance is rewarded, then the rewards lead to motivation which again influence behaviour (Kraff, 1999). Several theorists consequently expanded the original theory in an attempt to predict not only the worker's motivational level, but also the level of job performance (Galbraith & Cummings, 1967; Porter & Lawler, 1968). Expectancy theory has dominated sales force motivation literature since 1980s (Teas & McElroy, 1986), and the expectancy (or instrumentality) model has been considered an effective framework for studying sales force motivation. Goal-setting theory has a lot in common with expectancy theory, but differs in emphasising the overriding importance of goals. Goal setting is crucial, that is, people work harder with than without goals. Equity theory is also similar to expectancy theory, but it differs in emphasising the role that perceived costs, not just rewards, play in motivational processes. It focuses on the motivational consequences that individuals believe they are being treated either fairly or unfairly in terms of the rewards and outcomes they receive (Adams, 1965; Mowday, 1996). At a theoretical level, the concepts that are central to the equity theory mean that any behaviour can be explained in terms of cost-benefits analysis, a point that applies to social exchange theories. **Based on the exchange tradition of motivation theories, we propose that salespeople's evaluation of consequences would influence their decision to cultivate customer relationships.**

The other social cognitive influence on the motivational literature relates to the concept of intrinsic motivation. An activity that is intrinsically motivated is one that is enjoyable or interesting. There is no apparent reward except for the activity itself. Popular theories of intrinsic motivation argue that people perform intrinsically motivating tasks because they offer the opportunity to gratify a higher-order need for personal growth and achievement (deCharms, 1968; Deci, 1975). Furthermore, Cherrington (1980) described two fundamental perspectives on the psychological value of work; work as an instrumental value and as a terminal value. The instrumental value perspective views work primarily as a means to an end because it contributes, at least indirectly, to other worthwhile goals. The terminal value perspective views work as a positive activity that dedicated work is a positive virtue, much like honesty or loyalty. Therefore, work itself provides meaning and satisfaction irrespective of outcomes (Brown & Peterson, 1994). White (1959, p. 318) proposed that people possess an inborn need for 'effectance' (i.e. to deal effectively with the environment), and that satisfaction lies in a considerable series of transactions rather than a goal that is achieved. Deci (1975), and Deci and Ryan (1985) built on White's idea of effectance in elaborating intrinsic motivation theory. They posited that people possess an innate need to be competent, effective, and self-determining, and thus work motivation is inborn.

However, there are some residual empirical and theoretical problems in this field. Most pressingly, it is not clear what actually makes a particular motivator intrinsic or extrinsic. Also, the status of a motivator as intrinsic or extrinsic can be seen as the outcome of a cognitive process as well as a cognitive input (Haslam, 2004). For this reason, there is considerable disagreement about the classification of motives in terms of the intrinsic-extrinsic dichotomy. This point was confirmed in a study conducted by Dyer and Parker (1975). Respondents were divided on the classification of outcomes such as 'recognition' (28% of respondents consider it as intrinsic whilst 41% think the opposite), and 'opportunity to develop friendship', (21% of respondents refer to it as intrinsic whilst 47% see it as extrinsic).

In this study, although we do not consider the division between intrinsic and extrinsic motivations, we argue that developing relationships with customer may offer salespeople opportunities to meet their higher-order needs (e.g. need for self-growth) and become intrinsically enjoyable.

The social identity approach

Motivation has traditionally been cast as an individual phenomenon (Bloemer & Odekerden-Schroder, 2007). According to Mitchell (1982), motivation theories clearly recognise and make central the idea of individual differences, which implies that different people are motivated by different things. The individual difference approach suggests that motivation is supposed to be under the individual's control (Mitchell, 1982). Such assumption is founded on the questionable view that motivation has its psychological basis in the enduring characters of the individual as an autonomous social agent. Recently, Ellemers, Gilder and Haslam (2004) proposed that a social identity approach can help specify the circumstances under which workers are likely to conceive of themselves either as separate individuals or as part of a collective. The social identity approach to motivations has been mainly interested in situations where larger groups play a role. Motivational processes may apply to the achievement of collective goals in exactly the same way they do with individual goals. The traditional approach has been to adopt an exchange orientation and to create situations in which the ultimate achievement of individual goals (e.g. getting a pay raise) depends on the attainment of collective goals (e.g. an increase in organisational profits) (Ellemers, Gilder & Haslam, 2004). That is, the desired behaviour is reinforced by pointing to the interdependence between personal and collective outcomes. The common assumption underlying previous work on group motivation is that people tend to behave in ways that seem to be rewarding from an individual point of view. Such an approach however, does not systematically consider how individual behavioural preferences may be adapted to align with collective concerns or goals, and it is unclear how these motivational principles operate when personal goals are incompatible with collective goals (Ellemers, Gilder & Haslam, 2004). For example, Ambrose and Kulik's (1999) review of over 200 empirical studies on work motivation concluded that relatively little is known about motivation in workgroups. Meanwhile, they maintained, "As organizations continue to move toward group-based systems, research on motivation within groups is increasingly important" (Ambrose & Kulik 1999, p. 274).

Social identity and self-categorisation theories discuss a large number of social structural and psychological factors that determine whether a person defines him/herself in terms of his/her idiosyncratic characteristics or in terms of shared group membership. As noted by Haslam (2004), when personal identity is salient, this should be associated with needs to self-actualise and enhance personal self-esteem by means of personal advancement and

growth. On the other hand, when social identity is salient, this should be associated with the need to enhance social self-esteem by a sense of relatedness, respect, peer recognition and the achievement of group goals (Haslam, 2004). **Hence, in the case of this study, salespeople, as a social agent, enhancing social self-esteem may be one of their considerations of developing relationships with customers.**

The definition of motivation

The term 'motivation' is rather fuzzy and has been used in as many different ways as it works. Heider (1958) complained about the conceptual ambiguity of desire and motivations, even though he attempted to distinguish the means-end significance between them by giving an example, 'a hated task become pleasure when done for someone one loves'. Vroom (1964) used motivation to refer to a process governing choices made by a person or lower organisms among alternative forms of voluntary activity. He introduced three variables of motivation; valence, expectancy and instrumentality. Weiner (1980) defined three components of motivation; persistence, intensity and choice. The meaning of motivation has been compiled as the psychological processes that cause the arousal, direction, and persistence of voluntary actions that are goal directed (Mitchell, 1982). In this study, as supported by most motivational theories (e.g. Mitchell, 1982), 'motivation' is conceptualised as people's behavioural intentions. Gannon and Newman (2002) suggested four-dimensional behavioural intentions; perceived consequence (If I do that I will get a positive outcome), norms (I should do that), affect (I like to do that), and self-concept (I am the kind of person who does that). We have discussed perceived consequence, norms, and affect. Following their proposition, in the next section we attempt to explore the remaining dimension, 'self-concept', in terms of generic and specific personal traits.

<u>The case against using five basic personality traits as behaviour predictors</u>

Research on interpersonal relationships has traditionally been treated tangentially in the field of personality and social psychology. Heider (1958) complained that personality investigators have been concerned with the isolation of personality traits and structure, and the interpersonal behaviour itself has not often been a focus of study, whilst social psychologists have been mainly interested in the relations between people when larger groups play a role. As well, Ajzen (2005) argued that historical and largely artificial boundaries between personality and social psychology have resulted in divergent

research traditions that have tended to obscure the conceptual similarities and common vicissitudes of the trait and attitude concepts. Personality psychologists devoted considerable effort to the description of personality structures in terms of multidimensional trait configurations, while social psychologists, in addition to collecting descriptive data regarding attitudes toward various social issues, attended to the structure of attitudes in terms of their cognitive, affective, and conative components and to effective strategies of persuasion and attitude change (Ajzen, 2005).

Kelly (1955) defined personality according to the differences in the individual person's cognitive structures, and it is a more interactive or dynamic process in which the individual processes information about others within the environment and then adapts his or her behaviour to perceived situational requirements. A multitude of personality traits has been identified; among them are dominance, sociability, independence, conscientiousness, hostility, helpfulness, self-esteem, emotional stability, and ambitiousness, and new trait dimensions continue to join the growing list. Researchers such as Costa and McCrae (1985), Goldberg (1992), and Saucier (1994) have generally supported the existence of five basic dimensions of personality. Descriptions of the traits are (1) extraversion (or introversion), representing the degree to which a person is outgoing or shy; (2) (in)stability, which captures the evenness or steadiness of a person's general emotional makeup; (3) agreeability, or general warmth of feelings toward others; (4) conscientiousness, representing the degree of orderliness, organisation, and precision; and (5) openness to experience (or creativity), which represents the person's degree of imagination or originality. Ajzen (2005) contended that personality traits describe response tendencies in a given domain, such as the tendency to behave in a conscientious manner, to be sociable, to be self-confident, and so forth. Yet, the responses that reflect an underlying trait do not focus on any particular external target. Instead, they focus on the individual and can thus be used to differentiate between individuals and to classify them into different personality types (Ajzen, 2005).

Research has made much of the fact that general dispositions tend to be poor predictors of behaviour in specific situations. In particular, personality explanations of human behaviour lose much of their explanatory power when they are invoked to explain the behaviour of a large group of people (Haslam, 2004). One proposed remedy for the poor predictive validity of personality traits is the aggregation of specific behaviours across occasions, situations, and forms of action. The idea behind the principle of aggregation is

the assumption that any single example of behaviour reflects not only the influence of a relevant general disposition, but also the influence of various other factors unique to the particular occasion, situation, and action being observed (Ajzen, 2005). In marketing research, interest in the relationship of personality variables and consumer behaviour has existed since the importance of marketing was first recognised. Unfortunately, past attempts to understand and predict consumer behaviour through the use of personality variables have yielded disappointing results (Engel, Blackwell, & Miniard, 1986; Kakkar & Lutz, 1981; Robertson, Zielinski, & Ward, 1984; Wells & Beard, 1973). In classic reviews of the literature, Kassarjian (1971) and Kassarjian and Sheffet (1981) observed that research examining personality effects on consumer behaviour was often conducted without the guidance of general theoretical frameworks. As a result, there has been little understanding of the processes by which a personality variable ultimately influenced preferences or behaviour. The study of a personality variable in the context of more general conceptual frameworks was suggested as a way to enhance the usefulness of personality variables in consumer behaviour research.

From a relationship marketing perspective, Brown et al. (2002) has treated customer-orientation as a surface personality trait. Surface traits are enduring dispositions to act within context-specific situations (Mowen, 2000). In a hierarchical model, customer orientation is influenced by more basic traits (e.g., agreeability, emotional stability, activity needs); in turn, it influences outcome variables. For instance, customer orientation mediates the relationships between more basic personality traits and service performance (Brown et al., 2002). Brown et al. (2002, p. 111) then defined customer-orientation as an "employee's tendency or predisposition to meet customer needs in an on-the-job context." Although viewing customer-orientation as a trait is inconsistent with Saxe and Weitz's (1982) behavioural approach, it is supported by the hierarchical approach to personality (e.g., Allport, 1961; Lastovicka, 1982; Mowen, 2000). **Therefore, in the present study, we argue that salespeople's specific personality traits may be more relevant to their relational behaviours than those basic personality traits.** This approach is likely to have better explanatory power and tends to be more accountable for the behaviours in discussion.

<u>The case against using egoistic and altruistic orientations</u>

Literature on employees' prosocial organisational behaviours (e.g. serving a customer group or assisting customers with personal problems) emphasises understanding the

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range of behaviours of employees that contributes to the effective functioning of the organisation. Prosocial behaviours refer to acts performed with the goal of benefiting another person. Researchers generally give "altruistic" reasons for wanting to help others (Sills, 1957: Pearce, 1983). Also very common reasons are self-oriented (e.g. self-fulfilment) such as perceived benefits, getting job experience, enhancing organisational status, or simply gaining more contacts. In addition to these, other motives such as social desirability, wanting recognition, getting ahead in one's career, expectations of respect from significant others, identification with the organisation, and positive attitudes to the group are all possible reasons for prosocial behaviours. The egoism vs. altruism split is frequently evoked when studying prosocial behaviours. For example, in Snelgar (2006)'s study of environmental beliefs and behaviours, egoistic concerns are related to me, my future, my lifestyle, my health and my prosperity. Altruistic concerns are those related to humanity, children, people in community and future generations. Egoists act prosocially when reputational incentives are at stake, whilst altruists tend to act prosocially regardless of reputational incentives (Simpson & Willer, 2008). Egoism, seen as extreme self-interest, occurs when self-importance or a need to feed one's own image is the motivator. On the other hand, altruistic individuals who are most likely to give in the absence of rewards are those who do not seek reputational gains, and altruistic behaviour is thus observed not only when incentives exist, but also when they do not (Simpson and Willer, 2008).

The review of literature on the causes of prosocial behaviours facilitated a better understanding of the altruistic and egoistic split. One approach is evolutionary psychology which attempts to explain social behaviour in terms of genetic factors that evolved over time according to the principles of natural selection. According to this approach, prosocial behaviour has genetic roots because it has been selected for in three ways: people further the survival of their genes by helping genetic relatives (kin selection); there is a survival advantage to following the norm of reciprocity, whereby people help strangers in the hope that they will receive help when they need it; and there is a survival advantage to the ability to learn and follow social norms of all kinds, including altruism. Reciprocal altruism explores the evolutionary advantages of helping unrelated individuals, where the favour is repaid in kind (Penner et al., 2005), while indirect reciprocity addresses the receipt of such long-term benefits or rewards for short-term prosocial acts. Altruists are more likely to indirectly reciprocate others' prosocial behaviours (Simpson & Willer, 2008). This contrasts with the direct reciprocity of egoism, where individuals directly return favours to

those who have provided past help (Simpson & Willer, 2008). Moreover, the empathy-altruism hypothesis sees prosocial behaviour as motivated only by empathy and compassion for those in need. It is generally agreed that empathic responses precede many (but not all) prosocial acts. Recent research has shown, for example, that when people feel empathy toward another person, they become more helpful toward that individual and more sympathetic to the group to which the person belongs (e.g., homeless people).

As noted by Bar-Tal (1986), with few exceptions, most of those who emphasise the motivational aspect of altruism agree that altruistic behaviour must benefit another person, must be performed voluntarily, must be performed intentionally, the benefit must be the goal by itself, and must be performed without expecting any external reward. Researchers have been particularly intrigued with the causes of altruism, which is the desire to help another person even if it involves a cost to the helper. Both personal and situational factors can override or facilitate basic motives of helping behaviours (e.g. Penner et al., 2005). Personal determinants of helping behaviours include the altruistic personality, the idea that some people are more helpful than others. Penner et al.'s (2005) factor analysis of several prosocial personality traits have led to two dimensions of the prosocial personality. The first is abstract, correlating prosocial thoughts and feelings (such as a sense of responsibility and tendency to experience empathy) with measures of agreeableness and dispositional empathy (Penner et al., 2005). The second is more specific, namely the self-perception that one is a helpful and competent individual (Penner et al., 2005). These facets are manifested in the act of volunteering, which incorporates prosocial action in an organised context (Penner et al., 2005). Volunteering usually stems from a thoughtful decision to join and contribute to an organisation, with a prosocial motive (at least initially). Interpersonal helping, in contrast, incorporates a sense of personal obligation (Penner et al., 2005).

Although important, personality is not the sole determinant of prosocial behaviour. As noted by Penner et al. (2005), first, gender is another personal factor that comes into play. Though one sex is not more altruistic than the other, the ways in which men and women help often differs, with men more likely in heroic, chivalrous ways and women more likely to help in ways that involve a long-term commitment. Second, people's cultural background also matters. Compared to members of individualistic cultures, members of interdependent cultures are more likely to help people they view as members of their in-

group and less likely to help people they view as members of an out-group (Penner et al., 2005). Third, mood affects helping. Interestingly, being in either a good or a bad mood, compared to being in a neutral mood, can increase helping (Penner et al., 2005). Good moods increase helping for several reasons, including the fact that they make individuals see the good side of other people, making individuals more willing to help them. Bad moods increase helping because of the negative-state relief hypothesis, which maintains that helping someone makes individuals feel good, lifting individuals out of the doldrums. Fourth, social determinants of prosocial behaviour include rural versus urban environments, with helping behaviour more likely to occur in rural settings. One reason for this is the urban overload hypothesis, which says that cities bombard people with so much stimulation that they keep to themselves to avoid being overwhelmed. Finally, the bystander effect points out the impact of the number of bystanders on whether help is given; the fewer the bystanders, the more inclined a person is to help. The bystander decision tree indicates that a potential helper must make five decisions before providing help: notice the event, interpret the event as an emergency (pluralistic ignorance can occur if everyone assumes that nothing is wrong because no one else looks concerned - an example of informational social influence), assume personal responsibility (a diffusion of responsibility created by the presence of several bystanders may lead us to think it's not our responsibility to act), know how to help, and implement the help (Penner et al., 2005).

In addition, research has shown that the altruistic disposition is not universal but bounded by the community (Portes, 1998). For example, in collectivistic societies, there is a sharp distinction between members of in-groups and members of out-groups. Collectivistic culture is associated with emphasis on social solidarity or harmony. Trandis (1972, 1995) has noted that individualists stress personal goals over group goals, centre on their personal preferences, needs, rights and contacts, and emphasise rational analysis of advantages and disadvantages of relationships. By contrast, collectivists tend to emphasise group goals over personal goals, centre around group norms and obligations, and emphasise relationship as a moral imperative. On the surface, it would seem that people from a collectivistic culture appear to place more importance on social solidarity and nurture it with more care than those from an individualistic culture. However, a deeper examination of literature reveals a dark side of collectivism that may inhibit prosocial behaviours particularly because the level of helping is high with in-group members but low with out-group members.

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Noticeably, neither of these theories sees helping behaviour as a form of altruism, as self-gain is always involved. Research has demonstrated that even those whose motivation is highly altruistic and other-oriented, will derive some personal benefits from their own actions, although the benefit may simply be a sense of self-worth. A combination of altruism and egoism are integrated with concern for both society and the self. For example, Clary and Snyder (1991) found it is a combination of altruistic and egoistic incentives that ultimately motivates volunteers. One of the factors is the desire to be altruistic, but the others are self-serving. Volunteers are motivated by socially-adjustable considerations (i.e. the wish to be a part of a group), ego-defensive considerations (i.e. the wish to reduce guilt), and the desire to acquire knowledge or skills for personal or professional education. Moreover, the strength of egoistic motives relative to the strength of altruistic motives will vary by person and by situation. For instance, one person may be driven by a high level of altruism and a low level of egoism while another responds from a low level of altruism and a high level of egoism. Therefore, when involved in helping activities, an individual may consider both benefits, egoistic and altruistic, simultaneously though the degree may vary.

Although the individual's egoistic and altruistic orientations are reliable in explaining employees' prosocial or helping behaviours, when developing relationships with customers, salespeople may get involved in activities other than just helping the customer. It appears that egoistic and altruistic orientations are a bit too limited in predicting the variety of relationship building activities. Furthermore, this categorisation may be problematic in describing salespeople's relational behaviours as altruistic concerns may not be necessarily opposite to egoistic ones. In many cases, salespeople's perceived relationship benefits are probably a blend of altruistic and self-interest incentives, though self-interest comes in varying degrees.

The case for using exchange and communal orientations

The classic definition of interpersonal relationships provided by Heider (1958) is that relations are between a few, usually between two, people. Wish et al. (1976) identified that every relationship might have one or more of these four dimensions: cooperative/friendly or competitive/hostile, equal or unequal, intense or superficial, and socio-emotional/informal or task-orientated/formal. Also, Miller (1976) noted that every relationship may proceed in one of three ways: towards termination if either party finds future interaction unpromising; persisting at a friendly but impersonal level as a causal

acquaintanceship; or proceeding, if certain conditions obtain, towards intense personal intimacy (e.g. close friendship). In particular, as denoted by Reisman (1981), friendship consists of three types. The first type is associative friendship which lasts so long as the persons work in the same place, or belong to the same organisation, which may be for quite some time. Yet should one of the friends move or depart, there is little or no effort to keep in touch. Many adult friendships appear to be of this kind. The second type is reciprocal friendship, or 'true' friendly relationship, which is characterised by loyalty and commitment between friends who regard one another as equals. As Reiseman cited from Adams (1931), 'one friend in a lifetime is much; two are many; three are hardly possible'. The third type, receptive friendship, is a relationship in which one of the members is primarily a giver to the other. Moreover, Martin Buber (1947/2002) separated two types of interpersonal relationships: I-It relationships versus I-Thou relationships. In I-It relationships, people treat others as a thing to be used, an object to be manipulated. Yet, in an I-Thou relationship, people regard their partners as the very one like themselves as created in the image of God, and treat them as valued ends rather than as a means. In more recent research, Portes (1998) suggested that two sources of social relationships exist that fit the consummatory (e.g. social solidarity) versus instrumental (e.g. reciprocity) dichotomy.

Clark and Mills (1979) made a fundamental distinction between two forms of relationships orientation: exchange and communal. When benefiting one another, individuals with an exchange orientation have a specific expectation of receiving comparable benefits in return. In contrast, those with a communal orientation give benefits to others to demonstrate a concern for them and to attend to their needs. For example, in exchange relationships, people are concerned with equity and keep track of who is contributing what to the relationship. In communal relationships, people are concerned less with who gets what and more concerned with how much help the other person needs. Even early on, Irving Goffman (1961) in his book *Asylums* distinguished between what he called social exchange and economic exchange. Clark and Millis (1979) used the term 'exchange' in place of Goffman's term 'economic exchange' because many of the benefits people give and receive do not involve money or things for which a monetary value can be calculated. Other authors have suggested more elaborate breakdowns (e.g. Fiske, 1992), but for the sake of simplicity, this study adopts the two relationship versions of Clark and Mills (Clark, 1981; Clark, Mills, & Corcoran 1989). Clark (1981) proposed that individuals with a communal orientation tend to foster communal type relationships. In the preliminary study,

we identified communal orientation as one of the relationship drivers. **Taken together, it is reasonable to argue that salespeople with a communal orientation tend to develop relationships with customers.**

On the contrary, those with an exchange orientation are more interested in the instant benefits they can obtain from a relationship (Clark 1981). On the surface, exchange orientation seems to be similar to the concept of social exchange. In order to clarify these conceptual issues, in Hechter's (1987) study, a distinction between social exchange and instrumental exchange is developed. Social exchange is motivated by a desire to promote or maintain a positive attitude from other group members, while instrumental exchange is a means of obtaining behaviour from others which promotes the self-interest of the actor (Hechter, 1987). **Following this logic, in this study, we treat individual's exchange orientation as the tendency of performing short-term instrumental exchange, not social exchange. Therefore, salespeople with exchange orientation are less likely to form long-term relationships with customers.**

Summary

As mentioned earlier, the purpose of this research is to understand salespeople's behavioural intentions for cultivating customer relationships. The goal of the present section is to develop testable research hypotheses that link the relationship drivers to salespeople's relational behaviours. In this section, we develop the conceptual argument culminating in research hypotheses. The main issues and points developed earlier toward this goal are important for theoretical deduction of the research hypotheses, and they are briefly summarised as follows: **First, consistent with motivation theories, we propose that individual's perceived consequences, high-order need for self-growth, and normative (social) considerations are possible drivers of their behaviours. Second, we suggest that a liking for the other relationship party can predict an individual's involvement in a relationship. And third, we argue that the individual's specific personality traits such as communal and exchange orientations may explain their relational behaviours.** Before the rationale for the research hypotheses can be discussed, it is necessary to further outline the unit of analysis for this study in the next section.

Unit of analysis

Salespeople vs. customer

Typically, studies of customer relationships have relied upon the perspective of one relationship partner, i.e. the salesperson or the customer. Some recent studies have taken an interactive approach that taps on both relationship partners. Thus, a question arises as to which approach is appropriate for the research purpose of the current research. Or in other words, to what degree does information from one side of the dyad reflect the relationships between both relationship partners? Here the two theoretical frameworks, motivation theories and relationship orientations used in this research pose distinct challenges. Both tend to focus on the individual party, not a relationship dyad. In the present study, we concentrate on the salespeople's perspective and further investigate the relationship dyad in future research.

Individual-level relationships vs. firm-level relationships

In the context of marketing, ongoing relationships can be studied at the level of individual boundary personnel (e.g. salesperson-customer dyad) or the firm level incorporating multiple points of contacts between the firms. In the current research, an individual-level perspective appears appropriate because we attempt to understand the salespeople's relational behaviours, and thus information from the salespeople reflects important aspects of the examination of the drivers of salespeople's relational behaviours. Therefore, a firm-level approach seems to be detached from such purpose, and a single side (i.e. salespeople) individual-level perspective is taken.

Hypotheses development

Perceived consequences

According to social exchange theory, relationships entail interactions as well as exchange. In marketing, firms and individuals interact with social and economic exchanges (Medlin, 2004), which function to fulfil the buyer-seller relationship (Håkansson & Snehota, 1995). Marketing relationships have thus been defined as a 'mutually oriented interaction between two reciprocally committed parties' (Håkansson & Snehota, 1995). In the social exchange tradition of motivation studies, individual's behaviour is viewed as a weighing of rewards and costs. For instance, when a person assists another, there is an expectation that the person or another will one day do something to return the favour, and helping only occurs in situations where the rewards for helping are greater than the costs. Rewards may include recognition, praise, and the relief of personal distress. Specifically, mutual benefit occurs when reciprocity is expected – helping behaviour is thus performed with the

expectation of repayment (Simpson & Willer, 2008). Following the logic, salespeople may rationally analyse the cost and benefits before developing customer relationships. Their relational behaviours can be a result of such weighing; that is, it occurs in situations where the benefits of relationship development are greater than the costs. Similarly, the individual's motivation for a task is a product of the value held for the outcome of that task and the expected probability of success at that task. The incentive for a present behaviour (e.g. relationship development) may be associated with achieving a future goal (e.g. access to customer's information). This understanding will directly increase the probability of performing certain behaviours. As revealed in the preliminary study, while giving favours to the customer, salespeople have the expectation that the customer will pay back the favours by disclosing required information, being cooperative and, more importantly, buying their products or services. In many cases, customers may not return salespeople's favours immediately, but they may pay it back in the long run. Hence, the anticipated favours from the customer emphasises long-term benefits which may include economic and informative incentives.

Prior research suggests that social capital inheres in the structure of people relationships, whereas economic capital is in their bank account. Social capital springs from the relationship among people (Coleman, 1990; Burt, 1992). The often-cited aphorism 'It's not what you know but who you know' is relevant to the concept of social capital. Dimensions of social capital include social interaction, relationship quality and network ties (Renko, Autio & Sapienza, 2001). Bourdieu's (1985) treatment of the concept of social capital is instrumental, focusing on the benefits accruing to individuals by virtue of participation in groups and on the deliberate construction of sociability for the purpose of creating this resource. In the original version, he went as far as asserting that 'the profits which accrue from membership in a group are the basis of the solidarity which makes them possible' (Bourdieu, 1985, p.249). To possess social capital, a person must be related to others, and it is those others, not himself, who are the actual source of his or her advantages. Social capital can be taken as a means of social investment that enriches one's current resources and future potential. Portes (1998) saw social capital as important non-monetary sources of power and influence, through which people can gain direct access to economic resources. In fact, a typical salesperson is financially motivated far more strongly than the average employee (see Smyth, 1968; Walker et al., 1977; Tyagi, 1982). **Therefore, it is reasonable to assume that salespeople build up their social capital by developing relationships with customers in order to obtain economic benefits.**

Furthermore, uncertainty-reduction is possibly another motive for relationship building. The original assumption is that uncertainty is unpleasant and therefore motivates people communicating to reduce it. No matter how close two people become, they always begin as strangers. Berger and Calabrese (1975) identified eight truths about initial uncertainty: verbal communication, reciprocity, similarity, nonverbal warmth, information seeking, self-discourse, liking, and shared network. Uncertainty reduction follows a pattern of development stages: entry, personal and exit. Altman and Taylor (1973) described the development of interpersonal closeness as a multilevel behavioural process involving verbal and nonverbal exchanges which they denoted as the social penetration process. Social penetration postulates an "onion-skin" structure, in which personality is conceived as a series of layers that differ along central-peripheral or depth dimension while the social penetration process proceeds from superficial to intimate levels of exchange. As the relationship parties become intimate over time, they disclose more and more information about themselves. Social penetration, then, is the process of increasing disclosure and intimacy in a relationship. In an effort to account for the reasons why individuals self-disclose to others, three categories of motivational variables have been identified: reward/cost properties, attribution, and reciprocity (Altman & Taylor, 1973). In particular, the social norm of reciprocity (Gouldner, 1960) has been advanced to explain why individuals typically respond to openness with returned openness. Central to both theories of uncertainty reduction and social penetration is the idea that people seek to increase their ability to predict their partner's and their own behaviour in situations. Miller and Steinberg's (1975) assumption accounted for why people predict in interaction:

> "When people communicate, they make predictions about the effects, or outcomes, of their communication behaviours; that is, they choose among various communicative strategies on the basis of predictions about how the person receiving the message will respond."

Altman and Taylor (1973) suggested that people attempt to learn about others so that they can better understand how to interact. With more information, one is in a better position to predict how others may behave, what they value, or what they might feel in specific situations. **As for salespeople, developing relationships with customers may help them to gain access to more information through customer's self- disclosure.**

In sum, when developing customer relationships, salespeople may bear a clear purpose to exchange economic and informative benefits which, in turn, have a central role in

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guiding their behaviours. Hence, once salespeople perceives that one can derive benefits from engaging in relational activities, the desire for that benefits becomes a powerful driver for their behaviours. Therefore, we propose:

H1 Salespeople's perceived reciprocity from the customer positively affects their relational behaviours.

Need for self-growth

In sales force literature, research has long recognised that learning and performance goal orientations as two motivational orientations that guide salespeople's behaviours, related to working smart and/or working hard (e.g. Sujan, Weitz & Kumar, 1994). A learning goal orientation stemming form an intrinsic interest in one's work, for example, a search for opportunities that permit independent attempts to master material, demonstrates a need for personal growth (Sujan, Weitz & Kumar, 1994). Research has found that learning goal orientation motivates salespeople working both smart and hard. In Sujan, Weitz and Kumar (1994) original study, working smart was referring to the engagement in activities that served to develop knowledge of sales situations and utilise this knowledge in selling behaviours. Consistent with the literature, developing good customer relationships possibly falls into the category of working smart. As such, the learning goal may drive salespeople to cultivate relationships with their customers. Also, as we discovered in the preliminary study, developing relationships, especially with those challenging customers, is a learning process and provides salespeople with a feeling of achievement or sense of self-worth. They are satisfied with the knowledge and skill learned during the relationship process, no matter whether or not the customer will buy their products/ services. Therefore, we propose:

H2 Salespeople's perceived learning positively affects their relational behaviours.

Normative considerations

As noted by Haslam (2004), when an individual's social identity is salient, this should be associated with the need to enhance social self-esteem by a sense of relatedness, respect, peer recognition and the achievement of group goals. In the preliminary study, we identified the reputational incentives associated with salespeople's social need for recognition. As noted by Yang (1989), relationships contribute to symbolic capital as well. For Bourdieu (1977), symbolic capital consists of the 'prestige and renown attached to a

family and a name' (p.179). In the Chinese context, for example, this symbolic capital takes the form of 'face' (reputation). Having good relationships with important customers will likely enhance salespeople's 'face'. Therefore, we propose:

H3 Salespeople's perceived reputational incentives positively affect their relational behaviours.

Affect-based judgements

The view that people are solely driven by the need to maximise utility or consequences has often been criticised (Granovetter, 2002). Long ago, Aristotle observed that 'those, then are friends to whom the same things are good and evil; and those who are not, moreover, friendly or unfriendly to the same people' (trans. 1984, Book II, 4). By now, there is a very large body of research that supports Aristotle's astute observation that people tend to form friendships with those who are similar to them. Research widely supports the premise that similarity is a necessary starting point for a friendship; it not only increases liking (Lincoln & Miller, 1979; Tsui & O'Reilly, 1989), but also increases influence.

The notion of "birds of a feather flock together" points out that similarity is a crucial determinant of interpersonal attraction. Research has found that interpersonal attraction is positively correlated to personality similarity (Goldman, Rosenzweig & Lutter, 1980). Also, Byrne, Clore and Worchel (1966) suggested that people with similar economic status are likely to be attracted to each other. Specifically, similarity in attitudes promotes social attraction (Byrne, London & Reeves, 1968; Singh & Ho, 2000). For example, the 'law of attraction' by Byrne (1971) suggested that attraction to a person is positively related to the proportion of attitude similarity associated with that person. Clore (1976) suggested that the one with similar attitudes was more agreeable, so the more liking there would be. On the contrary, differences in attitudes and interests can lead to dislike and avoidance (Singh & Ho, 2000; Tan & Singh, 1995). Miller (1972) pointed out that attitude similarity activates the perceived attractiveness and favourability information from each other, whereas dissimilarity would reduce the impact of these cues.

Interpersonal similarities are multidimensional constructs (Lydon, Jamieson & Zanna, 1988), in which people are attracted to others who are similar to them in demographics, physical appearance, attitudes, interpersonal style, social and cultural background, personality, interests and activities preferences, and communication and social skills. An

early study conducted by Theodore Newcomb (1961) on college roommates suggested that individuals with shared background, majors, attitudes, values, and political views became friends. Buss and Barnes (1986) also found that people prefer their romantic partners to be similar in certain demographic characteristics, including religious background, political orientation and social- economic status. People are inclined to desire romantic partners who are similar to themselves on agreeableness, conscientiousness, extroversion, emotional stability, openness to experience (Botwin, Buss, & Shackelford, 1997), and attachment style (Klohnen & Luo, 2003). As well, research has shown there may even be an evolution basis for helping similar others or for trusting them more than dissimilar others (Samuelson, 1993). In a relationship, similar partners are proposed to signal their greater likelihood of facilitating the other party's goals (Johnson & Johnson, 1972). According to Morry's attraction-similarity model (2007), for instance, there is a lay belief that people with actual similarities produce initial attraction. Yet, research showed that perceived similarity was greater than actual similarity in predicting interpersonal attraction (Morry, 2007). Perceived similarity develops for someone to rate others as similar to themselves in an ongoing relationship. Such perception is either self-serving (friendship) or relationship-serving (romantic relationship).

As for a salesperson, for example, similarity generates greater trust with the customer (Morgan & Hunt, 1994; Bendapudi & Berry, 1997). These initial attractions may result in positive emotional ties with the customer (Beatty et al., 1996; Price & Arnould, 1999), and individuals' emotional attachments to a person predict their commitment to the relationship with this person (Matthew et al., 2005). Meanwhile, liking is followed by an increased interaction. For example, Lott and Lott (1972) identified the positive connection between attraction and the level of communication. In marketing research, Nicholson, Compeau, and Sethi (2001) explored the important role of liking in the development of the buyer's trust in the supplier's sales representative. They argue that liking's role was richer and qualitatively different from that of the more cognitive antecedents of trust, and many cognitive antecedents of trust operate mainly through liking. The empirical findings showed that, as the buyer-sales representative relationship matures, liking plays an even more important role in influencing trust (Nicholson, Compeau, & Sethi 2001). Therefore, we propose:

H4 Salespeople's perceived similarities with the customer positively affect their relational behaviours.

H5 Salespeople's liking for the customer positively affects their relational behaviours.

Relationship orientations

In exchange relationships, the motivation for giving a benefit to the partner is to get something back in return. Members in exchange relationships benefit one another with specific expectations of receiving comparable benefits. Relationships between strangers and people who interact for business purposes are typical exchange relationships. On the contrary, in communal relationships, people give benefits to others to demonstrate a concern for them and to attend to their needs – taking a perspective that transcends emphasis on self-interest alone. Most family relationships, romantic relationships, and friendships fall in this category. The two relationships have distinct norms of behaviour. The difference between the two orientations lies in the rules thought to govern the exchange of benefits. Exchange relationships are based on the norm of reciprocity whilst communal relationships are based on the norms of giving benefits to the partner. People in a communal relationship do not expect monetary payment for helping their partner, prefer to get non- comparable benefits in return and do not expect prompt repayment for benefits given. Accordingly, communal oriented individuals are primarily focused on responding to the needs and interests of others.

Several writers also suggested interpersonal behaviour models incorporating two dimensions – concern for self and concern for others (Blake & Mouton, 1970; Buzzotta, Lefton & Sherberg 1972). In marketing literature, Saxe and Weitz (1982) argued that customer orientation is related to the "concern for others" dimension in which high customer orientation is most closely associated with high concern for others/high concern for self, whereas low customer orientation is most closely associated with low concern for others/high concern for self. As such, a salesperson with communal orientation is likely to be customer- oriented and such orientation implies an inherent need for personal relationships with customers (Donavan, Brown & Mowen, 2004).Therefore, we propose:

H6 Salespeople's communal orientation positively affects their relational behaviours.

Conversely, those in an exchange relationship expect to receive monetary payments for providing help, prefer to get comparable benefits in return, and expect prompt repayment for benefits given to a partner. Exchange-oriented individuals are self-interested then, and

tend not to attend to others' needs and interests, but rather are focused primarily on keeping a 'tally' of the giving and receiving of benefits. It is reasonable to assume that salespeople with exchange orientation are less likely to cultivate long-term relationships with customers. They may be more interested in acquiring immediate benefits from sales transactions.

As noted by Sprecher (1998), Murstein et al. (1977) advanced a theory concerning the effect of exchange orientation on close relationships. They stated that "individuals can be placed on a continuum according to the degree to which they believe equity of exchange should characterise their relationships" (p. 543). High exchange-oriented individuals are concerned with the reciprocal exchange in their relationships. Low exchange-oriented individuals are not likely to keep track of exchange; and they presumably would not be concerned if they discovered that the exchange in their relationship had become inequitable. Furthermore, Murstein et al. (1977) argued that the exchange orientation reduces marital satisfaction because "most individuals are quite sensitive to what they do for others, but somewhat less aware of what others do for them" (p. 544). Those who place high importance on equity of exchange will be more aware of the imbalances that inevitably occur in most relationships, and become more irritated in response. In their original study, Murstein et al. (1977) examined the correlation between exchange orientation and marital adjustment, using a sample of 34 married couples. They found a very high negative and significant correlation for husbands and a negatively and marginally significant correlation for wives. In other research, high scores on exchange orientation were associated negatively with marital adjustment and satisfaction (Buunk & Van Yperen, 1991; Murstein & MacDonald, 1983) and with commitment and other dyadic processes in cohabiting relationships (Milardo & Murstein; 1979). Although exchange orientation was associated positively with intensity of friendship among same-sex friends in one study (Murstein et al., 1977), it was associated negatively with friendship intensity and compatibility in other studies (Murstein & Azar, 1986). Thus, exchange orientation apparently has a negative effect on most close relationships. Moreover, to differentiate this exchange orientation from the formerly discussed social exchange-based relationship considerations, we treat exchange orientation as the individual's tendency to emphasise immediate rather than long-term benefits derived from a relationship. Therefore, we propose:

H7 Salespeople's exchange orientation negatively affects their relational behaviours.

Summary of research hypotheses

H1 Salespeople's perceived reciprocity from the customer positively affects their relational behaviours.

H2 Salespeople's perceived learning positively affects their relational behaviours.

H3 Salespeople's perceived reputational incentives positively affect their relational behaviours.

H4 Salespeople's perceived similarities with the customer positively affect their relational behaviours.

H5 Salespeople's liking for the customer positively affects their relational behaviours.

H6 Salespeople's communal orientation positively affects their relational behaviours.

H7 Salespeople's exchange orientation negatively affects their relational behaviours.

Research model

Figure 2.3.1 The conceptual framework
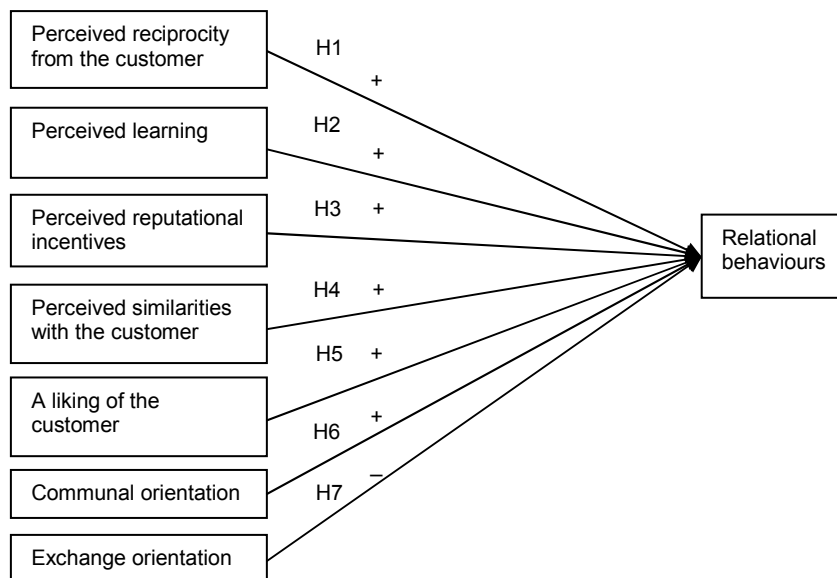
2.4 Methodology

Introduction

In this section, the methodology used to test the hypothesised relationships identified in the earlier section is discussed. This section begins with the operationalisation of the constructs. The goal is to show the process of scale development from construct definitions to operational variables. We demonstrate initial conceptualization of constructs, development of scales used to evaluate the research model, and face validity test. Next, the study context, sample and data collection procedure are identified. The preparation of the survey instrument, and the pretesting and administration of that instrument are also presented.

Operationalisation of constructs

Salespeople's relational behaviours

At the firm level, there appear to be multiple categories that describe relational behaviour. Macneil (1978, 1980, 1983) identified these categories in terms of norms that govern behaviour in relational exchange. However, these norms "reflect both behaviour and thoughts emerging from it" (Macneil 1983, p. 346). Behaviour that is described by norms governing relational exchange can be characterised as cooperative and is designed to "enhance the well-being of the relationship as a whole" (Heide & John, 1992, p. 34). Cooperation refers to "similar or complementary actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocity over time" (Anderson & Narus, 1990, p. 45). Macneil (1980, p. 65) pointed toward two behaviours that are characteristic of relational exchange: continual maintenance of adequate reciprocity and continual harmonisation of conflict. Partners that maintain adequate reciprocity in the exchange relationship support the ongoing character of the exchange and preserve the exchange relationship (Macneil, 1983, p. 363). Both behaviours described above are characterised by actions incurred by the exchange partners in maintaining a functional exchange that continues into the future. Therefore, Lusch and Brown (1996) defined relational behaviour as actions taken by the exchange partners to achieve mutual separate outcomes that are aimed at maintaining, intensifying and expanding the exchange relationship. Here, mutual separate outcomes mean that relational behaviour may produce outcomes for either or both exchange partners

respectively. Maintaining, intensifying and expanding the exchange relationship qualifies these actions as pertaining only to those actions that support and prolong relational exchange into the future. They also distinguish relational behaviour from cooperative behaviour because the latter can pertain to continued transactional exchange, and may not be aimed at supporting and prolonging an exchange relationship between the exchange partners. Lusch and Brown (1996) operationalised firm-level relational behaviours as information exchange, flexibility and solidarity.

At the individual level, there is no commonly accepted interpretation of salespeople's relational behaviours. When studying salespeople's behaviours, two prominent research streams (Franke & Park, 2006) have focused on adaptive selling (e.g. Weitz, Sujan & Sujan, 1986) and customer-orientated selling (e.g. Saxe & Weitz, 1982). By definition, adaptive selling is 'the altering of sales behaviours during a customer interaction or across customer interactions based on perceived information about the nature of selling situation' (Weitz, Sujan & Sujan, 1986); whilst customer-oriented selling 'can be viewed as the practice of the marketing concept at the level of the individual salesperson and customer' (Saxe & Weitz, 1982). Research on adaptive selling behaviours was pioneered by Weitz (1981) in which he discussed the contingency model of the salesperson's effectiveness. Spiro and Weitz (1990) developed the concept further, arguing that benefits of adaptive selling are likely to outweigh the costs of information gathering and responding over a range of selling situations. Meanwhile, research has identified several factors associated with adaptive selling behaviours such as salesperson's personality, intrinsic motivation (Jaramillo et al. 2007), experience, learning orientation (Sujan, Weitz & Kumar, 1994), and supervisor's management style (Spiro & Weitz, 1990). Overall, adaptive selling largely results in salespeople's improved performance and increased job satisfaction (Sujan, Weitz, & Sujan, 1988).

In particular, research established the positive link between adaptive selling and customer-oriented selling (Franke & Park, 2006). Customer orientation is a key construct in relationship marketing, indicating that the customer's needs and interest are paramount. Saxe and Weitz (1982) distinguished customer orientation behaviours from selling orientation behaviours. Customer orientation incorporates low pressure selling and need satisfaction/problem solution selling approaches. Many factors such as salespeople's cognitive style (McIntyre & Meloche, 1995), ethical beliefs (Howe, Hoffman & Hardigree, 1994), and the firm's market orientation (Jones, Busch & Dacin, 2003) are associated with

salespeople's customer orientation (McIntyre & Meloche, 1995). A positive relationship also exists between salesperson's training and customer orientation (Pettijohn et al., 2002). A more recent article by Brown et al. (2002) treated customer orientation as a surface-level personality trait that is influenced by more basic traits (e.g. agreeability, emotional stability, activity needs). In addition, research has identified the effect of customer orientation on customer satisfaction (Keillor, Parker & Pettijohn, 2000), salespeople's job satisfaction and organisational commitment, and organisational citizenship behaviours (Donavan, Brown & Mowen, 2004). Further empirical testing (Biong & Selnes, 1995) suggested that in the industrial market, the effects of selling behaviours and skills are contingent on the degree of supplier dependence. For example, personal similarity is most effective in low-dependence relationships, whereas the negative effects of aggressive selling are less in high-dependence relationships. The results also suggest that communication and conflict handling have a universally positive impact on relationship continuity.

In general, salespeople's relational behaviours refer to a behavioural tendency exhibited by sales representatives to cultivate the buyer-seller relationship and see to its maintenance and growth. The extent to which such behaviour positively influences the buyer-seller relationship depends on the expectations of the customer about the role(s) to be played by the salesperson (Solomon et al., 1985, cited in Crosby, Evans, & Cowles, 1990). More precisely, Crosby, Evans and Cowles (1990) captured the concept of relational selling behaviours and conceptualised them as cooperative intentions, interaction intensity and mutual-disclosure. Other research categorised salespeople's relational behaviours as communication and conflict handling (Biong & Selnes, 1996), salesperson's demonstration of competence and use of low-pressure selling tactics (Kennedy, Ferrell, & LeClair, 2000). In Guenzi, Pardo, and Georges (2007)'s study of key account managers' relational behaviour, they argued that relational behaviour should be both internally and externally oriented, that is, relationships with internal employees and relationships with external customers. They thus treated relational selling behaviours as customer-oriented selling, adaptive selling, team selling and organisational citizenship behaviours (Guenzi, Pardo & Georges, 2007), although certain categories have empirically proven to be irrelevant to relational selling (i.e. organisational citizenship behaviour).

In this research, we follow Crosby, Evans and Cowles' (1990) original conceptualisation and treat salespeople's relational behaviour as a two- dimensional construct: cooperative intentions and interaction intensity. As our unit of analysis is the individual salespeople not the relationship dyad, we do not take Crosby, Evans and Cowles' (1990) third dimension of relational behaviours, e.g. 'mutual disclosure' between salespeople and their customers.

Salespeople's perceived reciprocity from the customer

Social exchanges can involve economic, social and psychological resources (Bagozzi, 1979). At the interpersonal level, Foa and Foa (1974) suggested that the resources used in exchange can be categorised into six classes: money, goods, services, love, status and information. Marketing research has shown that social networking with customers is sometimes to advance salespeople's personal goals (Khatri et al., 2006). Murry and Heide (1998) summarised three general mechanisms for relationships motivated by self-interest: interpersonal attachment which is designed to reduce or eliminate goal incompatibility, the use of incentives which make it economically attractive, and monitoring efforts which intend to reduce information asymmetries. In the previous section, we hypothesised that "salespeople's perceived reciprocity from the customer positively affect their relational selling behaviours." Yet, salespeople's perceived reciprocity from the customer is not always recognised in marketing research. In developing measures for a new construct, Churchill (1979), illustrated in Figure 2.4.1, suggested that researchers should search literature as well as conduct experience survey. In the preliminary study, we interviewed a convenience sample of 10 salespeople from diverse business-to-business industries in China. We gathered extensive information to better define the nature of salespeople's perceived reciprocity from the customer. On the basis of our qualitative research and a review of literature, we then tentatively propose that the perceived reciprocity from the customer may include economic and informative incentives.
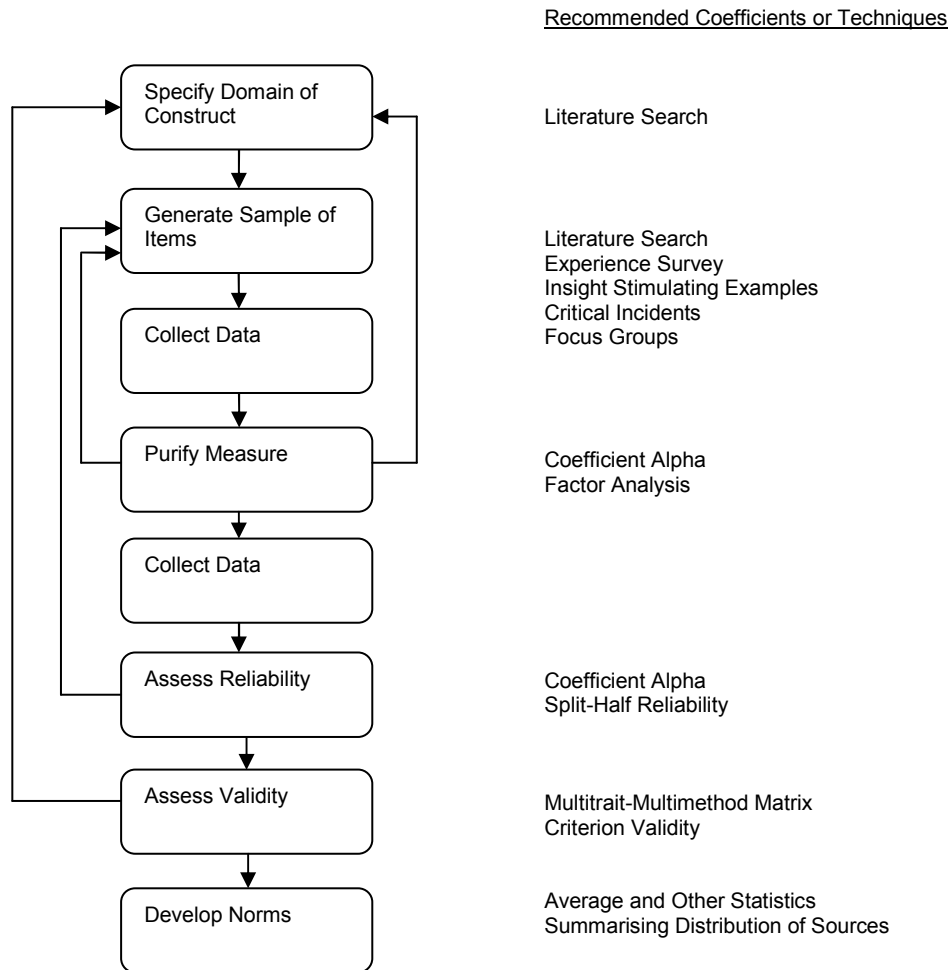
Perceived learning

We proposed that salespeople's perceived learning refers to the knowledge as well as the skill which they expected to obtain from the relationship process.

Reputational incentives

We proposed that salespeople anticipated reputational incentives are associated with enhancing the social self-esteem through peer's and organisation's recognition.

Figure 2.4.1 Suggested procedure for developing better measures

Recommended Coefficients or Techniques

Process	Recommended Coefficients or Techniques
Specify Domain of Construct	Literature Search
Generate Sample of Items	Literature Search Experience Survey Insight Stimulating Examples Critical Incidents Focus Groups
Collect Data	
Purify Measure	Coefficient Alpha Factor Analysis
Collect Data	
Assess Reliability	Coefficient Alpha Split-Half Reliability
Assess Validity	Multitrait-Multimethod Matrix Criterion Validity
Develop Norms	Average and Other Statistics Summarising Distribution of Sources

Source: Churchill (1979), p. 66

Salespeople's perceived similarities with the customer

The construct of perceived similarities has been well-established in social psychology and extensively applied in management literature. Crosby, Evans and Cowles' (1990) original index of the similarities between salespeople and their customers includes physical, lifestyle and status similarities. In extant literature, similarities have often been categorised into two dimensions: social similarity and interpersonal similarities. Interpersonal similarities refer to the unique characteristics shared by two individuals such as physical and lifestyle similarities which are less generalisable to a large group of people. On the other hand, social similarity may involve similarity in status and the shared affiliations, social experiences and activities (Belliveau, O'Reilly & Wade, 1996). Self-categorisation theory posits (Turner et al., 1987) that the intermediate level of social group

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categorisations is based on similarities and differences. Accordingly, people categorise themselves into social groups because of in-group similarity and out-group differences. Social groups are formed on the various basis of social status, religion, education background, or profession. However, as noted by Hogg and Hains (1996), direct tests of the depersonalised attraction hypothesis have revolved around demonstrating that social and personal attraction are relatively independent. The former is based on perceived prototypicality and is influenced by group identification, whereas the latter is based on interpersonal similarity and is influenced by interpersonal relations, not group identification. Interpersonal similarity was found to be more strongly related to interpersonal than to group-based liking, and the relationship between interpersonal similarity and interpersonal liking was independent of group identification (Hogg & Hains, 1996). Therefore, salespeople's perceived similarities with the customer were more related to interpersonal similarities shared in common by two individuals rather than social similarities used to categorise a social group. Therefore, we treat salespeople's perceived similarities with the customer as perceived interpersonal similarities.

Salespeople's liking for the customer

In management literature, customer's liking for supplier (e.g. Cialdini, 1984), and the supervisor's liking for subordinate (e.g. Wayne and Ferris, 1990) are often examined Following the literature, we define salespeople's liking for the customer as their favourability of the customer.

Exchange orientation and Communal orientation

Sprecher (1998) distinguished between two types of exchange orientation-underbenefiting exchange orientation and overbenefiting exchange orientation, which correspond to the two types of inequity: underbenefiting and overbenefiting. She argued that a person who is high in underbenefiting exchange orientation would be concerned about receiving back from another after giving, and is motivated to avoid being the underbenefited partner in a relationship. Such a person is likely to be egocentric in assessing exchange, and would be especially prone to irritations over imbalances. As a result, the quality of the relationship is likely to suffer. In contrast, as noted by Sprecher (1998), a person who wants to give back after receiving is motivated not to be the overbenefited partner in a relationship. Such a person is likely to be concerned about imbalance because of a focus on the other, or on maintaining the relationship. Hence,

high overbenefiting should enhance the relationship. For example, a partner with a high overbenefiting exchange orientation may display behaviour that is interpreted as altruistic and caring (Sprecher, 1998). Sprecher (1998) thus contended that the distinction between the underbenefiting and the overbenefiting orientation is similar to a distinction between self- and other-orientation. In the present study, we maintain the distinction between the exchange orientation and the communal orientation where the exchange orientation accounts for the self-interest underbenefiting exchange, whilst communal orientation refers to other-orientated overbenefiting exchange.

Control variables

In developing the research method, we also intend to evaluate the effect several control variables such as salespeople's emotional labour, salespeople's organisational identity, and previous relationship with the customer (e.g. whether the customer is a stranger, an acquaintance, a friend or a close friend before their business dealings), and the length of the relationship. Salespeople's organisational identity refers to the degree to which salespeople identify themselves with their organisation. Emotional labour is 'the act of displaying appropriate emotion' (Ashforth & Humphrey, 1993, p. 90), regardless of whether the emotion is discrepant with internal feelings. Employees can display organisationally-desired emotions by acting. Following Hochschild's (1983) original conceptualisation of emotional labour, several others have been advanced (Grandey, 2000; Zapf, 2002). Conceptual ambiguity persists, but each conceptualisation has in common the underlying assumption that emotional labour involves managing emotions and emotional expression to be consistent with organisational or occupational 'display rules,' defined as expectations about appropriate emotional expression (Goffman, 1959). Job-focused emotional labour denotes the level of emotional demands in an occupation. Employee-focused emotional labour denotes employee process or experience of managing emotions and expressions to meet work demands. Such labour takes two forms; surface acting and deep acting. Surface acting involves 'painting on' affective displays, or faking. Deep acting is the process of controlling internal thoughts and feelings to meet the mandated display rules wherein employees modify their inner feelings to match the emotion expressions the organisation requires. In surface acting, employees modify and control their emotional expressions. For example, employees may enhance or fake a smile when in a bad mood or interacting with a difficult customer. The inauthenticity of this surface-level process, showing expressions discrepant from feelings, is related to stress

outcomes (Abraham, 1998; Erickson & Wharton, 1997; Pugliesi, 1999) due to the internal tension and the physiological effort of suppressing true feelings (Pugliesi, 1999). Hochschild (1983) argued that acting inauthentic over time may result in a feeling of detachment not only from one's true feelings but also from other people's feelings, suggesting a relationship with the dimension of depersonalisation. Feeling a diminished sense of personal accomplishment is also likely if the employee believes that the displays were not efficacious or were met with annoyance by customers (Ashforth & Humphrey, 1993; Brotheridge, 1999).

On the other hand, emotions involve physiological arousal and cognitions, and deep acting works on modifying arousal or cognitions through a variety of techniques (Baumeister, Heatherton, & Tice, 1994; Gross, 1998; Lazarus, 1991; Totterdell & Parkinson, 1999). Hochschild (1979, 1983) argued that doing "emotion work" was a way of decreasing a state of emotional dissonance and may also result in a feeling of accomplishment if the performance is effective. Thus, deep acting might not relate to emotional exhaustion because it minimises the tension of dissonance. They suggested deep acting to relate to lower depersonalisation and more personal accomplishment because deep acting involves treating the customer as someone deserving of authentic expression, and the positive feedback from the customer may increase a sense of personal efficacy. Therefore, surface acting, or faking emotional expressions at work, was related to feeling exhausted and detached, whereas deeper emotion work was related positively to personal accomplishment (Brotheridge & Lee, 2003). As predicted, surface acting contributed to a diminished sense of personal accomplishment, whereas deep acting contributed to a greater sense of personal efficacy at work. For example, Hochschild (1983) proposed that surface acting may create guilt and dissatisfaction with work efforts and that deep acting may create a sense of satisfaction in the quality of the provided services. When dealing with customers, the salespeople may have to act friendly or agreeable. Hence, we consider salespeople's emotional labour as surface acting.

<u>Scale development</u>

Salespeople's perceived reciprocity from the customer

Items measuring the salespeople's perceived reciprocity from the customer were selected from the interviewing data with 10 salespeople in the preliminary study.

Salespeople's perceived reciprocity from the customer
5-point Likert scale from strongly disagree = 1 to strongly agree = 5
- The customer would disclose required information to me.   - The customer would provide me access to required information.   - The customer would make my job easier.   - The customer would buy my product or service.   - The customer would introduce new business to me.   - The customer would improve my future employability.

Perceived learning

The perceived learning is an available scale in literature and is often found in education psychology research which examines students' perception of classroom or online learning. When measuring perceived learning, a single scale proposed by Richmond, Gorham, and McCroskey (1987) is widely used, and study participants were asked to respond to one question: ''On a scale of 0 to 9, how much did you learn in this class, with 0 meaning you learned nothing and 9 meaning you learned more than in any other class you've had?''. We modified this scale based on the context of the present study.

Salespeople's perceived learning
Likert scale (from 1= beyond my expectation to 5= nothing)
- How much have you learned from dealing with the customer?   - How much have you increased your knowledge from dealing with the customer?   - How much have you improved your skills from dealing with the customer?

Reputational incentives

Items measuring the reputational incentives were selected from the interviewing data with 10 salespeople in the preliminary study.

Salespeople's anticipated reputational incentives
5-point Likert scale from strongly disagree = 1 to strongly agree = 5

- My relationship with the customer would enhance my reputation amongst peers.

- My relationship with the customer would advance my status within my organisation.

- My relationship with the customer would help me gain more recognition in my organisation.

Salespeople's perceived similarities with the customer

The salespeople's perceived similarities scale is modified from the comprehensive 'similarity index' in Crosby, Evans, and Cowles (1990). The original index includes physical, lifestyle and status similarities. Several modifications have been made. As for physical similarities, we retain only two original items of personality and mannerism similarities. We do not use items of 'appearance, dress and speech' similarities because they are not appropriate measures for the level of 'physical attractiveness'. For example, determinants of physical attractiveness vary across gender; women and men with different 'appearance, dress and speech' may have similar levels of 'physical attractiveness'. As for 'lifestyle similarity', we use the scales for similarities of 'interest/hobby' and 'family situation' but not use the scales for 'political views' and 'value' similarities. Instead, we use a scale from Wayne and Liden (1995) which measures similar 'views' and 'value' in a more general way, e.g. 'see things in much the same way'.

Scale from Crosby, Evans, and Cowles (1990)	Scale developed for this study
Indicators of Similarity (very similar 6 ... very dissimilar 1)	**Salespeople's perceived similarities with the customer** 5-point Likert scale from strongly disagree = 1 to strongly agree = 5
Appearance similarity index (α = .86) Rating of agent's appearance Rating of agent's dress Rating of agent's mannerisms Rating of agent's speech	- Myself and the customer have similar personality. - Myself and the customer have similar mannerisms. - Myself and the customer have similar interest and hobbies. - Myself and the customer have similar family situation.

Rating of agent's personality	• Myself and the customer see things in much the same way.
Lifestyle similarity index (α = .79) Rating of agent's family situation Rating of agent's interests/hobbies Rating of agent's political views Rating of agent's values	
Status similarity index (α = .82) Rating of agent's education level Rating of agent's income level Rating of agent's social class	

Salespeople's liking for the customer

We developed the scale of salespeople's liking for the customer from Wayne and Ferris (1990)'s supervisor's liking for subordinates. Wayne and Ferris (1990)'s scale include four items measured on five-point Likert-type scales. The anchors for the first item ranged from 'don't like this subordinate at all' (1) to 'I like this subordinate very much' (5). The anchors for the remaining three items ranged from strongly disagree (1) to strongly agree (5). The Cronbach's alpha reliability estimate was .94.

Scale of Wayne and Ferris (1990)	Scale developed for this study
Supervisor's liking for subordinate (α = .94)	**Salespeople's liking for the customer** 5-point Likert scale from strongly disagree = 1 to strongly agree = 5
• How much do you like this subordinate? • I get along well with this subordinate • Supervising this subordinate is	• I am fond of the customer very much as a person. • I think the customer would make a good friend.

| a pleasure | • I enjoy being together with the customer. |
| • I think this subordinate would make a good friend. | • Even without our business ties, I would choose to be around the customer. |

Exchange orientation

Clark (Mills & Clark, 1994) developed two personality scales; one to assess the extent to which people possess a communal orientation and one to assess the extent to which people possess an exchange orientation towards relationships. Several studies have been conducted, e.g. Clark et al. (1989), and have found that when people were high in exchange orientation, they kept track of individual inputs into a joint task to a greater extent than one would expect by chance. In contrast, those low in exchange orientation showed no particular tendency to keep track of inputs. Moreover, people who were high in exchange orientation showed a greater preference for dividing the rewards according to who did what than those who were low in exchange orientation. However, Buunk and VanYperen (1991), in a study conducted with the Clark et al. scale, found no relation between exchange orientation and satisfaction in a relationship (Sprecher, 1998). Sprecher (1998) argued that Clark et al. (1989)'s exchange orientation scale includes some items that measure the underbenefiting exchange orientation and some that measure the overbenefiting exchange orientation at the same time. The items in their scale are combined for a total score; thus analyses may obscure important differences between the two types of exchange orientation (Sprecher, 1998). Amongst the nine items on the Clark et al. scale, there were four items actually measuring the underbenefiting exchange orientation. We adopted these items and further modified them based on the context of the present study to measure salespeople's exchange orientation towards a specific customer in a business setting.

Scale of Clark, et al. (1989)	Scale of Clark, et al. (1989)	Scale developed for this study
The Exchange Orientation 5-point scale from extremely uncharacteristic of them (1) to extremely	**Items measure underbenefiting exchange orientation**	**Salespeople's exchange orientation** 5-point Likert scale from never = 1 to always = 5

characteristic of them (5) *Negative item		
• When I give something to another person, I generally expect something in return. • When someone buys me a gift, I try to buy that person as comparable a gift as possible. • I don't think people should feel obligation to repay others for favours.* • I wouldn't feel exploited if someone failed to repay me for a favour.* • I don't bother to keep track of benefits I have given others.* • When people receive benefits from others, they ought to repay those others right away. • It's best to make sure things are always kept 'even' between two people in a relationship. • I usually give gifts only to people who have given me gifts in the past. • When someone I know helps me out	• I don't think people should feel obligation to repay others for favours.* • I wouldn't feel exploited if someone failed to repay me for a favour.* • When people receive benefits from others, they ought to repay those others right away. • I usually give gifts only to people who have given me gifts in the past.	• I think the customer should feel obliged to repay me for favours. • I feel exploited if the customer failed to repay me for a favour. • I give favours to the customer only if (s)he has given me favours. • When the customer receives favours from me, (s)he ought to repay me right away.

on a project, I don't feel I have to pay them back.*		

Communal orientation

Clark et al. (1987)'s communal scale measures whether people are inclined to watch out for others' welfare as well as whether they expect others to watch out for their welfare. As expected, it was found that people who had scored high in communal orientation helped significantly more often than those who scored low in communal orientation (Clark et al., 1987; Mills & Clark, 1994). Yet, communal relationships can be one-sided relationships, in which one person cares for the other without the other person caring for him or her in return (Mills & Clark, 1994). In the present study, as we investigated the salespeople's perspective, we thus measured one side of communal orientation; the salesperson's communal orientation towards a specific customer. We modified four items of Clark et al.'s (1987) scale to fit the marketing settings.

Scale of Clark, Taraban et al. (1987)	Scale developed for this study
The communal orientation 5-point Likert scale from extremely uncharacteristic of them (1) to extremely characteristic of them (5) * Negative item	**Communal orientation** 5-point Likert scale from never = 1 to always = 5
• It bothers me when other people neglect my needs • When making a decision, I take other people's needs and feelings into account • I'm not especially sensitive to other people's feelings. * • I don't consider myself to be a particularly helpful person. • I believe people should go out of their way to be helpful. • I don't especially enjoy giving	**Salespeople's communal orientation** • When making a decision, I take the customer's needs and feelings into account • I especially enjoy giving the customer assistance. • I often go out my way to help the customer. • I don't consider myself to be particular helpful to the customer*

others aid.*	
• I expect people I know to be responsive to my needs and feelings.	
• I often go out of my way to help another person.	
• I believe it's best not to get involved taking care of other people's personal needs.	
• I'm not the sort of person who often comes to the aid of others.*	
• When I have a need, I turn to others I know for help.	
• When people get emotionally upset, I tend to avoid them.*	
• People should keep their troubles to themselves.*	
• When I have a need that others ignore, I'm hurt.	

Salespeople's relational behaviours

We modified the scales of relational selling behaviour developed by Crosby, Evans and Cowles (1990). As the original study focused on customers' perspective in a life insurance context, we adapted them to fit the business-to-business marketing context. We did not use items such as, 'Was contacted by my agent who wanted to sell me more life insurance', and 'Was contacted by my agent who wanted to describe new types of policies that had become available', because they indicate a strong selling orientation which emphasises on immediate commercial gain rather than long-term relationship building. Meanwhile, we changed the item, 'My agent has expressed a willingness to help me make my financial decisions even if there's nothing in it for him/her' into 'I help the customer make the right purchase decisions'. The expression, 'even if there's nothing in it for him/her' (the agent), indicates a communal orientation which is already measured by the communal orientation scale in the present study. Furthermore, we developed one more item; "I would socialise with the customer after work", to measure salespeople's

social interaction with the customer, and another item to measure the salesperson's cooperative intention in the customer's problem solving, that is "When problems arise in our business, I would help out the customer."

Scale of Crosby, Evans, and Cowles (1990)	Scale developed for this study
Indicators of Relational Selling Behaviour (α = .88)	**Relational behaviours** 5-point Likert scale from strongly disagree = 1 to strongly agree =5. *Negative item
Interaction intensity index (α = .95) (five times or more 5 . never 1) • Was contacted by my agent who wanted to stay "in touch" and make sure I was still satisfied. • Was contacted by my agent who wanted to keep abreast of changes in my family and insurance needs. • Was contacted by my agent who wanted to make changes in this policy to better serve my needs. • Was contacted by my agent who wanted to restructure my insurance programme to better serve my needs. • My agent explained why it is a good idea to keep this whole life policy in force. • Received something of a personal nature from my agent (e.g., birthday card, holiday gift, etc.). • Was contacted by my agent who wanted to sell me more life insurance. • Was contacted by my agent who wanted to describe new	**Interaction intensity** • I would stay "in touch" and make sure the customer is satisfied with product/service. • I would keep abreast of changes in the customer's needs for product/service. • I would contact the customer to make changes in product/service which better serves his/her needs. • I would explain to the customer why the product/service is good for his/her organisation. • I would NOT give the customer something of a personal nature (e.g., birthday card, holiday gift, etc.). * • I would NOT socialise with the customer after work. *

types of policies that had become available	
Cooperative intentions index (α = .80) (very accurate 6 … very inaccurate 1) • My agent has expressed a willingness to help me make my financial decisions even if there's nothing in it for him/her. • My agent takes the time to prepare formal proposals for me to evaluate. • My agent treats me the same whether we're talking about a $5,000 policy or a $50,000 policy. • My agent has expressed a desire to develop a long-term relationship.	**Co-operative intention** • I would help the customer make right purchase decisions. • I would take the time to prepare product/service specification for the customer A to evaluate. • I would treat the customer the same whether we're talking about big or small business deals. • When problems arise in our business, I would help out the customer.

Emotional labour (control variable)

Emotional labour has been measured as emotional dissonance, when expressions differ from feelings (Abraham, 1998; Morris & Feldman, 1997) and as emotion regulation processes when one attempts to modify expressions to meet work demands (Grandey, 2000; Hochschild, 1983; Pugliesi, 1999). We modified the scale of surface acting in Brotheridge and Lee (1998) based on the context of the study.

Scale of Brotheridge & Lee (1998)	**Scale developed for this study**
Emotional labour scale	**Emotional labour (surface acting)** 5-point Likert scale from never = 1 to always = 5
Duration A typical interaction I have with a customer takes about – minutes. **Intensity**	• With the customer, I pretend to have emotions that I don't really have. • I hide my true feelings about a situation from the customer. • With the customer, I express feelings that

Express intense emotions. **Show some strong emotions** **Variety** Display many different kinds of emotions. Express many different emotions. Display many different emotions when interacting with others.	I do not really feel.
Surface Acting Resist expressing my true feelings. Pretend to have emotions that I don't really have. Hide my true feelings about a situation.	
Deep Acting Make an effort to actually feel the emotions that I need to display to others. Try to actually experience the emotions that I must show. Really try to feel the emotions I have to show as part of my job.	

Organisational identity (control variable)

Salespeople's organisational identity refers to the degree to which salespeople identify themselves with their organisation. We use the well-known organisational identity scale of Ashforth and Mael (1989).

Scale of organisational identity (Ashforth and Mael, 1989) ($\alpha > .8$) 5-point Likert scale from strongly disagree = 1 to strongly agree = 5
• When someone criticises my Organisation, it feels like a personal insult.

- I am very interested in what others think about my Organisation.

- When I talk about my Organisation, I usually say 'we' rather than 'they'.

- My Organisation's successes are my successes.

- When someone praises my Organisation, it feels like a personal compliment.

- If a story in the media criticised my Organisation, I would feel embarrassed.

In addition, previous relationships with the customer have been categorised into four types, including stranger, acquaintance, friend and close friend relationships.

As where were gaps in operationalisation, we proposed modification or new scales for the purpose of measuring the constructs. Because of the adaptations and modifications in the items scale, one of our objectives was to perform content face validity of the items and scales with the experts in this field (Gatingnon et al. 2002; Nunnally & Bernstein, 1994). The initial design of scales was forwarded to an expert panel to evaluate the items for face validity (Gatingnon et al. 2002). This panel consisted of three marketing researchers and one social psychology researcher working in the field of marketing research from the University of Exeter Business School and School of Psychology respectively. We provided each expert with a detailed definition of the items and asked them to either accept or reject whether the corresponding item reflected the construct. When the majority of expert responded that an item did not reflect the construct, we removed the item. Similarly we included a few items based on expert's comments (Gatignon et al., 2002). In general, they agreed with the conceptualisation of all constructs, though a few scales may need minor modifications. Yet, they suggested that control variables such as salespeople's organisational identity and emotional labour may not be relevant to this study. Organisational goals and individual goals are sometimes inseparable. Although salespeople with a stronger organisational identity may weight organisational goals more than individual goals, when cultivating relationships with customers, salespeople possibly aim at achieving both goals at the same time. Also, the nature of emotional labour is apparently conflicting with at least one of the independent variables, 'salespeople's liking for the customer'. Using their feedback, we made some amendments. Some measures (questions) were worded to be positively slanted while the others were negatively worded to reduced the possibility that the respondents would simply agree or disagree with all the measures without providing adequate attention to reading and comprehending the

questions (Venkatraman, 1989). The measures used in the survey are summarised in Table 2.4.1.

Table 2.4.1 Summary of independent and dependent variables

Dependent variable
Relational behaviours 5-point Likert scale from Very unlikely = 1 to Very likely =5. *Negative item
Interaction intensity • I would stay "in touch" and make sure the customer is satisfied with product/service. • I would keep abreast of changes in the customer's needs for product/service. • I would contact the customer to make changes in product/service which better serves his/her needs. • I would explain to the customer why the product/service is good for his/her organisation. • I would NOT give the customer something of a personal nature (e.g., birthday card, holiday gift, etc.). * • I would NOT socialise with the customer after work. * **Co-operative intention** • I would help the customer make best purchase decisions. • I would take the time to prepare product/service specification for the customer to evaluate. • I would treat the customer the same whether we're talking about big or small business deals. • When problems arise in our business, I would help out the customer.
Independent variables
Salespeople's perceived reciprocity from the customer 5-point Likert scale from Very unlikely = 1 to Very likely =5. • The customer would disclose required information to me. • The customer would make my job easier.

- The customer would buy my product or service.

- The customer would introduce new business to me.

Salespeople's perceived learning

5-point Likert scale from Very unlikely = 1 to Very likely =5.

- Developing relationship with the customer would enhance my skills.

- Developing relationship with the customer would increase my knowledge.

Salespeople's anticipated relational incentives

5-point Likert scale from Very unlikely = 1 to Very likely =5.

- My relationship with the customer would enhance my reputation amongst peers.

- My relationship with the customer would advance my status within my organisation.

- My relationship with the customer would help me gain more recognition in my organisation.

Salespeople's perceived similarities with the customer

5-point Likert scale from strongly disagree = 1 to strongly agree = 5

- Myself and the customer have similar personality.

- Myself and the customer have similar mannerisms.

- Myself and the customer have similar interest and hobbies.

- Myself and the customer have similar family situation.

- Myself and the customer see things in much the same way.

Salespeople's liking for the customer

5-point Likert scale from strongly disagree = 1 to strongly agree = 5

- I am fond of the customer very much as a person.

- I think the customer would make a good friend.

- I enjoy being together with the customer.

- Even without our business ties, I would choose to be around the customer.

Salespeople's communal orientation

5-point Likert scale from strongly disagree = 1 to strongly agree = 5

- When making a decision, I take the customer's needs and feelings into account

• I especially enjoy giving the customer assistance.
• I often go out my way to help the customer.
• I don't consider myself to be particular helpful to the customer*
Salespeople's exchange orientation
5-point Likert scale from strongly disagree = 1 to strongly agree = 5
• I think the customer should feel obliged to repay me for favours.
• I feel exploited if the customer failed to repay me for a favour.
• I give favours to the customer only if (s)he has given me favours.
• When the customer receives favours from me, (s)he ought to repay me right away.

Procedure of data collection

Salespeople working with business customers were selected as the primary informants because of their knowledge and involvement in their firm's customer relationships, and their tendency to maintain long-term relationships with their business customers. To verify this assumption, the survey instrument included ad hoc checks of the informant's sales experience and the length of customer relationships. Moreover, the salespeople's relational behaviours were a complex phenomenon that occurred in the relationship dyad; therefore, informants were required to provide a wide range of information regarding their relationships with a particular customer, such as customer's age, gender, customer's role in the organisation, the previous relationship with the customer before their business dealings and the mode of communication (e.g. face-to-face meeting, phone call, video call, email and other written documents).

The questionnaire was initially developed in English and then translated into Chinese by the author. The categorisations of the industries and employee size followed the Standard Industry Classification in UK and China. As English is the author's second language, the English version of the survey was edited by a professional editor from the University of Exeter, UK and verified by an English linguist from the National University of Singapore. After the author translated the survey into Chinese, the initial version was reviewed by a bilingual Chinese linguist in Shanghai, China and revised accordingly. The survey underwent two rounds of pretesting. In the first round, the survey was pretested by

faculty members of the Marketing Department of the University of Exeter Business School, who were asked to comment on the clarity as well as the overall organisation of the survey. The survey was also presented to marketing practitioners from business-to-business companies in China. The comments received from these individuals were evaluated and the survey was modified accordingly. In the second round of pretesting, 16 salespeople from a manufacturing firm in Shandong, China were provided copies of the revised survey and asked to complete them. These individuals were later contacted and asked to identify areas of confusion as well as ways to improve the clarity of the survey. These comments were used to further revise the survey. Also, the survey was reviewed throughout the data collection process by asking informants to provide feedback. No major problems with the survey were identified. With the assistance of the Qualtrics survey design tool, we designed the online version questionnaire. After evaluation by an online survey expert, we enhanced the survey flow by adding a progress bar. The questionnaire in both English and Chinese are attached in the Appendix.

Upon revising the survey, the final questionnaire in both languages was published online in November 2009. The Qualtrics online survey tool (www.qualtrics.com) was used to administrate and track responses. Invitations, both in English and Chinese, were sent via email to 1500 sales managers randomly selected from the business directory. The invitation included an introduction that briefly describes the purpose of the study, and provided the link to the online version of the survey. Respondents were asked to provide the information regarding their relational behaviours and intentions in a seven-page survey. A paper survey was distributed to those who had difficulty in accessing the online survey. After a two-month period, by January 2010, 216 online responses and eight paper survey responses were received in total. No significant differences were found between the paper and online responses.

On the first page of the survey, instructions were provided; all respondents had to confirm whether they were dealing with business customers and only those who chose 'yes' could continue with the survey. Information on salespeople's gender, age, sales experience, industries and company size was also collected. The participants were then asked to choose an existing customer with whom they had recently worked. The selected customer had to meet two requirements; first, they had to be someone whom the salesperson had business dealings with recently, and second, they could not be a new customer. The underlying logic was first to ensure that the choice of customer was random, and second,

to ensure that the salespeople had a certain level of familiarity with that customer. Information of the customer such as gender and age was collected. Next, information regarding customer's role in the organization, the communication mode, years of relationship, and relationships before their business dealings was collected as well. This was followed by a list of 8 questions asking the participants to rate the likelihood of their interactions with the customer on a 5-point Likert scale, from strongly disagree =1 to strongly agree =5. Then, a list of 9 questions were asked to rate their perception of the chosen customers on a 5-point Likert scale from strongly disagree =1 to strongly agree =5. Following on, a list of nine questions on a 5-point Likert scale from very unlikely =1 to very likely =5 were asked to rate the reasons they had for cultivating relationships with the customer. Finally, a list of 10 questions were asked to rate the likelihood their relational behaviours on a 5-point Likert scale from very unlikely =1 to very likely =5.

<u>Summary</u>

This section outlines the procedures employed for the empirical testing of the research model developed in the previous section. Overall, three issues are addressed. The first to be examined is scale development, while the second is the fit between the substantive domain (e.g. the study context and the sample) and the conceptual domain of the research model. Lastly, this section introduces the data collection procedure employed to provide data for testing the research model, and for producing the results presented in the following section.

2.5 Results and analysis

Introduction

The sample of 224 informants represented salespeople who deal with business customers in China. In the final data set, 200 informants were kept for statistical tests. In this section, the mean, standard deviation and number of observations for the dependent and independent variables are presented. As well, exploratory factor analysis was performed for all variables. The internal reliability for these scales is also shown, and all but one measures exhibited acceptable levels of internal consistency. Furthermore, data collected from the sample was analysed to test the hypothesised relationships between the independent variables and salespeople's relational behaviours. The tests and results of the regression analysis were discussed. There are four out of seven hypotheses were considered supported.

The sample

The original sample consists of 224 salespeople from diverse industries in China who are dealing with business customers in their respective companies. Information about responding salespeople completing the survey instrument was gathered (see Table 2.5.1). The sample consists of 148 males (66%) and 76 females (34%). There were four (1.8%) respondents below 20 years old, 168 (75%) respondents between 20 and 40 years old, with the remaining 52 (23.2%) above 40 years old. A total of 186 (83%) respondents have more than one year of sales experience while the remaining 17% had less than a year's sales experience. Fifty eight (25.9%) respondents were from the manufacturing industry, 110 (49.1%) respondents were working in service industries (e.g. hotel hospitality, logistics, IT, banking and insurance, professional service, and business service), and the remaining 56 (25%) respondents claimed that they were from other industries which included food, internet media, health care, provision of equipment, training, and trading. A total of 127 respondents (56.7%) were from companies with less than 250 employees while the remaining 97 were from companies with more than 250 employees. Respondents were from 10 provinces and cities in China. Economic Census data from the National Bureau of Statistics of China was used to compare available sample statistics, with the most recent available data being the Economic Census, 2009. Compared to the percentage of Establishments by Sector, our sample shows a higher proportion of service

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sectors. We were not able to proceed with other representativeness tests because the relevant Economic Census in China is not available online.

Table 2.5.1 Summary of respondents' Information

Gender	Sample (%)	*Economic Census 2009 (%)
Male	66.1	
Female	33.9	
Age group		
Below 20	1.8	
20-29	37.5	
30-39	37.5	
40-49	19.2	
50 and above	4.0	
Sales experience		
Less than 1 year	17	
1-5	31.3	
6-9	29	
10-15	12.5	
16 years and above	10.3	
Industry		**Establishments by Sector**
Manufacturing	25.9	38.2
IT	13.8	1.2
Professional service	12.1	1.6
Business service	11.2	2.8
Banking and insurance	6.3	1.8
Logistic	3.6	3.9
Hotel hospitality	2.2	2.1
*Other industries	25	
Number of employees		

Less than 50	23.2	
50-99	16.5	
100-249	17	
250 or more	43.3	
Region		
Beijing	23	
Shandong province	15	
Jiangsu province	13	
Shanghai	9	
*Other regions	39	

*Note: 1) Source: www.stats.gov.cn

2) Other industries include food industry, internet media, health care, provision of equipment, training, and trading.

3) Other regions include Guangdong, Fujian, Hubei, Sichuan, Anhui, and Hunan provinces.

There was no missing data in this data set. Extreme scores were checked for both independent and dependent variables by inspecting the standardised residual plot and the Boxplot. Those with standardised residual values above about 3.3 (or less than -3.3) (Tabachnick and Fidell, 2007), and extreme points in the Boxplot were removed. In total, 24 outliers were removed from the data set and 200 results were reported in further analysis. The remaining 200 respondents comprised 129 (67.5%) male and 71 (34.5%) female salespeople, with 99% of them above 20 years old. A total of 34.5% of the respondents were from manufacturing industries whilst 58.5% were from service industries. Forty four percent of the respondents were from companies with more then 250 employees, with the remainder from smaller companies. Among the 200 customers chosen by the respondents, 147 (73.5%) were males while 53 (26.5%) were females. A total of 98.5% of the customers were above 20 years old, while 74% of respondents had more than one-year relationships with their customers, and 73% of them did not know their customers before they had business dealings with them. A summary of descriptive analysis for categorical variables is presented in Table 2.5.2.

Table 2.5.2 Descriptive Statistics for categorical variables (N=200)

	N	Percent
Gender (Salespeople)		
Male	129	64.5
Female	71	35.0
Age Group (Salespeople)		
Below 20	2	1.0
20-29	66	33.0
30-39	83	41.5
40-49	41	20.5
50 and above	8	4.0
Gender (Customer)		
Male	147	73.50
Female	53	26.50
Age Group (Customer)		
Below 20	3	1.50
20-29	36	18.00
30-39	66	33.00
40-49	78	39.00
50 and above	17	8.50
Industry (Salespeople)		
Manufacturing	69	34.5
Hotel Hospitality	6	3.0
Logistics	5	2.5
IT	35	17.5
Banking and Insurance	12	6.0
Professional Service	37	18.5
Business Service	22	11.0
Others	14	7.0
Employee Number (Salespeople's company)		
Less than 50	46	23.0
50-99	31	15.5
100-249	35	17.5
250 and above	88	44.0

Years of relationship

Less than 1 year	52	26.0
1-5 year	122	61.0
6-10 years	21	10.5
11-15 years	3	1.5
16 years or more	2	1.0

Relationships before business dealings

Stranger	146	73.0
Acquaintance	24	13.5
Friend	16	8.0
Close friend	5	2.5
Others	6	3.0

Measures

Factor analysis is a multivariate statistical method that allows analysis of the structure among a large number of variables by defining a set of common underlying dimensions called factors (Hair et al., 2009). There are two main issues to consider in determining whether a particular data set is suitable for factor analysis: sample size and the strength of the relationship among the items. The recommendation generally is the large, the better. In small samples, the correlation coefficients among the items are less reliable, tending to vary from sample to sample (Tabachnick & Fidell, 2007). Tabachnick and Fidell (2007) suggested that five cases for each item are adequate in most cases. The current data set has 200 cases for 36 items (see Table 2.5.3) which is exceeding the recommended 5 to 1 ratio (5 x 36 =180). The second issue to be addressed concerns the strength of the inter-correlations among the items. Tabachnick and Fidell (2007) recommended an inspection of the correlation matrix for evidence of coefficients greater than .3.

Principal Component Analysis (PCA) was performed on all variables to explore the underlying the variables and the associated 36 items. Factors were identified that had Eigenvalue greater than one (1) based on the latent root criterion. The method of rotation used in this analysis was Varimax wherein the columns of the factor matrix are orthogonally rotated to facilitate the interpretation of the resulting factors (Hair et al., 2009). All items demonstrated high loadings (>.45) on nine components which explained 65.734% of the variance. The results are shown in Table 2.5.4. Kaiser-Meyer-Olkin

measure of sampling adequacy (KMO) was of .807 (cut-of criteria is .45, Cureton & D'Agostino, 1983) and Bartlett's test of sphericity was significant at 0% level, both suggesting the strength of the relationship among variables loading on one component as strong and hence, we can accept the factor extraction.

Conducting exploratory factor analysis (EFA) demonstrated that the differentiation of variables as the items have loaded on to nine principal components which made substantive sense as shown in Table 2.5.4. That is, the items of variables 'perceived similarities with the customer' and 'a liking for the customer' have comfortably loaded onto component 1 which suggested that the two variables are highly correlated. As demonstrated in the theoretical development, 'perceived similarities with the customer' and 'a liking for the customer' are two correlated yet independent concepts. Hence, we still retain 'perceived similarities' and 'liking' as individual constructs. In contrast, the items of variables 'interaction intensity' and 'co-operative intention' clearly disintegrated into three components, with seven items loaded on component 2, two items loaded on component 6 and one item loaded on component 7 (communal orientation). In Crosby, Evans and Cowles' (1990) original operationalisation of relational behaviours, they treated 'interaction intensity' and 'co-operative intentions' as individual dimensions. However, in our analysis, items of these two variables principally loaded on one component, component 2. We thus redefine 'salespeople's relational behaviours' as a single dimension construct. Also, there are two items of the variable 'interaction intensity', 'I would not give the customer something of a personal nature (e.g., birthday card, holiday gift, etc.)' and 'I would not socialise with the customer after work' loaded on one component, component 6, which clearly corresponds with salespeople's social interactions with the customer. Similarly, in Crosby, Evans & Cowles' (1990) study, two factors resulted from the 8-item interaction intensity scale. The first factor was a general factor whereas the second emphasised the social aspects of interaction. They argued that, because the indicator was intended to represent the extent of follow-up contact and not the purpose of contact, it seemed appropriate to use all eight items in computing interaction intensity (Crosby, Evans & Cowles, 1990). However, in the present study, we intend to examine the effect of relationship drivers on salespeople's relational behaviours, the reasons for social interaction with the customer may be different from those of business interaction. Thus, we retain component 6 (social interactions) as an individual

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factor. Furthermore, the items of variables 'perceived reciprocity from the customer' (component 3), 'exchange orientation' (component 4), 'reputational incentives' (component 5), and 'perceived learning' (component 8) have satisfactorily loaded on to expected components respectively. On the other hand, items of variable 'communal orientation' has principally loaded to component 7 (3 items) and component 9 (1 item). We decided not to retain component 9 as it has only one item loading. The decision was supported by parallel analysis. Since Kaiser's criterion test tends to overestimate the number of components (Hubbard & Allen, 1987; Zwick & Velicer, 1986), in determining the number of factors to retain, we did parallel analysis using Monte Carlo PCA (Watkins, 2000). The result is summarised in Table 2.5.5. A comparison of eigenvalues from EFA and criterion values from parallel analysis suggested that eigenvalues of components 8 and 9 were less than the corresponding criterion values. We rejected component 9 but still retained component 8 as it was corresponding with the construct 'perceived learning'. In sum, the final nine variables are presented in Table 2.5.7.

Table 2.5.3 Summary of variables and items

	Variable	Item
1	Relational behaviours: Interaction intensity	1. I would stay "in touch" and make sure the customer is satisfied with product/service. 2. I would keep abreast of changes in the customer's needs for product/service. 3. I would contact the customer to make changes in product/service which better serves his/her needs. 4. I would explain to the customer why the product/service is good for his/her organisation. 5. I would NOT give the customer something of a personal nature (e.g., birthday card, holiday gift, etc.). * 6. I would NOT socialise with the customer after work. *

2	Relational behaviours: Co-operative intention	7. I would help the customer make best purchase decisions. 8. I would take the time to prepare product/service specification for the customer to evaluate. 9. I would treat the customer the same whether we're talking about big or small business deals. 10. When problems arise in our business, I would help out the customer.
3	Perceived Reciprocity	11. The customer would disclose required information to me. 12. The customer would make my job easier. 13. The customer would buy my product or service. 14. The customer would introduce new business to me.
4	Perceived learning	15. Developing relationship with the customer would enhance my skills. **16.** Developing relationship with the customer would increase my knowledge
5	Reputational incentives	17. My relationship with the customer would enhance my reputation amongst peers. 18. My relationship with the customer would advance my status within my organisation. 19. My relationship with the customer would help me gain more recognition in my organisation.

6	6)Perceived similarities	20. Myself and the customer have similar personality.
		21. Myself and the customer have similar mannerisms.
		22. Myself and the customer have similar interest and hobbies.
		23. Myself and the customer have similar family situation.
		24. Myself and the customer see things in much the same way.
7	Liking	25. I am fond of the customer very much as a person.
		26. I think the customer would make a good friend.
		27. I enjoy being together with the customer.
		28. Even without our business ties, I would choose to be around the customer.
8	Communal orientation	29. When making a decision, I take the customer's needs and feelings into account
		30. I especially enjoy giving the customer assistance.
		31. I often go out my way to help the customer.
		32. I don't consider myself to be particular helpful to the customer*
9	Exchange orientation	33. I think the customer should feel obliged to repay me for favours.
		34. I feel exploited if the customer failed to repay me for a favour.
		35. I give favours to the customer only if (s)he has given me favours.
		36. When the customer receives favours from me, (s)he ought to repay me right away.

*Note: reverse coding items

Table 2.5.4 Pattern/structure coefficients for PCA with Varimax Rotation of Nine Factor Solution (N=200)

Item No.	Component								
	1	2	3	4	5	6	7	8	9
20	**0.791**	0.040	0.163	0.077	0.007	-0.050	0.014	0.085	-0.101
21	**0.785**	-0.002	0.037	0.155	-0.109	-0.113	0.202	0.078	0.088
24	**0.689**	0.190	0.017	-0.098	0.086	0.118	0.145	0.101	0.020
22	**0.668**	-0.039	-0.021	0.148	0.112	0.068	-0.013	0.155	0.196
23	**0.643**	-0.061	-0.006	0.041	0.012	-0.145	0.052	0.034	0.098
26	**0.607**	0.239	0.144	-0.068	0.207	0.312	-0.029	0.018	-0.183
27	**0.577**	0.178	0.247	-0.162	0.164	0.345	0.026	-0.126	-0.297
28	**0.524**	0.114	-0.088	-0.190	0.222	0.445	0.018	-0.020	-0.222
25	**0.523**	0.155	0.337	-0.132	0.196	0.270	0.027	-0.272	-0.217
2	0.115	**0.772**	0.303	-0.093	0.103	0.150	-0.067	-0.048	0.273
7	-0.018	**0.770**	0.005	-0.197	0.149	-0.052	0.296	-0.036	-0.019
8	-0.036	**0.727**	0.044	-0.068	0.168	-0.057	0.322	0.055	-0.167
1	0.085	**0.691**	0.416	-0.094	0.091	0.185	-0.088	-0.091	0.285
3	0.075	**0.688**	0.266	-0.183	-0.002	0.104	-0.005	0.046	0.284
9	0.163	**0.630**	0.113	-0.121	-0.110	0.095	0.096	0.151	-0.199
4	0.094	**0.595**	-0.005	0.080	-0.242	0.037	0.117	0.271	0.079
13	0.144	0.151	**0.787**	-0.012	0.064	0.053	0.186	0.081	-0.034
12	0.067	0.076	**0.754**	-0.043	0.202	-0.024	0.083	0.007	-0.217
14	-0.006	0.097	**0.684**	0.010	-0.014	0.194	0.170	0.244	0.195
11	0.097	0.231	**0.674**	0.050	0.094	0.196	0.075	0.067	0.059
34	-0.009	-0.118	0.005	**0.792**	0.011	0.059	-0.014	0.140	0.063
33	0.106	0.025	0.055	**0.739**	0.143	0.008	-0.061	-0.146	0.200
36	0.070	-0.221	-0.046	**0.737**	0.054	-0.062	-0.082	0.006	-0.129
35	-0.051	-0.096	-0.084	**0.678**	0.103	-0.096	0.021	-0.116	-0.320
18	0.206	0.056	0.131	0.145	**0.792**	0.012	0.059	0.145	0.126
19	0.065	-0.121	0.007	0.245	**0.778**	0.064	0.114	0.179	0.085
17	0.069	0.183	0.315	-0.037	**0.628**	0.054	0.053	0.338	0.001
6	0.074	0.084	0.162	-0.014	-0.049	**0.811**	0.114	0.107	0.032
5	-0.037	0.053	0.124	0.019	0.066	**0.766**	0.105	-0.080	0.113
30	0.264	0.074	0.156	-0.146	0.142	0.192	**0.727**	0.011	0.101
31	0.154	0.210	0.296	0.056	0.162	0.125	**0.675**	-0.102	0.228
10	0.037	0.380	0.139	0.009	-0.001	0.082	**0.506**	0.133	-0.152
29	0.022	0.239	0.427	-0.179	-0.121	-0.063	**0.456**	0.027	0.234
15	0.101	0.163	0.165	-0.048	0.256	0.037	0.031	**0.782**	-0.033
16	0.238	0.081	0.141	-0.046	0.328	-0.051	-0.017	**0.779**	-0.005
32	0.006	0.157	-0.006	-0.089	0.225	0.083	0.201	-0.033	**0.638**

Table 2.5.5 Comparison of eigenvalues from EFA and criterion values from parallel analysis

Component Number	Actual eigenvalue From EFA	Criterion values from parallel analysis
1	8.079	1.918
2	3.848	1.783
3	2.667	1.698
4	1.954	1.626
5	1.824	1.556
6	1.533	1.499
7	1.453	1.438
8	1.193	1.388
9	1.112	1.336

Table 2.5.6 The EFA component matrix (N=200)

Item No.	Component							
	1	2	3	4	5	6	7	8
20	0.791							
21	0.785							
24	0.689							
22	0.668							
23	0.643							
26	0.607							
27	0.577							
28	0.524							
25	0.523							
2		0.772						
7		0.770						
8		0.727						
1		0.691						
3		0.688						
9		0.630						
4		0.595						
13			0.787					
12			0.754					
14			0.684					
11			0.674					
34				0.792				
33				0.739				
36				0.737				
35				0.678				

18	0.792			
19	0.778			
17	0.628			
6		0.811		
5		0.766		
30			0.727	
31			0.675	
10			0.506	
29			0.456	
15				0.782
16				0.779

Table 2.5.7 Summary of the variables (N=200)

No.	Variables	Items
1	Relational behaviours (business interaction and cooperation)	1. I would stay "in touch" and make sure the customer is satisfied with product/service. 2. I would keep abreast of changes in the customer's needs for product/service. 3. I would contact the customer to make changes in product/service which better serves his/her needs. 4. I would explain to the customer why the product/service is good for his/her organisation. 5. I would help the customer make best purchase decisions. 6. I would take the time to prepare product/service specification for the customer to evaluate. 7. I would treat the customer the same whether we're talking about big or small business deals.
2	Social interactions	1. I would NOT give the customer something of a personal nature (e.g., birthday card, holiday gift, etc.). * 2. I would NOT socialise with the customer after work. *
3	Perceived reciprocity	1. The customer would disclose required information to me. 2. The customer would make my job easier. 3. The customer would buy my product or service. 4. The customer would introduce new business to me.
4	Perceived	1. Developing relationship with the customer would enhance

	learning		my skills.
		2.	Developing relationship with the customer would increase my knowledge
5	Reputational incentives	1.	My relationship with the customer would enhance my reputation amongst peers.
		2.	My relationship with the customer would advance my status within my organisation.
		3.	My relationship with the customer would help me gain more recognition in my organisation.
6	Perceived similarities	1.	Myself and the customer have similar personality.
		2.	Myself and the customer have similar mannerisms.
		3.	Myself and the customer have similar interest and hobbies.
		4.	Myself and the customer have similar family situation.
		5.	Myself and the customer see things in much the same way.
7	Liking for the customer	1.	I am fond of the customer very much as a person.
		2.	I think the customer would make a good friend.
		3.	I enjoy being together with the customer.
		4.	Even without our business ties, I would choose to be around the customer.
8	Communal orientation	1.	When making a decision, I take the customer's needs and feelings into account
		2.	I especially enjoy giving the customer assistance.
		3.	I often go out my way to help the customer.
		4.	When problems arise in our business, I would help out the customer.
9	Exchange orientation	1.	I think the customer should feel obliged to repay me for favours.
		2.	I feel exploited if the customer failed to repay me for a favour.
		3.	I give favours to the customer only if (s)he has given me favours.
		4.	When the customer receives favours from me, (s)he ought to repay me right away.

*Note: reverse coding items.

<u>Hypotheses test</u>

We evaluated the internal reliability of the scales as shown in Table 2.5.8 , all but one, 'social interaction' (α = .681) exhibited satisfactory internal reliability with Cronbach's alpha value above .7, thus we do not retain the scale of 'social interaction' for further analysis. The relational behaviours scale consisted of 7 items (α = .865), the exchange orientation scale consisted of 4 items (α = .758), and the communal orientation scale consisted of 4 items (α = .721). Cronbach's alpha values for the scales of 'perceived similarities' and 'liking for the customer' were .809 and .823 respectively. The scales of perceived reciprocity (α = .801), reputational incentives (α = .792) and learning orientation (α = .860) were found to be highly reliable.

Table 2.5.8 Descriptive Statistics (N=200)

Variable	No. of Items	Internal consistency (α)	Mean	Std. Deviation
Relational behaviours	7	.865	9.060	2.689
Social interaction	2	.681	6.660	1.764
Exchange orientation	4	.758	15.765	2.266
Communal orientation	4	.721	13.200	2.675
Liking for the customer	4	.823	14.545	3.111
Perceived similarities	5	.809	15.455	2.465
Perceived reciprocity	5	.801	9.970	2.262
Reputational incentives	3	.792	7.245	1.489
Perceived learning	2	.860	28.925	3.898

Next, the following hypotheses developed in the theoretical section were tested.

H1 Salespeople's perceived reciprocity from the customer positively affects their relational behaviours.

H2 Salespeople's perceived learning positively affects their relational behaviours.

H3 Salespeople's perceived reputational incentives positively affect their relational behaviours.

H4 Salespeople's perceived similarities with the customer positively affect their relational behaviours.

H5 Salespeople's liking for the customer positively affects their relational behaviours.

H6 Salespeople's communal orientation positively affects their relational behaviours.

H7 Salespeople's exchange orientation negatively affects their relational behaviours.

To learn the relationship between several predictors and one dependent variable, a multiple regression method was appropriate (Pallant, 2007; Tabachnick & Fidell, 2007). Tabachnick and Fidell (2007, p. 23) gave a formula for calculating sample size requirements for multiple regression analysis, taking into account the number of independent variables: N > 50 + 8m (where m = number of independent variables). There are 200 cases in this data set and 7 independent variables which exceeded the recommended number of cases, 200 > 106 (50 + 8 x 7). Total score of each of the variables was used to compute the analysis (Pallant, 2007). As shown in Table 2.5.9, all independent variables were significantly correlated with the dependent variable, relational behaviours. The correlation between relational behaviours and exchange orientation was negative, whilst the correlations between relational behaviours and other independent variables were positive. There was no unreasonably large correlations (r > .7) (Pallant, 2007) were found between any of the independent variables.

Table 2.5.9 Correlation between variables (N=200)

Variable	RB (DV)	EO	CO	LC	PS	PR	RI	PL
Relational behaviours (RB)	1							
Exchange orientation (EO)	-.263**	1						
Communal orientation (CO)	.497**	-.212**	1					
Liking for the customer(LC)	.325**	-.109	.265**	1				
Perceived similarities (PS)	.159*	.088	.190**	.562**	1			
Perceived reciprocity (PR)	.426**	-.050	.464**	.340**	.190**	1		
Reputational incentives (RI)	.146*	.183**	.162*	.258**	.247**	.322**	1	
Perceived learning (PL)	.240**	- .024	.181*	.202**	.253**	.294**	.451**	1

*$p < .05$ (2 tails). **$p < .01$ (2 tails);

Hierarchical regression was performed to evaluate the effect of controls. As shown in Table 2.5.10, the results of the first model indicated the controls explained 10.9% of the variance (R^2 = .109, F (9,190) = 2.582, p < .01). It was found that none of the controls significantly predicted relational behaviours. In the second model, the results of regression indicated that the controls and independent variables explained 41.4% of the variance (R^2 = .414, F (16,183) = 8.093, p < .001). The R square change value was .305, showing that the independent variables explained an additional 30.5% of the variance in relational behaviours when the effect of those controls were controlled for. It was found that exchange orientation (β = -.167, p < .01), communal orientation (β = .302, p < .001), a liking for the customer (β = .218, p < .01) and perceived reciprocity (β = .170, p < .05) significantly predicted relational behaviours.

Table 2.5.10 Summary of hierarchical regression analysis for variables predicting relational behaviours (N=200)

Variable	Model 1 β	Model 2 β
Sales Gender	.138	.191
Sales Age	.182	.169
Sales Experience	.056	-.057
Sales Industry	-.110	-.094
Employee Number	.074	.020
Customer Gender	-.147	-.110
Customer Age	.020	-.018
Years of Relationship	-.071	-.064
Previous Relationship	-.120	-.074
Exchange orientation		-.167**
Communal orientation		.302***
Liking for the customer		.218**
Perceived similarities		-.068
Perceived Reciprocity		.170*
Reputational Incentives		.008
Perceived learning		.070
R^2	.109	.414
R^2 Change		.305
F	2.582**	8.093***

*p < .05. **p < .01. ***p < .001.

Standard multiple regression was used to test if the independent variables significantly predicted relational behaviours, as shown in Table 2.5.11. Each of the independent variables was tested the hypothesised direction (i.e. positive or negative relationship) and statistical significance (p-value). The results of the regression indicated the seven predictors explained 33% of the variance (R^2_{adj} = .330, F (7,192) = 15.047, $p < .001$). It was found that the independent variables, communal orientation, exchange orientation, a liking for the customer and perceived reciprocity, significantly predicted relational behaviours. Hence, four out of the seven hypotheses were supported with significant beta-coefficients. Salespeople's relational behaviours were found to be positively associated with communal orientation ($\beta = .322$, $p < .001$), perceived reciprocity ($\beta = .196$, $p < .01$), and a liking for the customer ($\beta = .161$, $p < .05$), but negatively associated with exchange orientation ($\beta = -.158$, $p < .01$). H1, 5, 6, and 7 were supported. However, the remaining three hypotheses were not supported as the relationship between relational behaviours and perceived similarities ($\beta = .038$, p = n.s.), reputational incentives ($\beta = .021$, p = n.s) and perceived learning ($\beta = .107$, p = n.s.) were not significant.

Variance inflation factors (VIFs) and tolerance limits were calculated. Multicollinearity is suspected when the VIF for one or more of the independent variables is greater than 10 and/or the tolerance limit is less than .10 (Mendenhall & Sincich, 2006; Montgomery & Peck, 2006; Neter et al., 1996). It was found that the maximum VIF for the independent variables was 1.674 and the minimum tolerance limit was .597, indicating that multicollinearity was not a problem. From the screen check, in the Normal P-P Plot, the points lied in a reasonably straight diagonal line from the bottom left to top right, suggesting no major deviation from the normality. Moreover, outliers were checked by screen check of the standardised residual plot and inspecting the Mahalanobis distance (Tabachnick & Fideli, 1996, 2007). In this data set, there was one case had a value of Mahalanobis distance at 36.419, which was above the critical value 24.32 (Tabachnick & Fideli, 2007), whilst the rest was below the critical value. We retained the extreme case in further test. Also, Cook's distance was checked (Tabachnick & Fideli, 1996, 2007). According to Tabachnick and Fideli (2007), cases with values larger than 1 were a potential problem. In the data set, the maximum value for Cook's Distance was .151, suggesting no major problems.

Table 2.5.11 Summary for standard regression analysis for variables predicting relational behaviours (1) (N=200)

Variable	β
Communal orientation	.322***
Exchange orientation	-.158**
Liking for the customer	.161*
Perceived similarities	.038
Perceived reciprocity	.196**
Reputational incentives	.021
Perceived learning	.107
Adjusted R^2	.330
F	15.047***

*p < .05. **p < .01. ***p < .001

Finally, the standard regression analysis was used to test the effect of communal orientation, exchange orientation, a liking for the customer and perceived reciprocity on relational behaviours. As shown in Table 2.5.12, the results of the regression indicated the four predictors explained 33.1% of the variance (R^2_{adj} = .331, F (4,195) = 25.661, p < .001), with relational behaviours positively correlated with communal orientation (β = .322, p < .001), perceived reciprocity (β = .217, p < .01), and a liking for the customer (β = .148, p < .05); but negatively associated with exchange orientation (β = -.168, p < .01). The model is present in Figure 2.5.1. Overall, the results showed that communal orientation making the strongest unique contribution to explaining relational behaviours whilst liking for the customer making the least of a contribution. Moreover, it was found that the maximum VIF for the independent variables was 1.352 and the minimum tolerance limit was .729, indicating that multicollinearity was not a problem. There was one case had a value of Mahalanobis distance at 31.858, which was above the critical value 18.47 (Tabachnick & Fideli, 2007), whilst the rest was below the critical value. The maximum value for Cook's Distance was .159, suggesting no major problems. Screen check of the Normal P-P Plot and the Scatterplot (see Appendix) of the standardised residual suggested that no major deviation from normality and the variance of the residuals is homogeneous across levels of the predicted values, with most of the scores concentrated in the centre (along the 0 point).

Table 2.5.12 Summary for standard regression analysis for variables predicting relational behaviours (2) (N=200)

Variable	β
Communal orientation	.322***
Perceived reciprocity	.217**
Exchange orientation	-.168**
Liking for the customer	.148*
Adjusted R^2	.331
F	25.661***

*$p < .05$. **$p < .01$. ***$p < .001$

Figure 2.5.1 The model of drivers for salespeople's relational behaviours
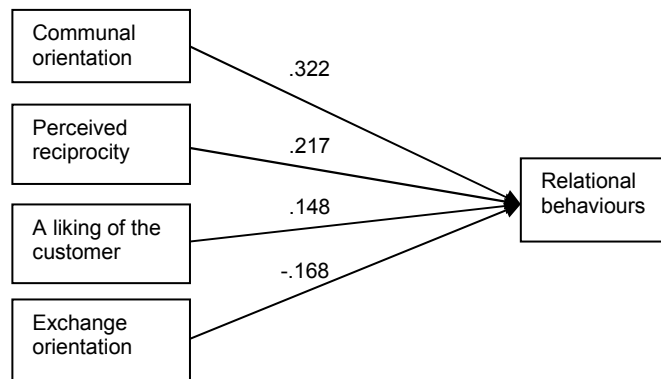
2.6 Discussion, implications, limitations and directions for future research

Introduction

Interestingly, this is one of the first studies to consider the effect of relationship drivers on firm's employees' relational behaviours. A number of important contributions were established from this study. In the final section of this study, we highlight its original contributions to theory as well as to managerial thinking, address the limitation of this research, and point out directions for future research. This section starts with a discussion of the empirical results reported in the previous section. It is followed by the implications for academic research in light of the theoretical framework presented earlier. Next, the managerial implications of these findings will be examined. Some practical implications are provided along with some conclusions regarding the theoretical framework. Finally, the limitations of this study and suggestions for future research are identified, and a summary conclusion is offered.

Discussion

With data collected from a sample of 224 salespeople who had business dealings with business customers from various industries in China, four out of seven hypotheses have been supported by the results of statistical tests of 200 cases. Overall, salespeople's communal orientation, perceived reciprocity, and a liking for the customer were positively related to salespeople's relational behaviours whereas exchange orientation had a negative impact. The regression model results presented a good fit for the proposed interrelationships among these variables based on the theoretical framework. The findings provided strong support for the importance of cognition (e.g. perceived reciprocity), affect (e.g. a liking for the customer) and specific personality traits (e.g. communal orientation) as drivers of salespeople's relational behaviours. It confirmed that relationship development was both a cognitive and affective process; meanwhile, specific personality traits had a strong influence on the behaviours in discussion.

Taken together, these results suggested that, first, increasing levels of salespeople's communal orientation, perceived reciprocity, and a liking for the customer had driven salespeople to cultivate relationships with their customers. Second, salespeople's exchange orientation tended to discourage them from long-term relationship building. However, it failed to find significant relationships between salespeople's relational behaviours and their perceived similarities with the customer, perceived learning and

reputational incentives. Drawing on the literature, we attempt to provide the rationale of such results. First, perceived similarities with another individual were possibly leading to the liking for that person. Lydon, Jamieson and Zanna (1988) suggested that activity similarity especially predictive of liking judgments, which affects the judgments of attraction. Likewise, Miller (1972) pointed out that attitude similarity activates the perceived attractiveness and favourability information from each other, whereas dissimilarity would reduce the impact of these cues. On the basis of this assumption, the relationship between salespeople's perceived similarities with a customer and their relational behaviours are not always direct and it may be mediated by the liking for the customer. Second, the level of individual's need for self- growth (e.g. learning) may vary. It is reasonable to assume that, in developing relationships with the customer, only those salespeople with a high learning goal orientation are motivated by perceived learning of the relationship process. Thirdly, similar ideas can be used to explain why there is no significant relationship between salespeople's anticipated reputational incentives and their relational behaviours. The reputational incentives may only drive salespeople with high need for social self-esteem to get involved in relationship development activities. Therefore, we need to consider the effect of salespeople's learning goal orientation and need for social self-esteem as well.

Theoretical contributions

Firm's employee-customer relationships are inherently interpersonal, so it is necessary to employ an individual approach to distinguish them from the impersonal inter-organisational relationships. In the preliminary study, we have used our field study to structure inquiry into how interpersonal relationship are initiated, developed and associated with relational governance and cooperation in the context of performance-base defence equipment service provision. Through our findings, we present an integrative view of interpersonal relationship drivers and outcomes. We not only bring together interpersonal relationships and relational governance but also relate cooperative behaviours to types of relationship norms by introducing the idea that different types of relational norms such as reciprocity and communality, can affect interpersonal cooperation in service co-production which has not been studied adequately in literature. The preliminary study of this research offered one of the first empirical investigations of the role of relational governance in the context of performance-based service contracts. It attempts to inform academics and practitioners of norms and outcomes of such

governance. Our contribution is in the spirit of theory construction from field investigation. With a theory-in-use method, we formalised and documented practitioners' experience as a contribution to academic literature. The striking factor in the study was that of interpersonal relationships as a strategic resource to improve service performance. This seemed particularly advantageous for performance-based service contracts where environmental and behavioural uncertainties were a major obstacle in delivering outcomes, and where interactions between equipment, people and information increased the complexity. We extended the extant boundary-spanner literature by confirming that interpersonal cooperation between individual boundary spanners and their customers was influenced by different relationship norms, e.g. social exchange and social solidarity. Along the course of our study, we discovered two different drivers for interpersonal relationships between the service provider and the customer: perceived reciprocity and communal orientation. Specifically from the point of view of managing service co-production, communal orientation motivating collective actions may greatly increase the service output. This communal perspective of customer relationships is less discussed in marketing research. Much literature is focused on the exchange driven marketing relationships which emphasises the reciprocal norm. The preliminary study suggests a divergence between academic literature and practice in so far as the focus and approach towards the communal orientation for customer relationships is concerned.

The findings of two drivers for customer relationships in the preliminary study were then matched with literature and informed the research design of the next study. The following study explores drivers for cultivating customer relationships from the salespeople's perspective which is relatively new to relationship marketing. The way of conducting the research is truly interdisciplinary by incorporating ideas of relationship marketing and social psychology research using both qualitative and quantitative research methods. It answers the research question 'why do firm's employees e.g. salespeople cultivate relationships with their customers?' and fills the gaps addressed in the literature review. This research makes several important conceptual and empirical contributions. It is one of the few attempts to empirically demonstrate the existence of mixed relational behaviour intentions of salespeople in the marketing context. This is also one of the first attempts to develop a conceptual framework based on existing theories in relationship marketing and social psychology with a focus on salespeople's relational behaviours. The unified framework developed in this study is a major contribution to the research in relationship marketing. First, it provides a comprehensive yet simplified theoretical model for the study

of salespeople's relational behaviours. The model extensively incorporates the social exchange tradition, the affect-based relationship approach, and individual's relationship orientations in explaining relational behaviours. Yet, the proposition of four antecedents and their direct links with relational behaviours keep this model in a simplified manner. Second, the model has shown that the often examined construct of perceived similarities does not have a significant impact on relational behaviours. It is an extension of the existing research on the salespeople/customer's perceived similarities, as prior research has confirmed the influence of perceived similarities on selling effectiveness and relationship quality. Finally, these findings support the theory that marketing relationships are cognition- based as well as affect-based, and even bear a communal orientation. As prevailing relationship marketing research is usually dominated by the social exchange theme, the present study first offers insights on the communal aspect of customer relationships.

Moreover, the present study enhances extant research on salespeople- customer relationships by establishing the link between motivating factors and salespeople's relational behaviours. It implies that, though the relationship drivers may vary, e.g. either social exchange-driven or affect-based, they may lead to similar behaviours such as interaction, and cooperation with the customer. This research is also a development of the study on salespeople's motivations by providing an updated model on salespeople's motivations and relational behaviours. Many studies in this stream are extensions of Walker et al.'s (1977) motivation-performance model with focus on organisational factors such as financial incentives, supervision styles and organisation's marketing orientation, and salespeople's characteristics such as performance orientation, learning orientation and customer orientation. The present study has taken an entirely fresh approach and offers a set of cognitive as well as affective motivating factors.

As well, in examining the drivers of salespeople's relational behaviours, we removed the arguable boundary between the extrinsic and intrinsic motivations and treated intrinsic factors as those satisfying salespeople's high-order need. In particular, compared to the theory of planned behaviours (TPB) framework, this model has several advantages. First, it considers the affect-based behavioural intention which is an important driver especially for initial interactions in interpersonal relationships. Second, this model incorporates specific personality traits (e.g. exchange or communal orientation) as the predictors of behaviours. It is consistent with recent studies on salespeople's customer orientation

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which has taken a hierarchical approach to personality (e.g., Allport, 1961; Lastovicka, 1982; Mowen, 2000) and has treated customer-orientation as a surface personality trait. In a hierarchical model, customer orientation is influenced by more basic traits (e.g., agreeability, emotional stability, activity needs); in turn, it influences outcome variables.

Finally, this research was conducted in both the UK and China. Although the two countries have significant cultural and social differences, similar results were found which indicates that the finding of relationship drivers, e.g. perceived reciprocity as well as communal orientation, is highly generalisable. At a national level, China has been classified as a collectivistic culture (Hofstede, 1980). To date, most contemporary management scholars realise that cultural differences can have a profound impact on work motivation. What remains elusive, however, is a solid understanding of how or why culture influences fundamental motivational processes. As French sociologist Michael Crozier (1964, p.210) observed in his classic study of bureaucratic organisations, managers have long understood that organisational structures, attitudes, and behaviour differ across cultures 'but contemporary social scientists have seldom been concerned with such comparisons'. Many of the early theories of organisations and management practice, once thought to be largely universalistic, are now confirmed to be culture-bound. For example, recent empirical studies have demonstrated that cultural variations can have a significant influence on such phenomena as work values, equity perception, achievement motivation, casual attribution, job attitude and so forth. More recently, Gannon and Newman (2002) noted that work motivation and employee performance goals are heavily influenced by three factors: culturally derived work norms and values, self-efficacy belief and rewards, and incentives and disincentives that result from performance.

Yet the fuzzy, complex and multifaceted concept of culture is difficult to identify. Harry C. Triandis treated culture as a shared meaning system, found among those who speak a particular language dialect during a specific historic period and in a definable geographic region (Triandis, 1994). The well-known Hofstede's scale has identified five national cultural dimensions: Individualism/Collectivism, Uncertainty Avoidance, Masculinity/Femininity, Power Distance, and Time Orientation or the degree to which a nation's citizens were willing to sacrifice short-term gains for long-term benefits (see The Chinese Connection, 1987; Hofstede & Bond, 1988). A Chinese Value Survey measure developed by Michael Bond and his colleagues suggested that long-term orientation is a subset of Confucian values which encourages a persistent and thrifty long-term orientation

of personal responsibility and self-respect. While Hofstede's work has been criticised for making extensive generalisation concerning the characteristics of various cultures, he did not argue against the existence of individual differences within specific cultures, but asserted logically that each culture manifests identifiable central tendencies that can be used in a general way to differentiate across national boundaries.

This cultural classification adds conceptual richness to the study of organisational dynamics and management practice. An early cross-cultural application of Maslow's need hierarchy model to the workplace was completed by Haire, Ghiselli and Porter (1966), who found systematic differences in managerial need strengths across cultures. Hofstede (1980) argued persuasively that Maslow's need hierarchy is not applicable across cultures due to variations in country values. Empirical studies have demonstrated significant difference of affiliation motivations in individualistic and collectivistic cultures. For example, DeVos and Mizushima (1973) suggested that a major aspect of achievement in Japan involves a need to belong and cooperate with others, thereby linking the need for affiliation to the need for achievement much more closely. Yu and Yang (1994) made the same argument for Korea, and as noted elsewhere, the existence of a group achievement motive throughout much of East Asia is a pre-eminent driving force in many work environments, while individual achievement is neither valued nor rewarded. Beyond this, several studies suggest that the relationship between achievement motivation and subsequent success on a national level is far more complex than first thought. Iwawaki and Lynn (1972), for example, found national achievement motivation levels between Japan and the Great Britain to be roughly identical, even though Japan's economic growth rate far exceeded Britain's.

Cognition approaches (e.g. expectancy theory, goal-setting theory and equity theory) postulate that motivation is largely influenced by a multiplicative combination of one's belief that effort will lead to performance, the performance will lead to certain outcomes, and these outcomes will be valued and rewarded. Unfortunately, all three of these variables – the means of performance, the outcomes, and the desired rewards – can vary significantly by culture (Gannon & Newman, 2002). For example, Huo and Steers (1993) observed that culture can influence the effectiveness of an incentive system in at least three ways: what is considered important or valuable by workers, how motivation and performance problems are analysed, and what possible solutions to motivational problems lie in the feasible set from which the manager can select. Equity theory focuses on the

motivational consequences that individuals believe they are being treated either fairly or unfairly in terms of the rewards they receive (Adams, 1965; Mowday, 1996). Considerable research supports the fundamental equity principle in Western workgroups, particularly as it is related to conditions of underpayment. However, when the theory is applied elsewhere, results tend to be more problematic. The equity principle may be somewhat cultural bound (Hofstede, 1980). Noticeably in Asia and the Middle East, many examples show that individuals apparently readily accept a clearly recognisable state of inequity in order to preserve their view of societal harmony. Goal-setting models focus on how individuals respond to the existence of specific goals, as well as the manner in which goals are determined. Culture did not moderate the effects of goal-setting strategies or goal acceptance, but it did appear to moderate the effects of strategy on performance for extremely difficult goals (Gannon & Newman, 2002).

The omission of cultural variables in the study of management has been increasingly redressed since the 1990s, and there is reasonably solid research literature focusing on several aspects of work and organisation. Gannon and Newman (2002) have listed five challenges of cross-cultural research. First, culture is not an easy variable to define or measure specifically. Second, data collection is often difficult and expensive. Third, translation problems complicate measurement and analysis. Fourth, personal biases, however unintentional, frequently cloud both the choice of a research topic and the interpretation of results. And lastly, causal relationships are problematic.

In cross-cultural research, the dimensions of individualism and collectivism are frequently evoked. Taken together with the preliminary study, this research has been conducted in two different cultural settings; in an individualistic culture (e.g. the UK) and a collectivistic culture (e.g. China). Two types of relationship drivers such as social exchange and social solidarity were discovered in the first qualitative study, and later validated by the second quantitative study. The relationships in investigation included the service provider-customer relationships in the context of service provision as well as the salespeople-customer relationships in marketing settings. The consistency of findings from the two studies indicates that the relationship drivers (e.g. perceived reciprocity and communal orientation) are generalised across contexts or cultures. This is another theoretical contribution.

<u>Managerial implications</u>

The preliminary study of this research is descriptive rather than normative in nature, and does not focus on performance implications of service delivery. Thus, generic and explicit recommendations on how organisations should manage service co-production cannot be drawn directly from our research. However, assuming that qualitative studies provide better insights, we can at least make tentative statements on how our observations will guide managerial decisions. A major contribution of this study is the advancement of an interpersonal relationship perspective of relational governance on service contracts through a theory-in-use methodology. It is our belief that this contribution provides pedagogical benefits and substantial relevance to the practice of service co-production and management thinking.

Our findings indicate that relational governance plays a very significant role in the delivery of outcome-based service contracts, especially in promoting service co-production at individual levels; whilst contract governance seemed unimportant. Outcome-based contracting in lack of specification in boundaries and roles, results in a greater dependency on relational governance. Without good relationships, the individual service providers and customers would not co- produce anything and the service provided would not be sustainable. Although comprehensive contract mechanisms have been designed to safeguard service delivery, managers in fact rely heavily on relational governance to improve service performance. They tend to count on reciprocal or communal cooperation to overcome the various uncertainties in service delivery. As such, both the service provider e.g. the primary contractors and the customer organisations e.g. the UK MoD should work closely on relationship development especially at the individual levels. With the development of relationships, the interpersonal closeness and the identification of common goals will help both parties to overcome the contract limitations and enhance service delivery. As well, we note that interpersonal similarities can foster close relationships. Likewise, informal interactions and socialising eliminated differences and misunderstanding. As relationship is a dyad, we urge both the service provider and the customer organisation to align their personnel arrangement at all levels with the counter side. Social events and activities to promote interpersonal interactions and relationship bonding between two parties are highly recommended. In addition, the results also suggested that both organisations should focus on delivering outcomes, rather than contracted performance measurements. It is the primary focus of service co-production,

with contracted performance measurements a secondary result arising from the primary focus.

Furthermore, nowadays, firms are increasingly dependent on their customers to achieve service success. Typically, prevailing literature is mainly concerned with managing service delivery at the firm's level. Managing service activities at individual levels remains complex and troubling in management practice. In light of the need of service co-production, the foremost question faced by managers is how to encourage individual customers to participate in service delivery. The preliminary study indicated that the development of interpersonal relationships, and the existence of relational norms can promote customers' participation. In particular, the relationship parties will deliver greater service performance than either party in isolation. Accordingly, in exchange relationships, relationship parties cooperate based on the norm of reciprocity. As relationships develop into communal relationships, both parties cooperate unconditionally and work towards collective group goals. As a result, the cooperation between individual service providers and customers is more effective when it is driven by common group goals (social solidarity) than by perceived reciprocity (social exchange). As such, both the service provider e.g. the primary contractors and the customer organisations e.g. the UK MoD should make efforts to foster the formation of a common group identity amongst their boundary-spanning employees and thus enhance communal cooperation.

As discussed in the literature review, salespeople are of significant importance to the achievement of the firm's marketing success. Many of the decisions made by salespeople have major strategic and performance ramifications. Overall, the theoretical model has critical implications for marketing managers by validating its importance relative to the organisation's overall performance. The findings of this research may help marketing practitioners in many ways. First, it provides a conceptual understanding of why salespeople are involved in relationship-building activities. Such behaviours are not only driven by their intention to help the customer, and what benefits they can recoup from the customer, but also by their liking for the customer. Second, an exploration of the causes of salespeople's relational behaviours may also help managers of marketing to better plan the personnel arrangement and incentive schemes. For example, in the recruitment of salespeople, communal orientation can be used as selection criteria. Managers also need to be careful when rewarding salespeople. As the result suggested that exchange

orientation, e.g. the focus on short-term gains will discourage salespeople from developing long-term relationships with their customers. Finally, the investigation on salespeople's relational behavioural drivers can increase marketing managers' ability to predict salespeople's relational behaviours.

<u>Limitations</u>

However, there are some weaknesses in this research. First, the predominant emphasis of the preliminary study is to obtain in-depth understanding of the phenomenon of inter-organisational governance and individual- level relationships in the context of performance-based service contracts. Although the investigation of two performance-based contracts would still be relevant to the theory-in-use methodology (Zaltmann et al., 1982), multiple cases should be chosen as a way of discovering more patterns. Second, the following study only considered the salespeople's perspective, though customer relationships are always a dyad. The customers' data in this research was provided by the salespeople and we did not further investigate the pros and cons of customers' relational behaviours. It would be more reflective of the relationship dyad if we included the customers' perspective as well. Next, this research is limited by way of new scale development. In Churchill's (1979) original model (Figure 2.4.1), the development of a new scale had to go through several phases such as literature search, qualitative study, factor analysis, re-test and developing norm. Hence, it is necessary to duplicate the research with a different sample in order to develop more reliable scales for constructs used in the present study.

<u>Directions for future research</u>

The findings in this study suggest several paths for further research. In particular, the theoretical framework developed in this study is versatile and robust, so its future research potential is quite extensive. Future research could explore the application of the framework in other types of employee-customer relationships rather than just the salespeople-customer relationship. Moreover, an examination of customers' relational behaviours using the theoretical framework will facilitate a better understanding of the interactive nature of individual-level customer relationships. Meanwhile, the scales used in this study, can be further evaluated by testing with another sample. As well, future research is needed to further examine the effect of salespeople's' perceived similarities with the customer, anticipated reputational incentives and perceived learning, on their

relational behaviours. More importantly, as we noted in the literature review, the personalised interaction between the firm and the customer becomes the locus of value co-creation, and value is co-created through their reciprocal and mutually beneficial relationship (Vargo, Maglio & Akaka, 2008). In the preliminary study, we found the positive outcomes of the individual level employee-customer relationship in service co-production. It is essential for future research to evaluate the influence of relational behaviours, (both the employees' and their customers') on value co-creation.

2.7 Conclusion

Informed by the preliminary study, the overall objective of this research is to investigate the drivers of salespeople's relational behaviours. Since the 1980s, research in relationship marketing has evolved in different phases with emphasis shifting from the buyer-seller relationship dyad to the marketing network, from managing relationships of the value chain members to the idea of value co-creation with customers. With a balanced-centricity, Vargo (2009) proposed that the mutual beneficial customer relationship is the locus of value co-creation. Following this logic, the present study highlights some important issues which facilitate a better understanding of salespeople's relational behaviours in the study of employee- customer relationships. Drawing on relationship marketing theory, motivation theories and interpersonal relationships studies, we investigated different theoretical foundations and sought for the drivers which had an impact on salespeople's behaviours in cultivating relationships with their customers.

This research offers a broadened view by relying on three approaches of relationship studies, the social exchange tradition, affect-based relationships and relationship orientations. These approaches represent the distinct streams of relationship research and have not been incorporated in prior research on individual-level customer relationships. Social exchange theory is one of the theoretical frameworks in relationship marketing; that is, treating customer relationships as an ongoing exchange between the firm and the customer. The affect-based relationship approach argues that, at the individual-level, friendships can be developed between the salespeople and their customers though the expressive nature of friendship may clash with the instrumentality of marketing objectives. The third approach, communal orientated customer relationship, is relatively new in relationship marketing research. Although salespeople's customer orientation implies an altruistic disposition, the communal orientation has not been explicitly addressed. Taken together, the three theoretical perspectives help us to investigate the complexity of customer relationships as a combination of marketing exchange and personal relationship.

In the present study, we also evaluated the theory of planned behaviour, which has been often used to examine consumer behaviours in marketing literature. With supporting literature, we argued that this framework is inadequate in capturing the complexity of salespeople's relational behaviours because of its arguable propositions of perceived behavioural control and normative beliefs, and the ignorance of affect-based judgement.

Following interpersonal relationships studies and motivation theories, we built a theoretical model of the drivers for salespeople's relational behaviours. We suggested that salespeople's motivations, affect-based judgement and specific personality traits are better predictors for their relational behaviours. Research hypotheses were then operationalised and the conceptual framework was examined. The resulting framework consists of seven testable hypotheses. A data set of 200 salespeople from various industries in China was used to test the hypotheses identified in this study. After the empirical test of theoretical model, three specific drivers of salespeople's relational behaviours had been identified; salespeople's communal orientation, perceived reciprocity from the customer, and a liking for the customer, whilst exchange orientation had a negative impact on those behaviours. The model illustrates the mixed nature of individual-level customer relationships where perceived reciprocity corresponds with the evaluation of long-term consequences, exchange orientation corresponds with immediate gains; a liking for the customer accounts for affect-based personal relationships, and communal orientation relates to a wider range of others (e.g. customer)-oriented relationships. Overall, the four factors have a significant impact on salespeople's relational behaviours. This model incorporates individual's cognition, affection and specific personality traits to explain the dynamics of salespeople's relational behaviours. By doing so, different theoretical perspectives can be combined into a unified framework.

Appendix

Figure 2.5.2

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Relational Behaviours
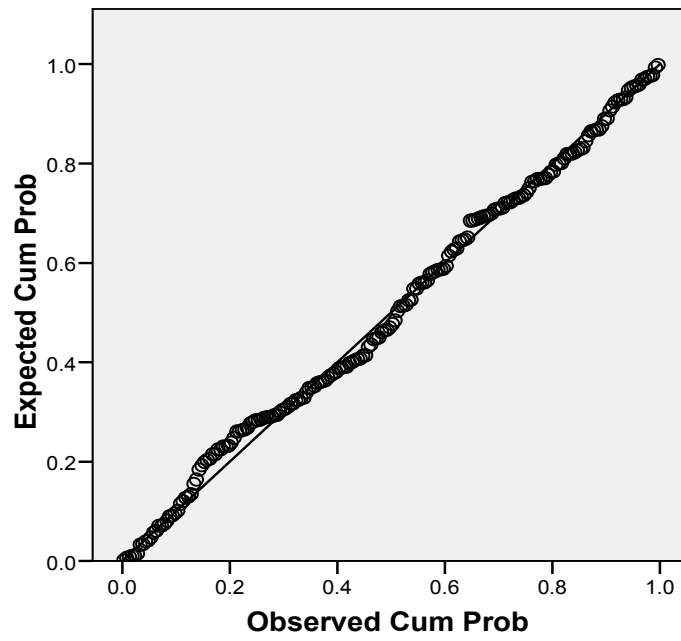
Figure 2.5.3

Scatterplot

Dependent Variable: Behaviour Total
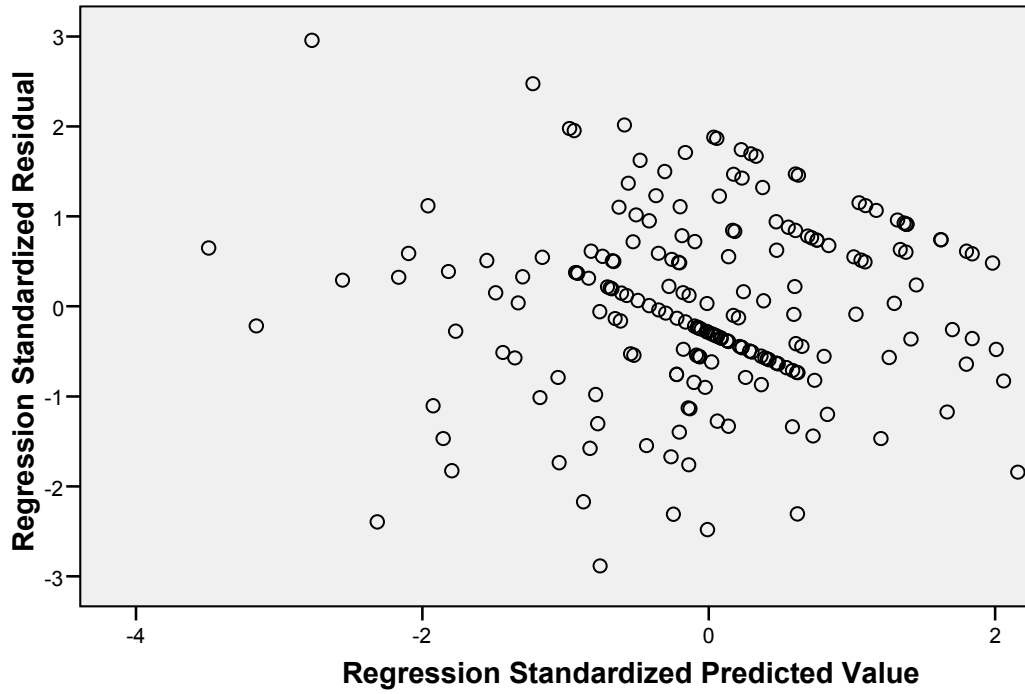
The survey form (English)

Instruction

This survey is conducted by the researchers from University of Exeter Business School, UK. It explores customer relationships at the interpersonal level. If your job is related to sales or marketing of products or services to business customers (e.g. companies), we seek your help in collecting data. Your data will be protected by the Code of Good Practice in the Conduct of Research of Exeter University. The survey result is strictly for academic research purpose.

The questionnaire has 15 compulsory questions. All questions are single-answer questions.

Please answer the following questions accordingly.

1. What is your gender?

- ☐ Male
- ☐ Female

2. What is your age?

- ☐ Below 20
- ☐ 20 - 29
- ☐ 30 - 39
- ☐ 40 - 49
- ☐ 50 or above

3. How long have you been doing marketing or sales related job(s)?

- ☐ less than 1 year
- ☐ 1 - 5 years
- ☐ 6 - 10 years
- ☐ 11 - 15 years
- ☐ More than 15 years

4. In what industry are you currently employed?

- ☐ 1Manufacturing
- ☐ 2Accommodation and food service activities

- ☐ 3Transport, storage
- ☐ 4Information and communication
- ☐ 5Financial and insurance activities
- ☐ 6Professional, scientific and technical activities
- ☐ 7Administrative and support service activities
- ☐ 8None of the above, please specify [   ]

5. How many employees work in your organization?

- ☐ Less than 50
- ☐ 50-99
- ◉ 100-249
- ☐ 250 or more

Instruction

Amongst your existing customers, please choose ONE customer who fulfils the following two criteria:

1) You have dealt with this customer RECENTLY.

2) This customer is NOT a new customer.

In this survey, we refer to this customer as Customer A. Please answer the following questions accordingly.

6. What is Customer A's Gender?

- ☐ Male
- ☐ Female

7. What is Customer A's Age

- ☐ Less than 20
- ☐ 20 - 29
- ☐ 30 - 39
- ☐ 40 - 49
- ☐ 50 or order

8. Which statement(s) below best describes Customer A's role in your recent business dealing with his/her organization?

- Customer A suggests purchasing a product or service.
- Customer A influences the buying decision.
- Customer A makes the final purchase decision.
- Customer A controls the flow of purchase information.
- Customer A is the primary contact of the purchase.
- Customer A is the user of the item being purchased.

9. How do you communicate with Customer A?

	Never	Rarely	Sometimes	Quite Often	Very Often
Face to face meeting	☐	☐	☐	☐	☐
Email	☐	☐	☐	☐	☐
Phone call	☐	☐	☐	☐	☐
Video call	☐	☐	☐	☐	☐
Fax/Letter/Written document	☐	☐	☐	☐	☐

10. How long have you known Customer A?

- ☐ less than 1 year
- ☐ 1 - 5 years
- ☐ 6 - 10 years
- ☐ 11 - 15 years
- ☐ 16 years or more

11. Which statement below best describes your relationship with Customer A BEFORE you had business dealings with him/her?

- ☐ Customer A was a stranger.
- ☐ Customer A was an acquaintance.
- ☐ Customer A was a friend.
- ◉ Customer A was a close friend.
- ☐ None of the above. Please specify your previous relationship with Customer A

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12. The statements below describe the various ways in which You and Customer A may interact. For each statement, please rate accordingly.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
1. I think Customer A should feel obliged to repay me for favours.	☐	☐	☐	☐	☐
2. I feel exploited if Customer A failed to repay me for a favour.	☐	☐	☐	☐	☐
3. I give favours to Customer A only if he/she has given me favours.	☐	☐	☐	☐	☐
4. When Customer A receives favours from me, (s)he ought to repay me right away.	☐	☐	☐	☐	☐

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
5. When making a decision, I take Customer A's needs and feelings into account.	☐	☐	☐	☐	☐
6. I especially enjoy giving Customer A's assistance.	☐	☐	☐	☐	☐
7. I often go out my way to help Customer A.	☐	☐	☐	☐	☐
8. I DON'T consider myself to be particular helpful to Customer A.	☐	☐	☐	☐	☐

13. The statements below describe what you may think about Customer A. For each statement, please rate accordingly.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
1. I am very fond of Customer A as a person.	☐	☐	☐	☐	☐
2. I enjoy being together with Customer A.	☐	☐	☐	☐	☐
3. Myself and Customer A have similar personalities.	☐	☐	☐	☐	☐
4. Myself and Customer A have similar mannerisms.	☐	☐	☐	☐	☐
5. Myself and Customer A have similar interests and hobbies.	☐	☐	☐	☐	☐
6. I think Customer A would make a good friend.	☐	☐	☐	☐	☐
7. Myself and Customer A see things in much the same way.	☐	☐	☐	☐	☐
8. Even without our business ties, I would choose to be around Customer A.	☐	☐	☐	☐	☐
9. Myself and Customer A have similar family situations.	☐	☐	☐	☐	☐

14. The statements below describe the various reasons for developing a relationship with Customer A. For each statement, please rate accordingly.

	Very Unlikely	Unlikely	Undecided	Likely	Very Likely
1. Customer A would disclose required information to me.	☐	☐	☐	☐	☐
2. Customer A would make my job easier.	☐	☐	☐	☐	☐
3. Customer A would buy my product or service.	☐	☐	☐	☐	☐
4. Customer A would introduce new business to me in the future.	☐	☐	☐	☐	☐
5. My relationship with Customer A would enhance my reputation amongst peers.	☐	☐	☐	☐	☐

	Very Unlikely	Unlikely	Undecided	Likely	Very Likely
6. My relationship with Customer A would advance my status within my organization.	☐	☐	☐	☐	☐
7. My relationship with Customer A would help me gain more recognition in my organization.	☐	☐	☐	☐	☐
8. Developing a relationship with Customer A would help increase my knowledge.	☐	☐	☐	☐	☐
9. Developing a relationship with Customer A would enhance my skills.	☐	☐	☐	☐	☐

15. The statements below describe various ways you may behave. For each statement, please rate accordingly.

	Very Unlikely	Unlikely	Undecided	Likely	Very Likely
1. I would stay "in touch" and make sure Customer A is satisfied with my product/service.	☐	☐	☐	☐	☐
2. I would keep abreast of changes in Customer A's needs for product/service.	☐	☐	☐	☐	☐
3. I would contact Customer A to make changes in product/service which better serves his/her needs.	☐	☐	☐	☐	☐
4. I would NOT give Customer A something of a personal nature (e.g., birthday card, holiday gift, etc.).	☐	☐	☐	☐	☐
5. I would NOT socialize with	☐	☐	☐	☐	☐

	Very Unlikely	Unlikely	Undecided	Likely	Very Likely
Customer A after work.					
6. I would help Customer A make best purchase decisions.	☐	☐	☐	☐	☐
7. I would take the time to prepare product/service specification for Customer A to evaluate.	☐	☐	☐	☐	☐
8. I would treat Customer A the same whether we're talking about big or small business deals.	☐	☐	☐	☐	☐
9. I would explain to Customer A why the product/service is good for his/her organisation.	☐	☐	☐	☐	☐
10. When problems arise in our business, I would help out Customer A.	☐	☐	☐	☐	☐

The survey form (Chinese)

说明：这是一项由英国埃克斯特大学商学院（University of Exeter Business School）的研究人员发起，针对您和客户之间人际关系的学术调研。我们将根据埃克斯特大学的研究指导原则（Code of Good Practice in the Conduct of Research）对您所填写的内容严格保密，相关结果仅应用于学术研究。

问卷一共 15 道题目，全部为必答题，且均为单项选择题。

请您帮助我们回答以下问题。

1。您的性别

- ☐ 男
- ☐ 女

2。您的年龄

- ☐ 20 岁以下
- ☐ 20 - 29
- ☐ 30 - 39
- ☐ 40 - 49
- ☐ 50 岁或以上

3。您从事与市场营销或销售相关的工作多久了？

- ☐ 1 年以下
- ☐ 1- 5 年
- ☐ 6- 9 年
- ☐ 10 - 15 年
- ☐ 16 年或以上

4。您目前从事的行业属于

- ☐ 制造业
- ☐ 住宿餐饮业
- ☐ 运输仓储业
- ☐ 信息通讯业
- ☐ 金融保险业
- ☐ 专业技术服务业
- ☐ 商务服务业
- ☐ 以上皆不是，请注明您所从事的行业 _____

5。您的企业目前的人数为

- ☐ 不到 50 人
- ☐ 50-99
- ☐ 100-249
- ☐ 250 人或以上

说明：在您现有的企业客户当中，请选择一位与您有业务往来的人员，此人必须符合以下两个条件：

1）他/她最近和您有业务往来。

2）他/她不是新客户。

在以下的问卷中，我们称此人为"客户甲"。

6。客户甲的性别

- ☐ 男
- ☐ 女

7。客户甲的年龄

- ☐ 20 岁以下

- ☐ 20 - 29
- ☐ 30 - 39
- ☐ 40 - 49
- ☐ 50 岁以上

8。下列哪种说法最恰当地描述了客户甲在您和他/她的最近一笔业务往来中扮演的角色？

客户甲对所采购的产品或服务有推荐权。

- 客户甲可以影响采购的决策。

- 客户甲是最终的决策者。

- 客户甲控制采购信息的流通。

- 客户甲是采购的主要联系人。

- 客户甲是所采购的产品或服务的用户。

9。您与客户甲是如何进行沟通的？

	从不	很少	有时	常常	很多时候
面谈	☐	☐	☐	☐	☐
电子邮件	☐	☐	☐	☐	☐
电话	☐	☐	☐	☐	☐
视频通话	☐	☐	☐	☐	☐
传真/信件/书面文件	☐	☐	☐	☐	☐

10。您与客户甲认识多久了？

- ☐ 1 年以下
- ☐ 1- 5 年
- ☐ 6- 9 年
- ☐ 10 - 15 年
- ☐ 16 年或以上

11。您与客户甲在有业务往来之前是什么关系？

- ☐ 那时，客户甲是个陌生人。
- ☐ 那时，客户甲是个熟人。
- ☐ 那时，客户甲是我的朋友。
- ☐ 那时，客户甲是我的好友。
- ☐ 上述说法皆不是。请注明您和客户甲以前的关系 [_____]

12。请根据您与客户甲的交往情况，对以下描述进行评价

	非常不同意	不同意	既不同意也不反对	同意	非常同意
1.我觉得客户甲有义务回报我对他/她的帮助。	☐	☐	☐	☐	☐
2.如果客户甲没有回馈我，我会觉得被利用了。	☐	☐	☐	☐	☐
3.只有当客户甲帮我时，我才帮他/她。	☐	☐	☐	☐	☐
4.当客户甲得到我的帮助时，应该立刻回报	☐		☐	☐	☐

	非常不同意	不同意	既不同意也不反对	同意	非常同意
我。					
5.在作决定时，我会考虑客户甲的需要和感受。	☐	☐	☐	☐	☐
6.我不认为自己对客户甲特别有帮助。	☐	☐	☐	☐	☐
7.我特别喜欢为客户甲提供帮助。	☐	☐	☐	☐	☐
8.我经常想方设法为客户甲提供帮助。	☐	☐	☐	☐	☐

13。请根据客户甲的个人情况，对以下描述进行评价

	非常不同意	不同意	既不同意也不反对	同意	非常同意
1.我非常喜欢客户甲这个人。	☐	☐	☐	☐	☐
2.我喜欢和客户甲相处。	☐	☐	☐	☐	☐

	非常不同意	不同意	既不同意也不反对	同意	非常同意
3.我和客户甲有类似的性格。	☐	☐	☐	☐	☐
4.我和客户甲有类似的举止。	☐	☐	☐	☐	☐
5.我和客户甲有类似的兴趣和爱好。	☐	☐	☐	☐	☐
6.我觉得客户甲会成为我的好朋友。	☐	☐	☐	☐	☐
7.我和客户甲对事物的看法很接近。	☐	☐	☐	☐	☐
8.即使我们之间没有业务关系，我也会和客户甲交往。	☐	☐	☐	☐	☐
9.我和客户甲有类似的家庭状况。	☐	☐	☐	☐	☐

14。以下说法描述了您与客户甲交往的原因，您是否认同？

	非常不同意	不同意	既不同意也不反对	同意	非常同意
1.我希望客户甲能向我透露所需的信息。	☐	☐	☐	☐	☐
2.我希望客户甲将为我的工作提供方便。	☐	☐	☐	☐	☐
3.我希望客户甲会购	☐	☐	☐	☐	☐

	非常不同意	不同意	既不同意也不反对	同意	非常同意
买我的产品或服务。					
4.我希望客户甲将来介绍新生意给我。	☐	☐	☐	☐	☐
5.和客户甲交往会提高我在同行之间的声誉。	☐	☐	☐	☐	☐
6.和客户甲交往将提升我在企业中的地位。	☐	☐	☐	☐	☐
7.和客户甲交往会帮助我在企业中获得更高的威望。	☐	☐	☐	☐	☐
8.和客户甲交往，我将会增长知识。	☐	☐	☐	☐	☐
9.和客户甲交往，我将学会新技能。	☐	☐	☐	☐	☐

15。以下说法描述了您与客户甲交往中的行为，您是否认同？

	非常不可能	不可能	未定	可能	非常可能
1.我和客户甲保持联络，确保客户甲对我提供的产品/服务满意。	☐	☐	☐	☐	☐

	非常不可能	不可能	未定	可能	非常可能
2.我会密切跟踪客户甲对产品/服务需求的变化。	☐	☐	☐	☐	☐
3.我会联系客户甲改进产品/服务，更好地满足他/她的需求。	☐	☐	☐	☐	☐
4.我不会给客户甲一些私人性质的物品（比如，生日卡，节日礼品等）。	☐	☐	☐	☐	☐
5.下班后，我不会与客户甲交往应酬。	☐	☐	☐	☐	☐
6.我会协助客户甲作出有利于他/她的购买决策。	☐	☐	☐	☐	☐
7.我会花时间为客户甲准备产品/服务的说明。	☐	☐	☐	☐	☐
8.无论谈论的生意是大是小，我对客户甲态度保持一致。	☐	☐	☐	☐	☐
9.我会向客户甲解释那些产品/服务对他/她的企业有好处。	☐	☐	☐	☐	☐
10.当我们的生意出现问题时，我会向客户	☐	☐	☐	☐	☐

非常不可能　不可能　　未定　　　可能　　　非常可能

甲提供帮助。

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