DETERMINANTS OF BUSINESS-TO-BUSINESS RELATIONSHIP QUALITY IN A FINANCIAL SERVICES CONTEXT

A thesis submitted in partial fulfilment of the requirements for the degree of Doctor of Business Administration

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DECLARATION

I certify that except where due acknowledgement has been made, the work is that of
the author alone; the work has not been submitted previously, in whole or in part, to
qualify for any other academic award; the content of the thesis is the result of work
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Date
ABSTRACT

Building and maintaining business relationships is becoming increasingly important as organisations seek to improve their competitive advantage by entering long-term relationships with strategic business partners. It is suggested that the quality of the relationship determines the likelihood of maintaining an ongoing relationship between buyers and sellers. Research in the area of business-to-business relationship quality is still in its infancy with limited agreement of the dimensions of relationship quality or even the definition of relationship quality in a business-to-business context.

The aim of this Interpretivist study, set in the financial services industry in Australia, was to develop an understanding of what participants in a dyadic business relationship perceive to be the attributes of a high quality relationship. Methodologically the research took a case study approach to the collection of primary data through the use of open-ended depth interviews. Epistemologically the research derived categories and concepts from the social actors engaged in the mutually constructed social reality of the business relationship dyad. This formed the basis for understanding the quality concept by describing relationship-based activities and meanings.

The findings indicate that some dimensions of relationship quality are identified dyadically whereas other dimensions are buyer or seller specific. Some dimensions of relationship quality suggested by the literature emerged from the data generated for this study, while others were previously unidentified, including good product, reciprocity, face-to-face contact, problem resolution, efficiency of service, staff consistency, business support and hierarchy of contacts.
The findings suggest four implications for professional practice: the need for face-to-face contact; the importance of establishing a hierarchy of contacts across the business relationship; the suggestion that relationship quality is a continuum rather than a destination; and the suggestion that problem resolution may be a catalyst for relationship strength.
ACKNOWLEDGEMENTS

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On a more personal note I would like to thank my parents, Jan and Gloria deVries, for instilling in me a love of learning and intellectual debate as a result of years of challenging discussions ranging from Chinese politics to corporate practice and the economy – our time together is never dull! I would also like to acknowledge the influence my grandmother has had on the person I have become through a shared passion for the written word. Finally, I would like to acknowledge the incredible support I receive every day from my husband, friend, and partner, Nick Burke – good looking and smart, how lucky can a girl be? And, my beautiful children, Amelia and Sean, who have made this journey a little bit more challenging than I originally anticipated both being created and developing in tandem with this research study.
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CHAPTER ONE

This chapter provides a brief introduction to the study including the background, problem statement, and professional significance of the study. It then provides a brief overview of the methodology used, the limitations of the study, the definitions of key terms and an overall structure of the thesis.

1. Introduction

1.1. Introduction to the study

This dissertation is a report of an Interpretivist study of the perceptions of relationship quality in a business-to-business relationship dyad. The study was based primarily upon the data generated during depth interviews conducted with participants responsible for enacting and maintaining the business-to-business relationship between an investment management company and a series of financial advice businesses. Participants included, but were not limited to, relationship managers, sales managers and financial planners. This first chapter of the dissertation presents the background of the study, specifies the problem of the study, describes its significance, and presents an overview of the methodology used.

1.2. Background to the study

Over the past 20 years the marketplace for investment advice and products in Australia has undergone dramatic changes. A number of factors have driven change in the financial sector: economic growth, increasing competition and demographically led changes in household portfolios. These factors have interacted in an important
way. The interaction has created an environment where Australia is now experiencing an extraordinary increase in investor demand for financial services products and professional financial advice related to investment in those products. The unprecedented economic expansion experienced by many Australians has created many ‘new money’ high net worth and affluent people. They aspire to further accumulation and not only preservation of wealth. They have higher service expectations, and are looking for a broader range of products.

The household wealth of Australians has increased over the past decade due to a range of factors, including: the housing boom, superannuation guarantee contributions, the resources boom, very low unemployment, and a national skills shortage. All of these factors have contributed to Australians arguably being better off now than at any prior point in history, even taking the sharemarket volatility of 2008 into consideration.

The growth seen in the superannuation industry is a reflection of the personal economic improvements currently being experienced by Australians. Australian employers have been making compulsory contributions to employees’ superannuation accounts since 1992 and recent figures (March 2008) released by the Australian Prudential Regulation Authority (APRA) indicate that superannuation assets in Australia have surpassed the $1 trillion mark. For the year to 30 June 2007, contributions to all superannuation entities totalled $122.6 billion, with employers contributing $64.7 billion and member contributions totalling $56.3 billion. Other contributions, including spouse contributions and government co-contributions,

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1 For example, UniSuper reports a 5-year compound average return on a Balanced portfolio of 10.19% (www.unisuper.com.au, accessed 6 October 2008)
2 APRA Media Release. Thursday 27 March 2008. No. 08.05
totalled an additional $1.6 billion³. Add to this trend a changing attitude towards self-sufficiency in retirement (driven in part by the growing size of investors’ superannuation assets), investors are demanding knowledgeable advisers that can explain their investment choices and recommend a tailored course of action to secure their financial future. Demographics complicate the picture as well with the number of retirees set to skyrocket as the baby boomer generation (people born between the years 1946 and 1961 (Salt, 2006)) gets set to leave the workforce.

The growth in personal assets has increased the demand for financial products and services. Independent private banks, investment banks, commercial banks, brokerage houses, asset management firms, and pure on-line or e-service providers are all actively building skills and broadening expertise to attract and retain the assets of the wealthy. As market access is widening, competition for investors and their assets is intensifying, forcing wealth management providers to identify new ways to improve investor access to their products while blocking access to their competition. Most firms are now emphasizing more complex, higher margin products and services, such as structured products wrapped in a service model that centres on financial advice.

As financial institutions aim to capture a larger proportion of the potential investor base, a key element of their competitive strategy has been to increase the number of financial advisers either directly or indirectly employed by the business, as a distribution arm for their financial products. Consolidation of the financial planning sector has been a key characteristic of this sector over the past decade as banks and other large financial institutions purchase licensee groups and their stable of financial

³ APRA Media Release. Thursday 26 March 2008. No. 08.04
planning businesses to increase their reach into the marketplace. The logic of the institutions is the larger their distribution network (both in terms of numbers and geography) the greater the potential that the financial adviser the end consumer speaks to will belong to your organisation. It is therefore strategically important for a financial services organisation to maintain quality relationships with its associated financial advice businesses to ensure that they do not defect to another licensee.

To limit the potential bias of financial advisers only offering the products of organisations that incentivise them, legislation was introduced via the Financial Services Reform Act (2001) that compels the adviser to disclose to their clients all commissions and ‘soft dollar’ remuneration they receive. In the past, financial institutions were able to take their advisers that achieved the highest grossing sales on lavish holidays and to exclusive social events to reward them for their ‘loyalty’. It is almost impossible to do this today, as the adviser must disclose these ‘gifts’ to the client when recommending any financial products to them. This has changed the nature of the relationship between financial institutions and the financial advice businesses. Financial institutions are exploring new ways to strengthen the business-to-business relationship bonds.

The unique business-to-business relationship that exists between financial planning businesses and financial product manufacturers provides a rich environment for the dyadic exploration of business-to-business relationship quality. It also provides an ideal case study context, as there are multiple sources of data available to explore a broad range of behavioural and attitudinal issues (for more detail on the case study design see section 4.4.1.1).
Academic contributions to the area of business-to-business relationship management in financial services are limited. The expression ‘business-to-business’ can be summarised as the exchange between a business acting as a buyer and a business acting as a supplier. To date, academic contributions have been limited to attempting to apply knowledge of relationship management gained in the business-to-consumer market to the more complex business-to-business environment and the limited research that has been conducted in the B2B context has been mainly in industrial buyer-seller settings. No empirical investigations have been undertaken in the financial advice sector and only eight empirical investigations (Woo and Ennew, 2004; Myhal, Kang and Murphy, 2000; Naudé and Buttle, 2000; Dorsch, Swanson and Kelly, 1998; Leuthesser, 1997; Boles, Johnson and Barkesdale, 2000; de Burca, Fynes and Roche, 2004; Auh and Shih, 2005) have explored relationship quality in a business-to-business context. Only one of those investigations (Myhal et al., 2000) explored relationship quality dyadically. To date no consensus has been drawn on the definition of relationship quality or its components. This research study aims to add to the limited body of knowledge on relationship quality in business-to-business relationships.

1.3. **Problem statement**

The aim of this Interpretivist study was to develop an understanding of what participants in a dyadic relationship perceive to be a high quality relationship. It looked to understand what the attributes of a high quality relationship are and what the business consequences of a high quality relationship might be in a financial services context. In particular, the study looked to understand whether the perceptions of what relationship quality is are consistent across a dyad or whether
there are differences in perceptions between a buyer and seller. The Interpretivist methodology was selected for this study, as the aim was to understand how actors engaged in a business-to-business relationship perceive relationship quality through their everyday experiences and how they interpret their social reality and how they negotiate the meanings of and for actions and situations.

Specifically, the primary research questions being explored in this research study included:

• How do actors engaged in inter-firm relationships perceive relationship quality?
• How do actors in an inter-firm relationship define the dimensions of relationship quality?
• Why are some relationships more successful than others?
• How is the relationship ‘valued’ by the businesses that participate in it?
• How can a business ‘manage’ its key relationships to ensure longevity?

**1.4. Professional significance of the study**

It is hoped that this study of the perceptions of relationship quality in a business-to-business relationship dyad will make a contribution to the knowledge of both business-to-business relationships and relationship quality. It is hoped the study adds to the existing body of knowledge in a variety of areas:

• The study aims to generate more data on relationship quality in the hope that this will help resolve a definition, currently lacking in the literature, of ‘relationship quality’.
• The study aims to assist in the identification of the dimensions of relationship quality, of which there is currently no consensus in the literature.

• The study aims to assist industry practitioners, specifically those engaged in the management of business-to-business relationships, to identify ways to strengthen those relationships and consequently maximise the profitability of those relationships.

• The study aims to add to the limited body of knowledge of the business-to-business relationship between financial service organisations and their distribution networks.

• It is hoped that the use of a research methodology not widely chosen for research in this area will increase the breadth and depth of knowledge of business-to-business relationship quality.

1.5. **Overview of the methodology**

While a detailed explanation of the Research Methodology is available in Chapter Four, this section will provide an overview of the methodology used in this study, particularly a brief overview of the research perspective, research type and research methods.

An Interpretivist approach has been used in this research study as the study sought to understand the social world that a group of people have produced and which they maintain through their ongoing activities. In the Interpretivist methodology the key is to understand, not to explain. As a research method, understanding begins with the assumption that there is some common ground between the researcher and the researched and that understanding is built on commonality, in particular from shared
experience (Crotty, 1998). According to this approach the social construct is the creation of the social actors and it does not exist outside of their jointly created activities. These ontological assumptions can be viewed as relativist. That is, there may be multiple interpretations of the social reality rather than one single social reality. Following the relativist view, each social reality that is constructed by social actors is the ‘real’ one for them. Following the logic set out by Blaikie (2000), the epistemological assumptions are that social scientific knowledge is to be gleaned from everyday concepts and meanings and from socially constructed mutual knowledge. As such the researcher sought to understand these everyday concepts and meanings and re-described them in social scientific language to aid in the development of theories of which the actors may have been unaware.

Epistemologically the research will derive categories and concepts from the social actors engaged in the mutually constructed social reality of the dyad. This will form the basis for understanding the quality concept by describing relationship-based activities and meanings.

This is an abductive research strategy based on interpretation and understanding and focuses on the motives and intentions of people that are enacted in their everyday lives and direct their behaviour. In the context of this research study, this includes uncovering the knowledge created and recreated through the action of actors engaged in business-to-business relationships and which inform and constrain the activities of these actors and reinforce the complex social reality of the business relationship. Abduction is the process used in this study to produce social scientific accounts of the relationship quality phenomenon, drawing on the concepts and meanings used by the
social actors engaged in the business-to-business relationship being studied.

The abductive process comprises the way the researcher goes beyond the accounts given by social actors about their intentions and actions in the real world. This process is multi-layered; with the first stage being the generation of data that records how actors understand reality, using in-depth interviews; at the second stage the researcher moves from reporting the lay accounts to constructing social scientific theories. As Giddens noted “all social actors, no matter how lowly, have some degree of penetration of the social forms which oppress them.” (1984, p.2).

A case study was selected as the most appropriate research method to explore the research questions in the context of a business relationship dyad. In this research study, the case looked intensely at a small participant pool (business relationship dyads) and explored the perceptions of that participant pool in a specific context. Holmlund (1997) suggests that case studies are a powerful research method and particularly suited to the study of business relationships and networks. Specifically, an embedded case study design has been used for this research. That is, within the single case, attention has been given to subunits (multiple financial planning businesses) for analysis.

It is common in case study based research and particularly relationship-based research to conduct analysis at the participant actor level. Much of the empirical research reported in the literature has been conducted from a ‘point-of-view’ approach, examining the relationship from the perspective of the actors on one side of the social interaction. This study however, focused on the dyad and consequently both
organisations were studied. The key difference in the point-of-view approach and the dyadic approach is the focus on perceptions from both partners in the dyad in order to understand the convergence (or divergence) of the perceptions of each organization.

The research conducted for this study explored relationship quality within the framework of the financial services industry in Australia, particularly the relationship between a financial product manufacturer (a financial services organisation that offers funds management, superannuation and insurance products to the marketplace) and its distribution network comprised of aligned and independent financial planning businesses.

1.6. Limitations of the study

This section will provide a brief overview of the delimitations and limitations of the study. The limitations of this research study can be summarised in three key areas: research design and the characteristics of the sample, the uniqueness of the research setting, and the interpretation of the data.

- Firstly, from a research design standpoint, the case study sought to explore the perceptions of relationship quality held by participants engaged in a business-to-business relationship from both sides of a relationship dyad. Overall the study accomplished this objective. This study was limited however to the experiences of one financial services organisation and its associated financial planning businesses.

- Secondly, the uniqueness of the financial services industry in terms of its intermediated sales arrangements and strict legislative and compliance guidelines also means that the research findings may not be generalisable across other
industry sectors.

- Finally, another potential shortcoming of this research is in the interpretation of the large amount of data generated. In the thematic tapering process the interpretations of the analyst may have directed the outcome. Personal involvement with the subject matter also increases the possibility that the interpretations highlighted particular incidents while ignoring others.

The limitations of the study are discussed in greater detail in Section 6.3 of the Discussion Chapter (Chapter Six).

1.7. **Definitions of key terms**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>Dealer Group or Licensee</td>
<td>“The distribution arm typically of funds management groups or banking institutions designed to offer investors financial planning services. Dealer groups often employ large numbers of financial planners, offering them training, licensing and support services. They also often provide financial planners with lists of recommended investment products from which to service their clients.” (<a href="http://www.assetmagazine.com.au/financialplanners/glossary.asp">www.assetmagazine.com.au/financialplanners/glossary.asp</a>)</td>
</tr>
<tr>
<td>Financial Planner</td>
<td>A professional who analyses a client’s overall financial situation and develops a comprehensive plan that meets his/her goals and objectives.</td>
</tr>
<tr>
<td>Managed Investment</td>
<td>An investment product where investors pool their money with that of other investors in a fund so that the fund can buy a wide range of investments. A professional fund manager who makes the investment decisions manages these investments. Also known as a managed fund, managed investment scheme or unit trust.</td>
</tr>
<tr>
<td>Superannuation</td>
<td>A government regulated investment strategy designed to provide for Australians financially upon their retirement. Superannuation funds are built up by a combination of concessionally taxed compulsory and voluntary contributions from employers and individuals over their working lives.</td>
</tr>
</tbody>
</table>
1.8. Organisation of the thesis

The remainder of this thesis consists of five chapters. Chapter Two includes a literature review of the pertinent theoretical, conceptual and empirical contributions. Chapter Three provides an overview of the context for this study – the financial services industry in Australia. Chapter Four focuses on the Methodology used for the study and specifically addresses the research questions, research paradigm, research strategy, research design, data collection and data analysis techniques. Chapter Five presents the findings of the research study. The thesis concludes in Chapter Six with a discussion of research contributions and key themes emerging from the data generated by this study, implications for professional practice, research limitations and recommendations for future research.
CHAPTER TWO

Chapter Two reviews selected literature related to the business-to-business relationship quality concept. Chapter Two consists of three major sections. The first explores relational marketing in a business-to-business context and the transfer of relational concepts from the business-to-consumer literature to the business-to-business literature. The second section reviews the relatively small body of literature on business-to-business relationship quality, including the conceptual contributions to the identification of the dimensions of relationship quality and a review of the empirical investigations conducted into business-to-business relationship quality. The third section examines the contributions of two organisational theorists, Anthony Giddens and Bo Hedberg (collaborating with Dahlgren, Hansson, Olve, Baumard and Yakhlef) in an attempt to develop a more comprehensive understanding of the foundations of business relationships.

2. Literature Review

2.1. Introduction

The literature on building and maintaining business relationships has been receiving increased attention as strategists, directors and managers in organisations seek to improve their competitive advantage by entering long-term relationships with strategic business partners. The literature generally agrees that building and maintaining relationships is critical for service businesses looking to sustain competitive advantage (Day, 1999; De Wulf, Odekerken-Schroder and Iacobucci, 2001; Dwyer, Schurr and Oh, 1987; Hausman, 2001). Wilson and Jantrania (1995)
suggests that buyers are developing single source supplier relationships due to market pressures to increase quality, reduce inventory (using the principles of just-in-time) and decrease time to market. The intensity of contact required to achieve these goals could not be achieved using multiple suppliers. It is therefore necessary to build strong, lasting, strategic business relationships. Academic research in the business-to-business relationship arena, once a relatively neglected area of interest when compared to the abundance of relationship studies in the business-to-consumer literature, has been receiving renewed attention as a result. The Industrial Marketing and Purchasing Group (IMP Group) has conducted a large number of studies on relationships between firms and these studies have shown many business markets are characterised by stability and long-lasting relationships between firms (Holmlund, 1997). “The IMP Group believes that interaction is a series of short-term social interactions which are influenced by the long-term business process that binds them together.” (Wilson and Jantrania, 1995, p.6)

A concept that has emerged relatively recently in the literature as a key component of successful long-term business relationships is relationship quality. The literature suggests that the quality of the relationship determines the likelihood of maintaining an ongoing relationship between buyers and sellers (Woo and Ennew, 2004). The first conceptual and empirical explorations of relationship quality occurred in the business-to-consumer marketing field, particularly with a study conducted by Crosby, Evans and Cowles (1990). It took an additional ten years for this study to be replicated by Boles, Johnson and Barkesdale (2000) in a business-to-business context. To date, research into business-to-business relationships has predominantly focused on other relational concepts such as relationship strength, relationship continuity and
service quality and to a large extent overlooked the concept of relationship quality. The literature on relationship quality has emerged predominantly from the marketing and business management fields with key journals publishing research in this area including the Journal of Business Research, Industrial Marketing Management, the European Journal of Marketing and the Journal of the Academy of Marketing Science. Empirical contributions to the understanding of business-to-business relationship quality have only recently emerged, post 1997, and continue to present. Researchers contributing to this area are mainly located in the United States, Europe and Australia, with many researchers collaborating through the IMP Group (Industrial Marketing and Purchasing Group), a group of academics and practitioners specifically interested in business-to-business relationship marketing. Founding members of this group include academics from the Scandinavian schools, where an interest in business relationships that began in the 1970’s provided the foundations from which the IMP emerged. Current researchers into relationship quality seem to predominantly have come from a background in relational marketing with an interest in business-to-business contexts. As the literature in this area is still in its infancy, a wide range of future research areas has been proposed. A couple key areas include defining and further testing the multi-dimensional construct of relationship quality as well as an attempt to develop a measurement tool for assessing business-to-business relationship quality. Of specific interest is the ongoing research of Professor Francis Buttle, located at the Macquarie Graduate School of Management in Australia who has recently published ‘working papers’ on business-to-business relationship quality cited in this Literature Review and whose stated future goal is to develop a model for measuring relationship quality in a business-to-business context.
This research study aims to add to the limited body of knowledge on relationship quality and as this study is specifically concerned with exploring business-to-business relationships, the literature review will begin by briefly exploring the key differences between business-to-business (B2B) and business-to-consumer (B2C) relationships. It will then review the conceptual and empirical research contributions on business-to-business relationship quality.

2.2. **Relational marketing in a B2C context**

Relationships have been a cornerstone of marketing literature since the 1970s and 1980s. Relationship marketing is a form of marketing defined in the early 1980s that emphasised customer retention and satisfaction, rather than discrete point-of-sale transactions. Relationship marketing was recognised as being different to more traditional forms of marketing when it was introduced due to its focus on the long-term value to an organisation of retaining customers, as opposed to the acquisition of new clients. A key principle of relationship marketing is the retention of customers to ensure repeat purchase. Relationship marketing is characterised by its organisation as a cross-functional activity within a company and it is organised around processes that involve all aspects of the company. Within some organisations, relationship marketing is called ‘relationship management’ or ‘customer relationship management’ in recognition of the fact that it involves much more than that which is normally included in marketing. Christopher, Payne, and Ballantyne (1991) identified that relationship marketing had the potential to forge a new synthesis between quality management, customer service management, and marketing, as marketing and customer service were viewed as inseparable.
During the 1990s relationship marketing became the key marketing issue of the decade (Ballantyne, Christopher and Payne, 2003) and centres for exploring the emerging research area were established in the UK, Finland and the US. In Australia, Monash University, under the leadership of David Ballantyne initiated the International Colloquia in Relationship Marketing.

As part of the development of knowledge in the area of relationship marketing, Dwyer and Oh (1987) were among the first to introduce and describe the concept of *relationship quality*. Dwyer and Oh (1987) suggested that relationship quality was a higher order construct made up of several distinct but related dimensions, including satisfaction, trust and minimal opportunism. Similarly, Crosby, Evans and Cowles (1990) identified relationship quality as a higher order construct comprised of satisfaction and trust in the salesperson; a conceptualisation subsequently employed by Wray, Palmer and Bejou (1994), Bejou, Wray and Ingram (1996), and Lagace, Dahlstrom and Gassenheimer (1991).

Several papers in the relationship marketing literature have since explored and identified additional dimensions of relationship quality in business-to-consumer contexts. These dimensions include:

- Commitment (Moorman, Zaltman and Deshpande, 1992; Kumar, Scheer and Steenkamp, 1995; Hennig-Thurau and Klee, 1997; Dorsch et al., 1998; Berry and Parasuraman, 1991; Meyer, Allen and Smith, 1993; Morgan and Hunt, 1994; Moliner, Sanchez, Rodriguez and Callarisa, 2007; Ndubisi, 2007)
- Satisfaction (Dwyer and Oh, 1987; Crosby et al., 1990; Lagace et al., 1991; Wray
et al., 1994; Bejou et al., 1996; Dorsch et al., 1998; Storbacka, Strandvik and Gronroos, 1994)

- Trust (Crosby et al., 1990; Moorman et al., 1992; Morgan and Hunt, 1994; Kumar et al., 1995; Ndubisi, 2007; Seppanen et al., 2007)
- Communication (Anderson and Narus, 1990; Morgan and Hunt, 1994; Berry, 1995; Duncan and Moriarty, 1998; Ndubisi, 2007)
- Economic benefits (Berry, 1995)
- Selling orientation (Wray et al, 1994; Dorsch et al., 1998; Bejou et al., 1996)
- Opportunism (Dwyer and Oh, 1987; Morgan and Hunt, 1994; Dorsch et al. 1998)
- Mutual goals (Wilson, 1995)
- Ethics/ benevolence (Legace et al., 1991; Wray et al., 1994; Bejou et al., 1996; Dorsch et al., 1998)
- Conflict handling (Ndubisi, 2007)
- Motivation to maintain the relationship (Bendapudi and Berry, 1997)

It can be seen from the preceding list that there has been little consistency in the components of relationship quality being explored by authors. This has resulted in no clear definition emerging in the business-to-consumer literature to date of relationship quality or a definitive list of the dimensions of relationship quality.

It is generally agreed in the relationship marketing literature that business-to-consumer interactions are more emotionally driven (Stern, 1997) and business-to-business interactions are based on reciprocity and rational behaviour due to the contractual nature of the interactions (Roberts, Varki and Brodie, 2003; Dwyer et al., 1987; Stern, 1997). There is a need therefore for the concept of relationship quality to
be explored in a business-to-business context to identify whether the dimensions are the same or different as a result of the necessity of the relationship from the buyer’s and seller’s perspective. The next section will explore how the dimensions of relationship quality identified in the expansive business-to-consumer literature are now informing the business-to-business literature.

2.3. **Relational marketing in a B2B context**

Relational marketing concepts explored in the business-to-consumer literature are now being explored in the business-to-business literature as researchers attempt to define their role and relevance in a business-to-business context. Hausman (2001) cited several authors when determining that theories developed and tested in one relational context might not be equally valid in the context of a different type of relationship. Consequently there is a need to test relational concepts developed in B2C research in a B2B context to verify their validity.

The transfer of relational concepts from a B2C context to a B2B context poses some interesting problem areas for researchers, however. Maria Holmlund referred to Hakansson and Snehota (1995) for a definition of business relationships, which they defined as “mutually oriented interaction between two reciprocally committed parties.” (Hakansson and Snehota, 1995, p.25). According to this view and Holmlund’s subsequent interpretation, relationships between businesses must change over time as they are not determined a priori and are an outcome of interacting. Actors participating in the relationship may represent departments such as sales,
administration, finance, product development, marketing and general management. Each of the actors engaged in the relationship (from both sides of the dyad) enacts it on both a corporate level, representing the interests of the business they serve, and on a social level. Each of these actors will have an interpretation or perception of the quality of the relationship in which they are engaged but no one actor will necessarily have a ‘helicopter’ view of the quality of the inter-firm relationship. Consequently, the perceptions of actors on both sides of the dyad are important and have to be taken into consideration as ‘mutually oriented interaction’ is not one-sided. The issue that arises is transforming and aggregating the perceptions of actors working at different levels within the firm in a way that will represent the perceptions of the firm. No evidence has arisen in the literature thus far that indicates that it is possible to create a holistic ‘perception of the firm’.

Supporting Hakansson and Snehota’s view of mutually oriented interaction, Ahmad and Buttle (2001) assert that business markets are not made up of active sellers and passive buyers but of active participants who continuously interact, build and maintain relationships. The concept of active participants working to maintain the B2B relationship highlights one of the many differences between organisational buying behaviour and consumer buying behaviour. B2B relationship theories are built on the premise that firms operate rationally and on the principals of reciprocity due to the contractual nature of their interaction (Roberts et al, 2003). The interactions in B2B markets also tend to be more formal in contrast to B2C interactions, which are accepted to be more emotionally driven. The key difference between the organisational and consumer market according to Roberts et al. (2003) is the degree of necessity of the relationship from the purchasing entity’s point of view.
These points assist to highlight the need to understand relationship quality in a B2B context as the motivations behind B2B and B2C relationships clearly differ. As a result, the measures used to identify quality in those relationships may also differ.

The particular relational concept of interest here is relationship quality. According to Woo and Ennew (2004) relationship quality is an area of both conceptual and empirical research that has lagged behind the more popular topics of service quality and product quality. Naudé and Buttle (2000) also note that within the expanding literature on business-to-business relationship marketing, there is remarkably little attention paid to the issue of relationship quality. The concept of relationship quality, its dimensions and consequences are the focus of this research.

The literature review will now explore the limited empirical and conceptual research conducted on relationship quality in a B2B context, initially by exploring definitions proposed by researchers and then the elements they have identified as comprising relationship quality.

### 2.4. Relationship quality

There is currently no consensus in the literature for a definition of business-to-business relationship quality. More surprising is that there is no consensus on a definition of relationship quality in a business-to-consumer context. As a starting point this may provide a hint as to the complexity of the task. Holmlund, as a result of her significant research into the area of perceived quality in business relationships, offers the following definition (Holmlund, 1997, p.10):
Perceived relationship quality is the joint cognitive evaluation of business interactions by significant individuals in both firms in the dyad. The evaluation encompasses a comparison with potential alternative interactions of a similar kind, which represent comparison standards.

One of the intervening variables that may be limiting the ability of authors’ to come to a consensus on the definition of relationship quality is context. The role of context in the development of business-to-business relationship quality is not yet clearly understood in the literature. The contributions from a limited number of authors have employed a variety of constructs to attempt to define relationship quality, its determinants and consequences. Many of these constructs appear to be very similar and many terms, although sometimes different in nomenclature, often are attempting to measure the same thing (i.e. relationship commitment, relationship strength). According to Roberts et al. (2003) many of the studies have not systematically examined the measure of relationship quality and as a result different authors have proposed different dimensions. Many authors have jumped to attempting quantitative measures of the elements that they believe comprise relationship quality, based on B2C research, before exploring whether the actors engaged in inter-firm relations recognise and relate to those concepts. As discussed previously, the differences between B2C and B2B relationships indicate a need to comprehensively test the relevancy of these concepts in a B2B context, ideally using an Interpretivist methodology.

The following section will review the conceptual and empirical contributions to the development of the relevant understanding of B2B relationship quality. As most B2B
research has already significantly drawn on the B2C literature to develop these contributions, this review will be largely confined to reviewing the B2B research.

2.4.1. Conceptual contributions

Relationship quality has been defined as a higher order construct that encompasses many of the traditional elements of relationship marketing by Crosby et al. in his pioneering study on relationship quality (Crosby et al, 1990). The concepts explored as the key dimensions for measuring relationship quality in the conceptual relationship marketing literature are trust, commitment and satisfaction. In conceptual and empirical relationship quality research, these three core variables of satisfaction, trust and commitment are treated as interrelated rather than independent (Hennig-Thurau, Gwinner and Gremler, 2002). The literature often identifies these variables as dimensions of relationship quality. These three key variables will now be explored in more detail.

2.4.2. Trust

The extant literature on the topic of inter-organisational trust is both extensive and informative (for review see Seppanen et al, 2007). Since the early 1990’s, researchers on business-to-business relationships have consistently argued the mutual trust is an essential component of relationship quality and performance (Seppanen et al., 2007). Yet, despite the interest among researchers, the concept of trust is still developing and researchers disagree on the nature and definition of this complex concept (Seppanen et al, 2007). The following section explores some of the key contributions to the development of trust as a concept but due to the extensive literature is not
comprehensive. For a critical review of the empirical research in the area, see Seppanen et al (2007).

Trust can be described as the foundation upon which business relationships are built and as such it is included in most relationship models and almost all of the literature regarding relationship quality. Morgan and Hunt (1994) argue that trust is the cornerstone of relationship commitment. The most common definition of trust is a belief that one partner will operate in the best interests of the other partner (Wilson and Jantrania, 1995). The four most common definitions of trust as identified by Wilson and Jantrania (1995) are:

- A willingness to rely on an exchange partner in whom one has confidence (Moorman et al, 1992).
- One party believes that its needs will be fulfilled in the future by actions taken by the other party (Anderson and Narus, 1990).
- A party’s expectation that another party desires coordination will fulfill obligations and will pull its weight in the relationship (Dwyer et al, 1987).
- The belief that a party’s word or promise is reliable and a party will fulfill their obligations in an exchange relationship (Schurr and Ozanne, 1985).

There have been difficulties reported in the literature regarding the measurement of trust in relationship research. Anderson and Narus (1990) indicate that when participants were asked about their perceptions of their firm’s trust in a working relationship, they provided their answers based on a current point in time. Time then becomes an important mediating factor in the measure of trust in B2B relationships.
The literature indicates that trust brings about a feeling of security, reduces uncertainty and creates a cooperative environment (Buttle and Biggemann, 2003). Other authors indicate that developing trust is an investment in relationship building (Garbarino and Johnson, 1999). Morgan and Hunt (1994) state that cooperation between relationship partners arises as a direct result of relationship commitment and trust.

Although the conceptual and empirical contributions around the role of trust in relationships are still emerging, Blomquist (2003) has developed a four-dimensional conceptualisation of trust where it is seen to consist of capability (including technological and business dimensions), goodwill (comprised of care, concern, understanding and trust), behaviour (open communication, sociability, adaptation and commitment) and self-reference (an understanding of capability and a clear identity).

It seems clear, and in fact logic indicates, that trust must be an integral component of relationship quality, as it seems to permeate all aspects of the relationship.

2.4.3. Commitment

Commitment is the most common dependent variable used in Positivist B2B relationship studies and many authors recognise commitment as a critical element for building long-term relationships (Garbarino and Johnson, 1999; Morgan and Hunt, 1994; Dwyer et al, 1987; Wilson and Jantrania, 1995). There are several definitions of commitment in the literature. Morgan and Hunt’s widely cited definition of relationship commitment is, “an exchange partner believing that an ongoing
relationship with another is so important as to warrant maximum effort to maintain it...” (1994, p.23). Dwyer, Schurr and Oh state that commitment is an “implicit or explicit pledge of relational continuity between exchange partners.” (1987, p.19).

The concept of commitment implies that firms want to establish a cooperative relationship and will forego short-term opportunities to preserve relationship investments and more profitable long-term benefits associated with relationships. Garbarino and Johnson (1999) identify through a survey of the literature that commitment is comprised of three components; some kind of investment, some kind of attitudinal or psychological attachment and an intention for the relationship to exist over time. This three dimensional construct of commitment is further supported by Johnson (1999) who identifies inter-firm commitment being comprised of affective, rational and time-oriented components. Kelly (2004) empirically validated the concept of commitment as a three-component model in a business-to-business context. Kelly’s (2004) three components included instrumental commitment (also identified as continuance or calculative commitment), which is driven by perceived rewards or punishments; affective commitment, which is driven by emotional attachment; and normative commitment, which is an attachment driven by obligation. The findings of Kelly’s (2004) research indicate that commitment can be generated in business-to-business contexts via different means, the implication being that businesses can further enhance commitment by actively managing each type; instrumental, affective and normative. A business could enhance instrumental commitment by increasing the cost of separation by collaboratively investing in technology. Similarly it could enhance affective commitment by further developing and investing in its account management or relationship management areas.
Normative commitment could be increased by actively participating in open communication and trust-building activities. The objective of operationalising commitment in these ways is to increase customer retention and profitability.

Authors universally agree that commitment is the result of partners believing that the relationship will endure over time. This idea that participating partners view the relationship as a long-term commitment makes it a key component of the relationship quality concept.

2.4.4. Satisfaction

The concept of satisfaction is very important in business relationships. All other elements aside, it is the buyer’s basic satisfaction with the service or product provided by the seller that supports the development of a relationship. Conversely, it has been noted by authors that exchange partners are prepared to absorb some unfavourable valuations of a service before expressing them in terms of net dissatisfaction (Storbacka et al, 1994). Further, Storbacka, Strandvik and Gronröos (1994) noted that some exchange partners could be dissatisfied with the service but still be satisfied with the relationship. This indicates that more than simply satisfaction with the service – possibly commitment, as mentioned above, influences the concept of relationship strength.

2.4.5. Widening the construct

It seems evident from the discussion above that although the elements of trust, commitment and satisfaction are important components of a successful relationship
they cannot in themselves completely explain the concept of relationship quality. In addition to these key variables, a large number of other components have been identified as having an influence on relationship quality by various authors. This seems logical, particularly if practitioners consider relationship quality to be a joint cognitive evaluation of business interactions, which implies that the relationship must be viewed and studied in its entirety.

Authors that have tried to expand the dimensions of relationship quality beyond the three-dimensional construct include Wilson and Jantrania (1996) who propose that successful business-to-business relationships are characterised by seven attributes: goal compatibility; trust; satisfaction; investments; structural bonds; social bonds; and the relative investment in alternative relationships. Johnson (1999) includes trust, fairness and absence of opportunism as important components of relationship quality. Naudé and Buttle (2000) include five attributes of relationship quality: trust, power, integration, mutual understanding of needs and profit. The qualities most cited in the literature as being linked to achieving a high quality relationship include:

- Trust (Naudé and Buttle, 2000; Wilson and Jantrania, 1996; Dwyer et al, 1987; Schurr and Ozanne, 1985; Johnson, 1999; Ganesan, 1994; de Burca et al., 2004)
- Goal compatibility (Wilson and Jantrania, 1996; Myhal et al, 2001)
- Communication and information sharing (Anderson and Narus, 1990; Morgan and Hunt, 1994; Myhal et al, 2001; de Burca et al, 2004)
- Cooperation (Anderson and Narus, 1990; Wilkinson and Young, 1996; Naudé and Buttle, 2000)
- Mutual dependence (Naudé and Buttle, 2000; Anderson and Narus, 1990)
• Mutual investments (Wilson and Jantrania, 1996; Naudé and Buttle, 2000; Anderson and Narus, 1990)
• Knowledgeable employees (Crosby et al, 1990; Storbacka et al, 1994; de Burca et al, 2004)
• Satisfaction (Wilson and Jantrania, 1996; Crosby et al, 1990)
• Legitimate exercise of power (Wilkinson and Young, 1996; Johnson, 1999)
• Commitment (Dwyer et al, 1987; Garbarino and Johnson, 1999; Morgan and Hunt, 1994; Myhal et al, 2001)
• Effective resolving of problems (de Burca et al, 2004)

It can be seen from this list that there is general agreement among authors that relationship quality is a higher order construct but there is little agreement on the dimensions that comprise it. Woo and Ennew (2004) proposed that this is because there are a variety of different relationships that can be observed across a range of different business markets. They proposed that a generalised perspective on the meaning of the term should be accepted and that researchers should focus on identifying the constructs that create relationship quality. Although this seems to be a reasonable idea, the generalised perspective is still primarily based on research conducted in a B2C context, which may not be appropriate for the B2B market. It is important to remember, as stated by Roberts et al (2003) that relationship quality measures the intangible aspects of relationships, over and above the core elements of the service.

It is interesting to note that only one of the conceptual contributions reviewed above include variables relating to conflict management/resolution. It seems logical that
management of a successful relationship would require both active management of the positive aspects of the relationship and (possibly more importantly) the negative aspects. This appears to be a limitation of the current conceptual investigations and needs further exploration.

2.4.5.1. **Relationship unrest**

While engaging in long-term business relationships can have benefits, relationships can also run into hurdles that can dissolve the value of the relationship and potentially prevent the relationship from continuing. The concept of managing relationship unrest is not an area that receives a lot of attention in the literature. Good and Evans (2001) suggest that there are four strategies to dealing with relationship unrest. The first is concession making where one party limits its demands to accommodate the second party. The second strategy is contending where one party attempts to induce the other to yield through the use of threat or persuasion. The third strategy is problem solving where the two parties attempt to find a resolution that meets both their needs. The fourth and final strategy is withdrawal/avoidance, which allows for the passive disintegration of the relationship as the parties effectively withdraw from the relationship. It would be valuable to explore how relationship unrest is resolved as a component of research looking at the attributes of relationship quality.

2.5. **Empirical research**

A limited number of empirical studies in B2B relationship quality have been conducted and reported in the relationship marketing literature. These studies have produced a range of results that are summarised in Table 1 and discussed below.
<table>
<thead>
<tr>
<th>Researchers</th>
<th>Context</th>
<th>Methodology</th>
<th>Dimensions of RQ explored</th>
<th>Dyadic or point-of-view</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leuthesser (1997)</td>
<td>Purchasing executives</td>
<td>Survey</td>
<td>Satisfaction and trust</td>
<td>POV</td>
</tr>
<tr>
<td>Myhal et al (2000)</td>
<td>Media and advertising</td>
<td>Open-ended interview</td>
<td>Trust, communication, information sharing, cooperation, knowledgeable employees, commitment, customer value, respect, social compatibility, not wasting time.</td>
<td>Dyad</td>
</tr>
<tr>
<td>Naudé and Buttle (2000)</td>
<td>Managers at management conference</td>
<td>Survey</td>
<td>Trust, power integration, mutual understanding of needs, profit.</td>
<td>POV</td>
</tr>
<tr>
<td>Boles et al (2000)</td>
<td>Communications</td>
<td></td>
<td>Close personal relationship, Sales effectiveness</td>
<td>POV</td>
</tr>
<tr>
<td>De Burca et al (2004)</td>
<td>Software company and buyers</td>
<td>Case study, depth interviews</td>
<td>Flexibility, Trust, Technical information readily available, Personalisation of service, Good value for money, Effective resolving of problems, Speed of technical support, Good humour, Long term commitment, Willingness to help, Elimination of frustration, Honesty, Two-way offering of advice, Knowledgeable staff, Delivering to promise, Communication, Professionalism, Understanding respective party’s business, High quality product, Personal relationship, Special benefits</td>
<td>Dyad</td>
</tr>
<tr>
<td>Auh and Shih (2005)</td>
<td>Customers of IT provider</td>
<td>Telephone survey</td>
<td>RQ conceptualized as ‘degree of customer orientation’</td>
<td>POV</td>
</tr>
</tbody>
</table>
Woo and Ennew’s (2004) pioneering Positivist study of B2B relationship quality in a professional services context confirmed relationship quality is a higher order construct representing cooperation, adaptation and atmosphere surrounding the transacting parties. These elements were underpinned by the constructs of trust and commitment, as suggested by the conceptual literature. Of particular interest in this study was the attempt by the researchers to integrate the concepts being explored in the relationship quality literature with the IMP ‘interaction model’. This was useful as much of the empirical research on relationship quality to that point had been based on concepts developed in the business to consumer literature, whereas the IMP interaction model was rigorously developed by empirically exploring the relational exchange within a business-to-business context.

Woo and Ennew based their study in the professional services field, the first piece of empirical research to explore relationship quality in B2B professional services. Specifically, they explored the consulting engineering profession in Hong Kong. A questionnaire was developed using measurement items that were primarily adopted from existing IMP studies. The questionnaire was sent to 273 senior government engineers from whom 98 responses were obtained. In this study, relationship quality was found to have a direct influence on service quality but was not found to have an influence on satisfaction. This supports the assertions of Heskett, Sasser and Schlesinger (1997) who state that the management of relationship quality should be the starting point in driving attribute satisfaction, overall satisfaction, customer loyalty and then profitability. This study was a valuable contribution to the B2B relationship quality literature as it expanded on the conceptualisation of relationship quality as a two dimensional measure; (trust and satisfaction) originally proposed by Crosby et al.
(1990) and the trust-commitment structure proposed by other researchers. It also confirmed relationship quality as a higher order construct, including the dimensions of cooperation, adaptation, atmosphere, underpinned by trust and commitment.

One of the limitations of this study was the inability to generalise to other B2B professional service contexts. The study also did not view the relationship being explored from a dyadic perspective; it explored the buyer’s view of the relationship but did not correlate this with the view of the seller. As the literature has stated that business relationships can be characterised by actors performing simultaneous buying and selling roles (Holmlund, 1997), making the opinions of actors operating on both sides of the dyad important, this appears to be a significant limitation of the research.

De Burca et al (2004) explored relationship quality in what appears to be an Inductive dyadic case study of the relationship between a software company and its business customers. A case study approach was taken and in-depth interviews were conducted with four regional account managers from the software company and their key relations in the representative customer companies. The authors reported the most frequently mentioned characteristics by organising them into three categories: social dimension, technical dimension and economic dimension. From the buyers’ perspective, the social dimension of the relationship was not seen as an important component of building a high quality relationship; contrary to this the suppliers most specifically mentioned this dimension. From the buyers’ perspective, trust was mentioned most frequently. The authors reported that the technical dimension was most strongly emphasised by the buyers, which, once again, was in strict contrast to the suppliers. The economic dimension wasn’t especially emphasised by either the
buyers or suppliers.

Two key factors emerged from the research of De Burca et al (2004) that they report significantly impacts on how relationship quality was perceived and they were culture (the regional account managers were based in Ireland, Germany, South Africa and the Netherlands) and prior experiences. Each nationality emphasised a different dimension as being important to relationship quality and the authors reported that prior experiences with the software company affected how respondents evaluated the relationship. These two findings had not been previously reported in the literature and therefore made a valuable contribution to the literature.

Myhal et al. (2000) explored B2B relationship quality in an Inductive dyadic study of the media and advertising industry. In contrast with the majority of other empirical research conducted into defining the dimensions of relationship quality, this research used a qualitative approach to collecting primary data. This research used an open-ended interview with the aim of generating items to characterise a high quality relationship. 10 interviews were conducted for this study. The components of relationship quality identified in this study include trust, communication and information sharing, cooperation, knowledgeable employees, commitment and customer value, respect, social compatibility and not wasting time. Specifically three items were identified that were not previously featured in the relationship quality literature: respect, social compatibility and not wasting time. This study used the IMP Interaction Approach construct of actor bonds, resource ties and activity links as a framework to classify the relationship quality items. Customers and suppliers were found to share a number of perceptions of what constitutes a high quality relationship.
Most often cited were frequent contact/communication and knowing the other party’s business. Interestingly, Myhal et al. (2000) found that customers tended to focus on ‘what’ is delivered in the relationship and suppliers tended to focus on ‘how’ the relationship is co-created, indicating they may place different emphasis on the elements that define relationship quality. This study makes an important contribution to the body of knowledge on relationship quality as the components of RQ emerged through depth interviews, whereas previous studies imposed a view of the elements of RQ on research subjects and looked for validation of those elements. Consequently, a new dimension of RQ has emerged as defined by the actors engaged in the business relationship. The only potential limitation of this study is the effect that hierarchy may have on the results. The report on this study does not clearly define who the interviewees were in terms of their role in the organisation and evaluate their response in context of the role they perform.

In what appears to be an Inductive study, Naudé and Buttle’s (2000) research was conducted using a small sample (n=40) of managers attending a management development course. Simply, the respondents were asked to indicate what they thought to be “…the most important attributes of a good supply chain relationship of which they had experience.” (Naudé and Buttle, 2000) Through collation, five attributes of relationship quality were identified: trust, power, integration, mutual understanding of needs and profit. The attributes of power and profit were not previously identified in the literature as being elements of relationship quality. A questionnaire was subsequently developed based on conjoint analysis and distributed to the respondents. They were asked to consider the same relationship they had in mind when they answered previously and to rank order 15 different alternatives that
describe the best possible way for the particular relationship to develop, best through to worst. The two most consistent attributes identified by the respondents were that there should be a high level of trust in the relationship and that the relationship should yield a profit.

The identification of two additional variables to the construct of relationship quality was a valuable contribution of this research. A limitation may be that as the respondents came from different types of industries and the relationships to which they referred were also based in different industries the paper does not explore the extent to which contextual factors may influence the data generated.

A Positivist empirical study conducted by Dorsch et al. (1998) using a mailed questionnaire to 975 purchasing executives found from 94 responses that although relationship quality measures assisted in the identification of the worst vendors, it did not assist in the differentiation between the best vendors and typical vendors. The differences in relationship quality experienced by the purchasers however corresponded with a hierarchical ranking of vendors. Higher quality was associated with higher status. This indicates that participants in the business relationship are able to actively identify high quality relationships. The study also indicated that the best vendors were perceived as being more customer oriented, more caring and less likely to promote self-interests. The participants in the study also reported delivering larger percentages of their business to the vendors with whom they identified having a high quality relationship. The study identified relationship quality as a higher order construct that encompasses trust, satisfaction, commitment, minimal opportunism, customer orientation and ethical profile. This study was one of the earlier attempts to
empirically examine the dimensions of relationship quality in a B2B context. As it uses consumer-based dimensions for studying business-to-business relationship quality the generalisability of the results in other B2B contexts may be questioned.

Leuthesser’s (1997) Positivist study of the effect that relational behaviour has on relationship quality (defined as being comprised of buyer satisfaction and buyer trust) found that relational behaviour (comprised of initiating, signalling and disclosing behaviours and frequency of interaction) is instrumental in influencing relationship quality. This study was conducted through the use of a survey sent to 800 purchasing executives, from which 454 usable responses were obtained. As Leuthesser’s definition of relationship quality was based on the business-to-consumer research conducted by Crosby et al. (1990) the results of this study may not be generalisable across all B2B contexts. Its limitations are similar to the other early studies conducted into relationship quality where B2C attributes were tested in a B2B environment. In addition, the questionnaire only surveyed actors engaged on one side of the relationship, which may limit the operationalisation of the results when examining relationships as a dyad.

Boles, Johnson and Barksdale (2000) replicated and extended the first study in B2C relationship quality conducted by Crosby et al. (1990) in a B2B environment. The original study examined the role relationship quality plays in influencing customer perceptions of salesperson effectiveness and the customer’s anticipation of future interactions with the salesperson. Boles et al. (2000) tested the original linkages with business customers and included equity (fairness) as an antecedent variable for relationship quality. The Positivist study was conducted with business customers of a
communications firm. Two key differences between this study and the one conducted by Crosby et al. (1990) were (1) there was no significant relationship between expertise and sales effectiveness, and (2) there was a significant relationship between relationship quality and sales effectiveness. This indicates that having a close personal relationship with the salesperson may assist the buyer in achieving optimal value from the service (Boles et al., 2000). The key differences in the results between the two studies highlight the importance of identifying relationship quality attributes relevant to a business-to-business context.

Auh and Shih (2005) conducted an unusual positivist empirical study into the relative effects of relationship quality on customer loyalty. Contrary to all previous research in the area, Auh and Shih (2005) conceptualised relationship quality as being comprised of only the intangible components of the business relationship, specifically as an “affect laden judgement of the suppliers’ intangible attributes” (p.78). They measured relationship quality by a single global item [“How would you rate the overall quality of relationship you have with XYZ?” (p.84)] in a telephone-based survey with clients (n=450) of an information technology provider. The study sought to explore whether relationship quality or exchange satisfaction (conceptualized as price, product and support attributes) had a greater effect on customer loyalty. Where previous studies incorporate the dimensions of price, product and good customer support (tangible components of the business relationship) as part of relationship quality, Auh and Shih (2005) suggest that they are conceptually independent as a customer may be satisfied with the product or service but not identify any relational bond. The results of the study found strong support for the authors’ hypothesis that the impact of exchange satisfaction on loyalty was significantly greater than that or
relationship quality on loyalty.

The limitations of this study are inherent in the over-simplification of the relationship quality concept, firstly as a dimension comprised of only three intangible relationship components then further simplifying this to a single item measure on a survey. It is suggested that this paper has made a limited contribution to the literature in developing consensus on the dimensions of relationship quality.

From this review of the empirical studies in B2B relationship quality it can be concluded that only two studies by Myhal et al. (2000) and de Burca et al. (2004) were conducted from a dyadic perspective where the entire business relationship was examined. In all other cases, one side of the relationship is represented. This indicates a need for more dyadic research as the study in question found that customers and suppliers place different emphasis on the elements that define relationship quality.

2.6. The IMP approach

The Industrial Marketing and Purchasing Group (IMP Group) have conducted a large number of studies exploring firms within business networks. The IMP Group was formed in the mid 1970s (www.impgroup.org/about.php) with the objective of examining relationship issues between buyers and sellers in business markets. Many of the studies have highlighted that business markets are characterised by stability and long-term relationships between firms. IMP studies have explored many aspects of business relationships but not the concept of relationship quality. The contribution to the understanding of B2B relationships is significant however and represents a useful
body of knowledge on which researchers can draw to improve understanding of
business relationships and perhaps enhance understanding of B2B relationship
quality. A brief review of the IMP approach is discussed.

The IMP group took the business-to-business relationship as the unit of analysis for
over 1,000 relationships in order to develop the interaction model (Hakansson, 1982).
Consequently, these variables that comprise the interaction model may be useful in
developing an understanding of relationship quality. “In the interaction model, four
groups of variables were identified that describe and influence the interaction between
buyers and sellers. These include the interaction process which embraces short-term
exchange episodes (e.g. product/service exchange, information exchange, financial
exchange, and social exchange) and long-term relationship behaviours (e.g.
institutionalization and adaptation), the atmosphere affecting/affected by the
interaction, the participants in the interaction process, and the environment in which
the interaction takes place.” (Woo and Ennew, 2004, p.1257)

The IMP conceptualisation of relationships provides a wider perspective than some of
the individual ‘episodic’ variables discussed earlier. This model takes the wider
environment and atmosphere into account, which may assist with some of the
‘context-specific’ issues raised as a result of reviewing some of the previous empirical
studies. This view is supported by the research conducted by Woo and Ennew (2004)
discussed previously.

It is notable that the literature on business-to-business relationship quality has not
advanced since 2005. This researcher suggests that this is due to efforts currently in
progress and that a resurgence of papers exploring this important area will emerge in the near future.

Further to the preceding examination of the conceptual and empirical literature that has contributed to an understanding of business-to-business relationship quality, this paper will now examine the significant contributions of two theorists, Anthony Giddens and Bo Hedberg et al. In an attempt to develop a more comprehensive understanding of the foundations of business relationships it is useful to explore the contributions of organizational theorists that focus on the social interaction of actors and structures within which they operate.

2.7. Using theory to inform relationship quality

Recent research in organisation theory by Hedberg et al. (1997) focused on the notion of the ‘imaginary organisation’. This, paired with Giddens’ more established Structuration Theory, provide sources that contribute to the understanding of the underpinnings of business relationships. The next section will explore and summarise the contributions of each of these organisational theorists and the linkages to the study of business-to-business relationship quality.

2.7.1. Structuration Theory

The theory of structuration, proposed by Anthony Giddens (1984) in The Constitution of Society, is a useful starting point for trying to understand the concept of ‘business relationships’. Giddens suggests that actors (or ‘human agents’ to use Giddens’s term) and social structure (rules and resources) are in a relationship with each other, and it is the repetition of the acts of individual agents (taking place within a structured
framework), which reproduces the structure. The contrasting thought to Giddens’
theory is that structures are impervious to human agency and instead of being
recursively created and recreated through the action of human agents, structures
inform and constrain the activities of actors. This is generally known as the
Determinist view. Determinists such as Émile Durkheim (1858-1917) believe that the
level to which human beings have influence over their future is itself dependent on
present and past. Giddens rejects Durkheim's idea however, that we should be able to
identify laws that will predict how societies will operate, without looking at the
meanings understood by individual actors in society.

Structuration theory aims to avoid the extremes of strict structural or agent
determinism. Instead Giddens aims to balance the two, attempting to treat influences
of structure and agency equally. The concepts of ‘structure’ and ‘agency’ are key
terms in the vocabulary of Giddens’ work and need to be explained to be clearly
understood. The next section of this paper will review the two terms before
summarizing the central thoughts of Giddens’ theory and then explaining how they
inform our understanding of business-to-business relationships.

2.7.1.1. Structure

According to Sewell (1992), structure is a term that empowers what it designates.
“Whatever aspect of social life we designate as structure is posited as ‘structuring’
some other aspect of social existence – whether it is class that structures politics,
gender that structures employment opportunities…. Structure operates in social
scientific discourse as a powerful metonymic device, identifying some part of a
complex social reality as explaining the whole.” (p.2). Social structures are created
and shaped as a result of the recursive interactions between institutional structures and individual actions. Giddens insists that structures are “both the medium and the outcome of the practices which constitute social systems.” (Giddens, 1981, p.27) In the glossary to *The Constitution of Society*, Giddens (1984) defines structure thus:

*Structure*: Rules and resources, recursively implicated in the reproduction of social systems. Structure exists only as memory traces, the organic basis of human knowledgeable, and as instantiated in action. (p.377)

Giddens states that structure is constituted by rules and resources that are both governing and available to individuals (or to use Giddens’ term, *agents*). Giddens identifies three types of structures in social systems, those of signification, legitimation and domination. Structures defined by signification are structures that produce meaning through organised webs of language, such as semantic codes, interpretive schemes and discursive practices (Giddens, 1984). Legitimation produces a moral order (code of conduct) via immersion in societal norms, values and standards. Domination produces, and is an exercise of, power, which originates from the control of resources (See section 2.7.1.3 for a definition of resources). These structures work in concert with one another creating and reinforcing our complex social reality.

### 2.7.1.2. Rules

Sewell encourages the reader to view ‘rules’ not as prescriptive but more as metaphors, conventions, principles of action, habits of speech and gesture (1992). To expand on that, in the context of business and business operations, ‘rules’ also include
the notion of ‘the way we do things around here’ (otherwise known as the Unwritten Ground Rules) (Simpson, 2001) or procedures to act, which powerfully informs ‘corporate culture’. It is often the Unwritten Ground Rules in an organisation, more than the documented procedures, job descriptions, policies and customer service standards that provide the most information about the social interaction of employees and the efficacy with which they perform their job roles. ‘Rules’ such as these define accepted and acceptable practices within the organisation and they inherently have power over individuals as they are mutually reinforced.

2.7.1.3. Resources
Sewell (1992) defines Giddens’ ‘resources’ as being both human and inhuman.

“Nonhuman resources are objects…that can be used to enhance or maintain power; human resources are physical strength, dexterity, knowledge, and emotional commitments that can be used to enhance or maintain power, including knowledge of the means of gaining, retaining, controlling, and propagating either human or nonhuman resources. (p.9)

Resources and their use are integral to what it means to be an agent in structuration theory, particularly a ‘knowledgeable’ agent as a knowledgeable agent must be empowered by resources (Sewell, 1992). Resources can be summed up as the knowledge needed by a human agent to act.

2.7.1.4. Agents
As structuration theory is mainly concerned with the ‘doing’ and ‘being’ of the individuals involved in social interaction, the concept and role of the actor or agent
must also be defined and explored. Giddens states that individuals (Giddens refers to people either as actors or agents) are knowledgeable. That implies that people know what they’re doing and how to do it. It also means that people are capable of putting their knowledge to work in creative and innovative ways (Giddens, 1984), consequently transforming the structures (rules and resources) within which they work. Sewell (1992) states “It is, presumably, the knowledge of rules that makes people capable of action.” (p.7). The knowledge of rules is defined as an ability to apply them in unfamiliar circumstances as opposed to simply applying them by rote to routine circumstances. As a result, an individual is able to exert a modicum of control over their social relations and change those relations to some extent. The notion of agency then includes the ability to rearrange, apply and extend rules to new environments.

2.7.2. Structuration theory and relationship quality

The existing B2B relationship quality literature suggests that no single relationship quality dimension can assess the full scope and depth of relationship quality. The multi-dimensionality of relationship quality reflects distinct yet related structural features that are imbedded in B2B relations. The multiple dimensions of relationship quality mirror the multiple structural features of B2B relations. Human agents enact the dimensions of relationship quality (e.g. trust and commitment) to derive meaning of B2B activities, validate normative behaviours and affirm the appropriateness of potential actions in the context of organisational goals.

Structuration is also a useful theory to use as a lens through which to view human action in organisations. Where many business texts tend to focus on the organisation
and its structure (flat or inverted pyramid hierarchies, in-sourced vs. outsourced departments, etc.) or the individuals that have led (and changed) organisations, structuration theory provides a way of understanding and incorporating the roles of both the organisation and the individual in business studies. As noted previously, structures within organisations exist only as individuals (knowledgeable individuals) enact them. This perspective is particularly useful when looking at business relationships as they are distinctly influenced by both the individuals who manage and engage in the relationship and the organisational structures within which the relationship must operate. Structuration offers a theoretical explanation for how organisational structures may be affected by macro level social structures and micro level individual actions.

Giddens’ theory allows for individuals to make a difference, either intentionally or unintentionally, to the way a relationship is enacted. In financial service organisations the Business Development Manager is responsible for the development and maintenance of business relationships. The organisation within which the BDM operates has structures (procedures and policies) set in place that inform how the relationship must be managed, but often there are differences in the satisfaction levels of businesses engaged in these relationships. Structuration Theory suggests that to explore the determinants of relationship quality (a component of which is satisfaction) one must examine both the structures that operationalise the relationship and the agents engaged in socializing it. Yates (1997) suggests that the researcher should look beyond the actions of any one person involved in the co-creation of the relationship but also look at the mechanisms and the other actors through which those actions may be reinforced or institutionalised, thus potentially changing the structure.
Yates indicates through this that it is ongoing work practices, as opposed to single events, that are critical to understanding change.

This suggests that while an individual may instigate change it requires others within organisations that sanction the changes to make permanent modifications to the structure. Thus a manager cannot instigate organisational change single-handedly; other individuals must endorse and enact the new structure as well. This concept has informed the current research study by suggesting that individuals from a range of hierarchical levels and departments must be involved in the research to understand how business relationships are enacted and institutionalized. It also suggests that the relationship must be explored dyadically to include ‘knowledgeable agents’ from both the buyer and supplier sides of the relationship. Thus the current research study has explored the importance of people to the enactment of business relationships that are outside the traditional key account management role. As Yates (1997) suggests, “While the institutional power of… [key men]…was important, structuration suggests that they could not single-handedly change all practices and norms in their companies; they required others in the organisation to enact the new practices and routines…in order to institutionalize the change over time.”(p.167)

In addition to assisting the researcher of business relations to take a more holistic approach to exploring the social determinants of high quality relationships, Giddens’ structuration theory also assists in the development of a structurational view of technology and its role in the enactment of business relationships. According to Yates (1997) a structurational view of technology can help us ‘…avoid a simplistic presentation of technology as inherently either good or bad.’(p.171). Yates suggests
that like other structures, technology can both constrain and enable individuals to perform actions. In terms of business relations, technology (such as telephony) is often implemented by managers to increase efficiency. Unfortunately the introduction of technology to the management of relationships can often have unintended consequences, such as hindering the evolution of the relationship due to a lack of social interaction between actors.

Structuration theory supports the notion that individuals in business are influenced by multiple social structures that operate both inside and outside the organisation. This is a particularly useful approach for exploring the financial services industry due to the effect that government regulation, professional associations, legal organisation and industry culture have on the industry.

The appeal of Structuration Theory to B2B research lies in its ability to bridge macro level social structures (such as business-to-business relationships) and micro level individual actions. This integrated perspective offers a novel yet theoretically compelling framework to examine B2B relationship quality. In addition, a structurational perspective supports the exploration of the effect of human agency in social interactions and its role in shaping B2B relationships. In the context of business exchange relationships, relationship agents explore and exploit resources to perform functions and tasks. It is inevitable that agents’ actions during interactions will play a significant role in moulding relationships. Structuration Theory addresses how these social interactions are formed, routinized and constrained by highlighting the role that human agency plays in creating structural rules and resources and in turn regulating future actions.
2.8. **Imaginary organisations**

A complementary theory to Giddens’ Structuration Theory is the concept of *Imaginary Organizations*, which was defined by Hedberg et al (1994). According to Hedberg et al, the imaginary organization is “…a system in which assets, processes, and actors critical to the ‘focal’ enterprise exist and function both inside and outside the limits of the enterprise’s conventional ‘landscape’ formed by its legal structure...” (p.13)

**Figure 1: Imaginary Organisation**

![Diagram of Imaginary Organisation](image)

The imaginary organisation, as can be seen in Figure 1 (depicted by this author), is created through the relationship between two legal entities. It is larger than it would appear from simply looking at the organization chart of Company A and is more resourceful than indicated by the balance sheet as it is resourced from both company A and B. It involves customers in joint production and therefore joint value creation, treating customers as temporary members of the organization (Gummesson, 1996). According to Gummesson (1996) the imaginary organization is based on processes rather than functional structures so it is possible to enhance the resources of the organization without expanding it. Essentially, Gummesson (1996) states, company
boundaries are transcended as “Customers are both actors in the market and actors in the supplying firm…. The difference between external and internal is thus becoming blurred”. (p.39)

An imaginary organisation is based on the perspective of an actor (or imaginator to use Hedberg’s term) insofar as it is a representation of what the actor sees as it is conceived and designed to realise the vision of the imaginator. The imaginary organisation utilises resources such as information technology, networks, alliances, and customer relationships, to conduct and coordinate operations that extend beyond the limits of the actual organisation and are based on cooperation with external actors (Heberg et al., 1994). Hedberg suggests that having an awareness or vision of the possibilities of an imaginary organisation can assist an imaginator to develop a company when available resources (including people and capital) are limited. The imaginary organisation provides a model for expansion without growth (Hedberg et al., 1994) and for involving more than the employees of an organisation in the realisation of the organisation’s concept of business.

Hedberg et al. (1994) suggests that the imaginary organisation is not held together using the traditional cohesive forces (laws, contracts) of a regular business-to-business relationship, however. Rather, in the imaginary organisation, trust and synergies are the key components in ensuring cohesion; synergies in objectives relating to the customer base, delivery systems, production systems or purchasing systems (Hedberg et al, 2002). In this context, systems may consist of several organisations working together to affect value creation between the producer and the consumer. Hedberg et al (1994) identify three criteria to that distinguish an imaginary organisation from
other business-to-business relationships. Firstly, the imaginary organisation consists of number of components that are joined together based on purchasing/selling, a shared physical or information infrastructure, appeal of an idea or a contract. Secondly, the imaginary organisation has been purposely designed. Finally, the relationship between the partner organisation(s) is specifically coordinated. Ultimately however, the imaginary organisation is not held together simply by a purchasing and selling relationship but by other cohesive forces such as coordinating information, culture, and a common concept of business or shared goal. Hedberg et al conclude that the primary purpose for the creation of the imaginary organisation is to “…form an organisation based on the customer and the market.” (1994, p.28) Thus, the new enterprise is constructed by value creation for and with customers, a shared vision and values, leadership and empowerment, partnership, and information technology (Hedberg et al, 1994).

It is suggested that this concept can usefully inform exploration into business-to-business relationship quality and that the concept of the Imaginary Organization seems particularly relevant to an exploration of the inter-firm relationships that exist in the financial services industry in Australia. The current inter-firm construct of these relationships (particularly between financial product manufacturers and financial planning businesses) is based on organisations creating value for the customer, using shared resources to provide growth and flexibility, and with multiple accountings in multiple dimensions.

The following section will explore how the concept of Imaginary Organisations may be applied to developing knowledge of business-to-business relationships and
relationship quality.

2.8.1. Imaginary organizations and the business relationship

In business relationships, often the boundaries between the two organizations become blurred. Individuals from one business often supplement the skills and resources of their own organization with the skills and resources of their business partner. This action increases the value of the service being delivered to the end customer and enhances the organisation without increasing its size, as suggested by Hedberg et al. ’s concept of the Imaginary Organisation.

In traditional organizational theory there are clear delineations between internal and external customers. The concept of the imaginary organization dissolves the distinction between the internal and the external and provides a way to look at both sides as elements of the same business process. It also dissipates the established image of a business as a hierarchy, clearly delimited from its environment (Gummesson, 1996).

In terms of research being conducted into business relationships, the concept of the imaginary organization suggests that it is important to look at the elements of the relationship that are co-created by those engaged in the relationship and the extent to which resources are shared by the organizations engaged in the relationship. Given structuration theory and the theory of imaginary organisations emphasize the role of agents’ cognition (i.e. agents’ understanding and interpretation of interactions) and their co-creation of social structures through recursive interaction, the selection of an Interpretivist strategy was not only appropriate but advantageous in addressing the
In considering research into business-to-business relationships, researchers may consider theoretical underpinnings as a guide to the development of their approach. To date researchers in this field have not looked at contributions from the area of organizational theory to inform their explorations. The contributions of Giddens and Hedberg et al. have been explored in this paper to provide another theoretical perspective for the study of business-to-business relations. Structuration Theory and the concept of the Imaginary Organization provide a lens through which we can view business-to-business relations and assist the researcher to focus their attention and questions. By drawing on these theoretical frameworks the researcher is able to incorporate broader organizational theory concepts into exploring an area traditionally dominated by relationship marketing theory. This dissertation proposes a theoretical framework that highlights the critical mediating role of human agents in B2B interactions, B2B relationship management, and the co-creation of social structures and routines.

2.9. Chapter summary

Chapter Two reviewed the selected literature related to the business-to-business relationship quality concept. It explored relational marketing in a business-to-business context and the transfer of relational concepts from the business-to-consumer literature to the business-to-business literature and reviewed the relatively small body of literature on business-to-business relationship quality, including conceptual and empirical contributions. Finally it examined the contributions of two organisational
theorists, Anthony Giddens and Bo Hedberg et al, in an attempt to develop a more comprehensive theoretical framework from which business relationships can be researched and understood. The next chapter, Chapter Three will provide background information on the financial services industry in Australia.
CHAPTER THREE

This chapter will provide background information on the financial services and advice industry in Australia including its size, growth potential and relative importance so that the reader may better understand the results of the research and its implications for the industry.

3. Contemporary Context

The research conducted for this study explored relationship quality within the framework of the financial services industry in Australia. The financial services industry includes participants that generate income by providing portfolio investment services, investment consultant services, administration services, financial investment advice services, and financial planning services to meet the goals and needs of business and retail clients. This includes businesses such as banks, superannuation funds, brokerages, fund managers, insurance companies and investment advice businesses. The aspect of the industry that is the focus of this research study is the relationship between the businesses providing financial planning services and a business providing investment management and insurance services to the marketplace.

The financial services industry provides a particularly interesting environment to conduct a B2B relationship study, as the inter-firm relationship construct supporting the distribution of products is unique. Partly this is due to the way the industry has evolved, but it is also due to legislation introduced by the government and industry-governing bodies to manage and monitor the industry.
3.1. **Demand determinants**

A series of factors influence the demand for financial advice in the Australian market. The bulk of this chapter will explore each of the major factors that influence the demand for financial advice using statistics drawn from a variety of sources. In short, the most significant of these demands include the following:

- Economic activity and household incomes. This influences the level of household income available for investment.
- The complexity and range of investment markets and products, which affects the demand for specialized advice.
- Banks, superannuation funds and fund managers perceive financial planners as a valuable distribution channel for their products.
- The aging population, as people reach retirement age there is a need to seek financial advice.
- Consumer awareness as people become more aware of their need to plan for retirement.

Each of these factors will be explored in more detail in the following sections of this chapter.

3.2. **Market trends**

The overall growth of the Australian financial services market over the past ten years provides an indication of the growing need for financial advice in Australia. Even taking into consideration the recent losses experienced as a result of global financial
market upheaval, the ASX 200 index returns were 12.39 per cent\(^4\) for the five years ending October 1, 2008. A few key market trends have put us on the track of ongoing demand and growth of financial advice. Firstly, the growth of the domestic share market over the past ten years, which has outperformed most international share markets, have driven many investors back into managed funds and is helping drive the current interest in self-managed superannuation funds as the rise in domestic share prices has resulted in an increase in the value of superannuation assets.

Secondly, domestic market enthusiasm (Australia has about the highest recorded level of per capita participation in the share market in the world; 55 per cent of adult Australians own shares, either directly (44 per cent) or indirectly (Australian Stock Exchange 2005)) combined with a growing realization of baby boomers that they will need to fund their own retirement, there is an ongoing and increasing demand for managed investments, master trusts and wrap accounts, which are highly complex investment vehicles, has meant an increasing demand for financial advice from qualified planners. The Financial Planning Association of Australia estimates five million Australians have a total of about $630 billion invested through its 12,000 member practitioners.

Thirdly, in addition to the growth of the share market, the government has also introduced legislation that encourages Australians to actively save for their retirement using superannuation as a savings vehicle. Two pieces of legislation are the most significant in driving the populations’ latent interest in their superannuation assets — Choice of Fund and the Superannuation Co-contribution scheme.

\(^4\) Standard & Poor’s Index Services, October 1, 2008
Superannuation choice has opened up the opportunity for many individuals to choose which institution can manage their superannuation assets. It means individuals are being given the opportunity to actively make choices relating to the biggest liquid asset they are likely to have at retirement. And, because superannuation is complex many people are beginning to seek financial advice about where they should lodge their funds and how they should manage it to help fund their retirement. According to Doyle (2005) Superannuation Choice has increased the public demand for advice. IBISWorld estimates that retirement planning accounts for 20 per cent of industry turnover (2008).

IBISWorld estimated that in 2006-07, total revenue generated by investment advisers amounted to $7.1 billion. The industry employed more than 23,000 people who received wages just short of $1.3 billion. In the five years to 2007-08, industry revenue rose by an average real rate of 8.2 per cent per annum.

The growing significance of the investment advice industry has seen more professionals and enterprises entering the industry. A recent trend has been for consolidation within the industry as bigger institutions take a more holistic approach to financial services and ‘shore up’ their channel to market by increasing their stable of financial advisers. About 85 per cent of Australia’s financial planners are employed by or aligned to, a bank or a large financial institution (Manning, 2008, p.22). As a result, employment has increased at an average rate of more than three per cent per annum, up from about 17,600 employees in 1997-98 to about 23,690 employees in 2007 (IBISWorld, 2008), of those, about 18,000 are financial planners (Weekend Australian Financial Review, 21/06/08). The number of planners working
in banks increased from 2,000 to 3,000 in the year 2000-2001 (Australian Financial Review, 14/3/01). Not only do the big players want to benefit from the growth in the industry, the industry also offers a distribution channel for their financial products.

Now, demand for financial advisers is being generated not only by market trends, but also by big-budget marketing exercises executed by Australia’s top financial institutions that can see the opportunities in exploiting new distribution channels to reach new market segments, previously inaccessible to them.

3.2.1. Industry regulation and employment

Since the introduction of significant regulatory changes launched by the Financial Services Reform Act (FSRA) on 11 March 2002, there has been an ongoing lack of qualified planners in the marketplace. The regulatory change introduced the need for a license to provide advice on any financial instrument. The purpose of the legislation was to provide protection for retail investors and to promote market integrity.

As a result of these changes planners holding the professional designation ‘CFP’ or Certified Financial Planner are in strong demand and the market for these professionals is very tight. Salaries as a consequence are on the increase with 61 per cent of employers stating that they intend to increase salaries in their next review by three to five per cent (Doyle, 2005).

The level of Regulation in the industry is high and the trend of regulation according to anecdotal reports from the FPA is steady. This will continue to drive a market need for suitably qualified planners to provide advice.
The more stringent regulation introduced to the financial services industry through FSRA has also changed the way financial product manufacturers can market their products to the public. Financial advisers must now declare all commissions and bonuses that they may receive through the sales process to any potential client. This makes the sales process more transparent to the client and ensures that financial planners are selling a product that is appropriate to the needs of the client rather than merely a product that offers them the greatest commission. The new regulations have also introduced a greater level of care on the part of product manufacturers in their advertising as the onus of responsibility is now on the manufacturer, not the client. This means, if an advertising campaign recommends a product based on high returns and the consumer purchases the product but subsequently loses money, the manufacturer may be required to refund the clients investment as it was not sold based on the clients individual needs. This has meant that very few ad campaigns for financial product make direct or overt offers and they often come with very long disclaimers that encourage consumers to seek financial advice before purchase.

In order to work within some of the strict advertising guidelines, product manufacturers have turned to ‘education’ as a premise for reaching and communicating with consumers. It is more likely that a bank or a super fund is sending free brochures to its clients about the importance of saving for retirement and ‘handy tips’ for saving than it is to be touting its latest superannuation or wrap product. The dual benefit of this type of communication is that consumers are becoming more aware of the need to save for their retirement and the likely gap between their current savings and their projected lump sum requirement and the product manufacturers are driving business through their financial advice channel.
This trend towards marketing through education is likely to grow in significance as the Government has established groups such as the Financial Literacy Foundation in an attempt to improve Australian consumers’ awareness and financial well being.

### 3.3. Market segments

So who are these people seeking the services of financial advisers? According to research conducted in 2005 by Sweeney Research, 49 per cent of people aged 35 years and over had sought financial advice. Research conducted by UniSuper in 2005 found 24 per cent of people aged 45 and over had sought financial advice specifically in relation to retirement issues. According to Roy Morgan Research (FPA, September 2000) 43.8 per cent of Australians have obtained financial advice from a financial planner. This was found to be a 7.7 per cent increase since February 2000. The Reserve Bank of Australia estimates that around 60 per cent of the retail funds invested with funds managers are sourced via financial planners (February 2003).

According to IBISWorld (2005), the market segments of people who have sought financial advice can be broken into roughly the following groups:

**Table 2: Proportion of people seeking financial advice**

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>People who have high income</td>
<td>30.0%</td>
</tr>
<tr>
<td>People who are near retirement</td>
<td>24.4%</td>
</tr>
<tr>
<td>Retirees</td>
<td>20.6%</td>
</tr>
<tr>
<td>People with large sum to invest</td>
<td>15.0%</td>
</tr>
<tr>
<td>People who have been made redundant</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Source: IBISWorld, 2008, p.8
The proportion of people seeking financial advice (7.98 million nationally) (Table 2) increased by 1.1 per cent between February and September 2000 (Roy Morgan Research, 2000).

3.4. The aging population

The aging population in Australia is currently a major focus of economic and social policy. Based on ABS population projections, produced in 2003, the number of people aged 55 and over is projected to increase, while the population aged 0-54 is projected to decrease (ABS cat. no. 3222.0, 2003). Specifically, the population aged 55-64 is projected to increase from 1.9 million to 4.1 million in 2101. The population aged 65 years and over is projected to increase from 2.5 million in 2002, to between 6.1 and 11.7 million in 2101. As a proportion of the population, this is an increase from 13 per cent to between 29 per cent and 32 per cent.

Crompton (2002) found the use of financial planners increased with age, jumping from 33.8 per cent in the 35 to 49 age group to 57.4 per cent in the 60 plus age group. This makes the aging of the population a significant demand driver for financial planning in the future.
3.5. **Geographic spread**

Based on IBISWorld estimate, in 2001, New South Wales and Victoria accounted for more than 63 per cent of industry locations as can be seen in Table 3.

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>35.1</td>
</tr>
<tr>
<td>VIC</td>
<td>28.2</td>
</tr>
<tr>
<td>QLD</td>
<td>15.1</td>
</tr>
<tr>
<td>WA</td>
<td>11.8</td>
</tr>
<tr>
<td>SA</td>
<td>6.1</td>
</tr>
<tr>
<td>TAS</td>
<td>1.8</td>
</tr>
<tr>
<td>ACT</td>
<td>1.6</td>
</tr>
<tr>
<td>NT</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: IBISWorld, 2005, p.9

The geographic distribution of the industry is largely determined by the distribution of the population and to a lesser extent the distribution of wealth.

3.6. **Outlook**

Recent analyses of the success of the Government Super Co-contribution scheme found in 2003/04, 47 per cent of beneficiaries were aged between 46 and 65. This group of people comes from what is known as the ‘baby boomer’ generation. Generally, this group has the lowest level of superannuation savings relative to their expected needs in retirement. Baby boomers are the generation born between 1946 and 1965. It is often stated that this generation has not saved enough to fund their retirement. Again, it is heartening that a significant proportion of co-contributions
beneficiaries belong to the baby boomer generation. But again, due to the co-contribution scheme’s low coverage of the workforce the additional contributions gained will make little overall impact on the low superannuation balances of this group (Neilsen, 2005). This will likely generate increasing demand for professional financial advice as baby boomers begin to make plans to fund their retirement in addition to the 9 per cent superannuation guarantee.

Growth in financial planning will continue to be driven by growing community awareness of the need for individuals to provide for their own retirement, which should see superannuation inflows increase in the future. The increased complexity of investment vehicles being used to save for retirement will also support the ongoing growth in demand for professional financial advice.

An ongoing discussion at Government level about the savings rate of Australia’s growing aging population will also build awareness among consumers about the need to provide for their future. The national savings rate in Australia is currently lower than that in Europe and Japan according to statistics provided by IBISWorld (2005). Government initiatives designed to encourage savings can already be seen in tax cuts such as the abolition of the superannuation surcharge on 1 July 2005. The removal of the surcharge, an additional contributions tax of 15 per cent for high-income earners (individuals earning more than $99,710 per annum) in conjunction with the change in marginal tax levels has made salary sacrifice to superannuation more attractive for high-income earners. The opportunity to save tax and boost income through tax savings will continue to encourage more people to seek financial advice.
The Financial Services Reform Act is expected to continue to build investor confidence in the industry supporting demand for professional financial planning services from qualified advisers.

Each of the factors presented here are expected to benefit the industry over the outlook and as such it is expected that real growth in revenue for the investment advice industry will increase to the 10 per cent level for 2006-07 and will continue to rise at that rate year-on-year until at least 2010.

3.7. Chapter summary

This chapter provided background information on the financial services and advice industry in Australia including its size, growth potential and relative importance. The next chapter, Chapter Four will review the methodology used for this research study.
CHAPTER FOUR

This chapter explains the research paradigm and methods used in carrying out the study, giving special emphasis to the analysis of data.

4. Methodology

4.1. Research questions

The aim of this research is to develop an understanding (dyadically) of what participants in a business relationship perceive to be a high quality relationship. It will look to understand what the attributes of a high quality relationship are and what the business consequences of a high quality relationship might be. Specifically, the primary research questions being explored in this research study include:

- How do actors engaged in inter-firm relationships perceive relationship quality?
- How do actors in a B2B relationship define the dimensions of relationship quality?
- Why are some relationships more successful than others?
- How is a relationship ‘valued’ by the businesses that participate in it?
- How can a business ‘manage’ its key relationships to ensure longevity?

To explore these ‘how’ and ‘why’ questions, an Interpretivist methodological approach was taken to exploring the relationship quality phenomenon. A discussion of the use of this paradigm and its relevance to this study is discussed in the following section.
4.2. Research paradigm

An Interpretivist approach is particularly relevant to this type of research as the researcher seeks to understand the social world that people have produced and which they maintain through their ongoing activities. In a business-to-business relationship the buyer-supplier interactions are enacted and maintained by actors on both sides of the relationship dyad.

The goal of the Interpretivist is to discover meaning within the actions of people and the social constructs they create. According to Blaikie (2007) the role of the Interpretivist is to discover and describe the ‘insider’ (p.90) view rather than impose an ‘outsider’ (p.90) view on the social world. This approach is concerned with understanding mutual knowledge as it is created and experienced by people within their social constructions. It also assumes that much of this knowledge is unarticulated and the actors are not conscious of its elements. It is up to the researcher to interpret the social construction as they find it through immersion and then document their understanding of the experienced actions.

As such, the Interpretivist approach “entails ontological assumptions that view the social reality as the social construction of the social actors” (Blaikie, 2000, p.115). According to this approach the social construction is the creation of the social actors and it does not exist outside of their jointly created activities. “Social reality is regarded as the product of processes by which social actors together negotiate the meanings for actions and situations…” (Blaikie, 2000, p.116)

These ontological assumptions can be viewed as relativist. That is, there may be
multiple interpretations of the social reality rather than one single social reality. Following the relativist view, each social reality that is constructed by social actors is the ‘real’ one for them. The opposite of this approach is the absolutist approach, in which the researcher recognises a single concept of social reality and all social actors participate in this objective view of reality.

Following the logic set out by Blaikie (2000), the epistemological assumptions are that social scientific knowledge is to be gleaned from everyday concepts and meanings and from socially constructed mutual knowledge. The researcher must attempt to understand these everyday concepts and meanings and re-describe them in social scientific language to develop theories of which the actors may have been unaware.

Epistemologically the research will derive categories and concepts from the social actors engaged in the mutually constructed social reality of the dyad. This will form the basis for understanding the quality concept by describing relationship-based activities and meanings. Abduction is the process used in this study to produce social scientific accounts of the relationship quality phenomenon, drawing on the concepts and meanings used by the social actors engaged in the business-to-business relationship being studied.

As indicated above, this type of research uses abductive reasoning, which informs the research strategy for this study and is discussed in further detail in the next section.
4.3. **Research strategy**

The Abductive research strategy is used by Interpretivism to produce social scientific accounts of social life by drawing on the accounts of social actors, derived through their language, meanings and accounts in the context of their everyday activities (Blaikie, 2007). A critical issue for Interpretivism is how to derive theories from everyday activities and meanings.

The abductive process comprises the way the researcher goes beyond the accounts given by social actors about their intentions and actions in the real world. According to Schütz (1963) first order constructs are designed to deal with a social problem and to make social interaction possible and understandable to participants and second order constructs are designed to describe and explain social phenomena. The first order construct deals with the social problem and the second order construct deals with the social scientific problem. This process of moving from first to second order constructs is multi-layered; with the first stage being the generation of data that records how actors understand reality, using in-depth interviews; at the second stage the researcher moves from reporting the lay accounts to constructing social scientific theories. As Giddens noted “all social actors, no matter how lowly, have some degree of penetration of the social forms which oppress them.” (1984, p.2).

The abductive research strategy focuses on the motives and intentions of people that are enacted in their everyday lives and direct their behaviour. This includes the unarticulated rules and actions that govern the interactions of actors and an exploration of tacit knowledge that exists between actors. In the context of this research study, this includes uncovering the knowledge created and recreated through
the action of actors engaged in business-to-business relationships and which inform and constrain the activities of these actors and reinforce the complex social reality of the business relationship.

Access to a social world is granted through the stories that people share about their own actions and the actions of others. These stories contain the unwritten and unarticulated ‘rules’ that actors use to structure their world, and the rationale that they use to account for what goes on. The majority of the activity of social interaction is unconscious, however, and it is only when enquires are made of social actors about their behaviour by others (such as social scientists) that social actors are forced consciously to reflect on the construction of meanings and interpretations. It is the role of the social scientist to encourage this reflection in order to discover the meanings and theories as they emerge from the stories of social actors. Drawing on the work of Schütz, according to Giddens (1977), the social scientist must know what the social actors know in order to begin to describe the social activity. The researcher must be able to draw on the same frames of meaning and ‘mutual knowledge’ that social actors use to make sense of their activity (Blaikie, 2007).

This study generated and combined ideas from social actors on both sides of a business relationship dyad in order to understand perceived quality in business relationships and its business consequences.

4.4. Research design

The research questions being posed in this study are primarily concerned with asking ‘how’ and ‘why’ and exploring actors’ perceptions of a contemporary phenomenon
that may be context specific. Yin (2003) suggests that a case study is a particularly appropriate research strategy for answering questions defined in this context.

A form of qualitative descriptive research, a case study refers to the generation and presentation of detailed information about a particular participant or small group, including the accounts of subjects themselves. In this research study, the case looks intensely at a small participant pool (a business relationship dyad), exploring the perceptions of that participant pool in a specific context, the emphasis being placed on exploration and description rather than the identification of a generalisable truth. The next section will describe in detail the selection of the case study including a justification for its selection as a research method. The following section will review the unit of analysis in this study, which is a business-to-business relationship dyad located in the financial services industry in Australia. A description of the participants selected for this research and the research context will be discussed.

4.4.1. Case study research

Case studies are considered a powerful research method and particularly suited to the study of business relationships and networks (Holmlund, 1997). As reported in Holmlund (1997), there is strong epistemological justification for using case studies when the aim is to gain an understanding of real life contexts that are both complex and dynamic. A case study is relevant for research into relationship quality, as an exploration of the literature seems to indicate that relationship quality (the phenomenon) may be context specific. According to Yin, you would “…use the case study method because you deliberately wanted to cover contextual conditions – believing they might be highly pertinent to your phenomenon of study.” (2003, p.13)
Further, the literature on social research design indicates the case study method is particularly relevant for investigating a phenomenon within its real life context especially when the boundaries between phenomenon and context aren’t clear (Stake, 1998; Blaikie, 2000).

Multiple sources will be used in data generation. According to Yin (1994) multiple sources of evidence are a major strength in the use of the case study based research strategy. In addition the need to use multiple sources of data in case studies far exceeds that in other research strategies as it allows the researcher to explore a broader range of behavioural and attitudinal issues. It also supports the development of converging lines of enquiry. The multiple perceptions in this study will be recorded through interviews with the owners/operators of financial planning businesses and the key financial product manufacturer with whom they are engaged in an ongoing business relationship.

4.4.1.1. Embedded case study design

An embedded case study design has been used for this research. Within the single case, attention has been given to subunits (financial planning businesses) for analysis. According to Yin (1994) subunits can often add significant opportunities for extensive analysis, enhancing the insights into the single case.
The following diagram Figure 2 illustrates the construct of the embedded subunits within the case study.

**Figure 2: Embedded case study construct**

The product manufacturer manages relationships with multiple Financial Planning businesses within its distribution network. The case study included data collection from more than one relationship ‘unit’ to enhance understanding of the phenomenon. Each relationship unit is referred to in this research study as a ‘dyad’ as it represents both sides of a business relationship. Building on Figure 2, Figure 3 illustrates the ‘dyad’. Multiple relationship dyads are therefore the focus of this study.
4.4.1.2. *Dyadic approach*

It is common in case study based research and particularly relationship-based research to conduct analysis at the participant actor level. Much of the empirical research reported in the literature has been conducted from a ‘point-of-view’ approach, examining the relationship from the perspective of the actors on one side of the social interaction. According to Tyler and Stanley (Tyler and Stanley, 1999a) methodologically this is logical because data collection is more easily obtained from buyers than sellers, allowing for larger samples from the buyer side, especially from SMEs. This study however, focused on the dyad and consequently both organisations were studied (see
Figure 3). The key difference in the point-of-view approach and the dyadic approach is the focus on perceptions from both partners in the dyad in order to understand the convergence (or divergence) of the perceptions of each organisation. This approach is important in this type of study because some researchers believe the “joint relationship has character beyond the sum of two individual actors.” (Iacobucci, 1996, p.389) It is also particularly relevant here given the results of the empirical research reported by Myhal et al. (2000) where buyer and seller perception of relationship quality was different.

4.4.2. The research context

In the following section the case study is described particularly in relation to the industry in which the case study was performed and the nature of the participating organisations. First, the method of selecting an appropriate dyad is presented and thereafter the data generation process is reviewed.

4.4.2.1. Selection of the case

The selection of the case is important because it has to provide insights that will be useful in developing an understanding of relationship quality. It is also important to find a case where the relationships are potentially long-term and both organisations view the relationship as strategically important. That is, both organisations view the relationship as central to their success. In addition, this research will add to the body of literature on relationship quality by identifying a case that will add to the existing stable of context-specific cases (i.e. buyer-seller relationships in industrial markets, B2B relationships professional services, corporate banking relationships, etc.) so that
future researchers can explore the possibility that the dimensions of relationship quality are context specific.

The research conducted for this study explored relationship quality within the framework of the financial services industry in Australia. The financial services industry does not receive a lot of attention in the B2B literature due to the difficulty of identifying participants for research (particularly decision-makers), the difficulty of accessing participants and the general issue of confidentiality (Tyler, 1999b). It is a highly competitive industry that is often reluctant to participate in academic research in case it provides strategic advantage to a competitor. Research is generally conducted in-house by individual organisations and the results remain the confidential property of the organisation.

The financial services industry is also a particularly interesting setting for research as the inter-firm relationship construct supporting the distribution of products is unique. Partly this is due to the way the industry has evolved, but it is also due to legislation introduced by the government and industry-governing bodies to manage and monitor the industry. Further detail on the financial services industry in Australia is provided in Chapter Three – Contemporary Context.

4.4.2.2. The dyad

The relationship dyad explored in this study was a large, Australian financial services business that manufactures and distributes retail and wholesale financial products, including investments, superannuation and insurance, to the marketplace. These products are distributed exclusively through tied and independent financial planning
businesses with whom the company engages in ongoing business-to-business relationships. More detail on the participants is provided in the following section.

4.5. **The research participants**

4.5.1.1. *The financial services company*

The company was selected to participate in the research study based on the following criteria: (a) it is a financial product manufacturer supplying investment and superannuation products to the Australian market and (b) it depends exclusively on its business-to-business relationships to distribute its products to the marketplace. The Financial Services Company (the FSC) employs staff whose responsibility it is to manage the ongoing business-to-business relationships that exist between the FSC and the financial planning businesses (FP businesses) that distribute its products to the marketplace. These FP businesses are licensed to provide financial advice through either Dealer Group A or Dealer Group B (see Figure 2, p.73). An overview of the job roles within the FSC that are responsible for enacting and maintaining the business-to-business relationships are detailed in
Table 4.
To ensure that all aspects of the enacted relationship were captured by the case study, participants needed to include individuals that operated at each of these different levels within the management hierarchy and in different capacities associated with the administration of key business relationships. Participants in the study included Business Development Managers, Practice Development Managers, Licensee Group Managers, and State Sales Managers. Business Development Associates were not included in this study as the role had only been created in the previous year by the FSC and it was suggested that the individuals performing this role were still being trained.

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Job Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensee Manager</td>
<td>Responsible for managing the operations and strategic direction of the Dealer Group.</td>
</tr>
<tr>
<td>State Sales Manager</td>
<td>Responsible for managing all Business Development Managers in a state, the overall sales target and the high-level satisfaction of each of the financial planning businesses in that state.</td>
</tr>
<tr>
<td>Business Development Manager</td>
<td>Responsible for managing business-to-business relationships with financial planning practices in their ‘panel’ as well as meeting product-specific sales targets.</td>
</tr>
<tr>
<td>Practice Development Manager</td>
<td>Responsible for maximising the business efficiency and performance of financial planning practices in their ‘panel’.</td>
</tr>
<tr>
<td>Business Development Associates</td>
<td>Responsible for meeting product specific sales targets within their ‘panel’ of financial planning practices through a telephonic relationship.</td>
</tr>
</tbody>
</table>
All of the roles listed in
Table 4 are performed, in the majority, by males (more than 80%). Consequently, all of the research participants from the FSC were male.

4.5.1.2. Financial advisers

As the research was designed to explore business-to-business relationship quality within a dyad, the researcher also required a sample of financial planning businesses through which the FSC distributes its products to the marketplace.

The criteria used to select the sample were as follows:

- Financial planning businesses from tier-1 (“Gold”) segmentation located in Sydney and non-metropolitan areas.
- Financial planning businesses from tier-2 (“Silver”) segmentation located in Melbourne.
- Financial planning businesses from tier-3 (“Core”) segmentation located in Melbourne.

The researcher proposed to request a sample of businesses from the Gold and Silver segmentation with which the FSC perceived to have both ‘high quality’ and ‘low quality’ relationships but this distinction proved to be problematic as the FSC could not agree on the criteria for a ‘high quality’ versus a ‘low quality’ relationship. The FSC’s internal segmentation is based solely on sales delivered and sales potential. It was agreed that the sample would be drawn from the ‘Gold’, ‘Silver’ and ‘Core’ tiers as a convenience sample. A convenience sample is appropriate for this type of study as random sampling is not necessary in qualitative research (Devlin, 2005). The FSC
agreed to extract a list of the first 50 financial planning businesses (and their key contact at each business) from each of the three segments and provide the list to the researcher. The researcher then would call the key contacts, until one agreed to participate in the research study, and set up an interview. The researcher would then continue to set up interviews with willing participants, increasing the sample, until the story being told by new participants reflected the experiences of previous participants. This is consistent with the approach to convenience sampling reported by Devlin (2005).

The businesses contacted for the purpose of this research ranged in size from owner-operator businesses to organisations employing 20+ financial planners and administrative staff. In each case, the participant was the key decision-maker in the business and responsible for enacting the primary relationship with the FSC. The researcher approached ten financial planning businesses and eight agreed to participate in the research study. Two practices declined the invitation to participate citing lack of time and inability to take time away from the business to participate.

Of the eight participants from the FP businesses (
Table 5), six were men and two participants were women. The gender split in this sample is reflective of the financial planning industry in Australia, which is predominantly (95%) male (Schmidt, 2006). Two of the participants (Adviser 6 and 7) are partners in the same financial planning business and they participated in the same interview. Therefore, 7 interviews were conducted with 8 participants.
<table>
<thead>
<tr>
<th>Participant</th>
<th>Participant description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adviser 1</td>
<td>Male, 50% equity partner of a small practice with approximately 100 clients. 2 advisers in the practice, each with an equal stake in the business. No employees. Participant was a teacher prior to entering the financial services industry. Practice is directly licensed through one of the FSC’s Dealer Groups. Melbourne-based. Primarily telephonic relationship with FSC.</td>
</tr>
<tr>
<td>Adviser 2</td>
<td>Male, sole owner of a medium size business with 650 clients and funds-under-management of $110 million. Been in the financial planning industry since 1981. Licensed through a dealer group that is in competition with the FSC but buys products from the FSC for clients. Employs one staff member. Melbourne-based. Primarily telephonic relationship with FSC.</td>
</tr>
<tr>
<td>Adviser 3</td>
<td>Male, a partner in a large practice comprised of three equity partners, twenty-eight advisers, and four administrative staff. 3000 clients, funds-under-management of $50 million. Independent licensee (6 years) who previously was licensed through a Dealer Group of the FSC. Melbourne-based. Dedicated Business Development Manager and Practice Development Manager.</td>
</tr>
<tr>
<td>Adviser 4</td>
<td>Male, 50% equity partner of a medium-sized practice. Licensed through one of the FSC’s dealer groups. 8,400 clients (of which 500-600 are active clients). Did not disclose funds-under-management. Based in country NSW. Dedicated Business Development Manager and Practice Development Manager.</td>
</tr>
</tbody>
</table>

FSC segment: Core

FSC segment: Core

FSC segment: Silver

FSC segment: Gold
Adviser 5  Female, equity partner of a large practice, licensed through one of the FSC’s Dealer Groups. 10,000 clients. Serviced partly by a Business Development Manager and Practice Development Manager as well as telephonic assistance.

FSC segment: Silver.

Adviser 6  Female, 50% equity partner of a large practice that has been in business since 1965 (participant bought into the business in the 80s). Employ two advisers. $120 million in funds-under-management. Approximately, 10,000 clients. Dedicated Business Development Manager and Practice Development Manager.

FSC segment: Gold
Note: Adviser 6 and 7 are business partners.

Adviser 7  Male, 50% equity partner of a large practice that has been in business since 1965 (participant bought into the business in the 80s). Employ two advisers. $120 million in funds-under-management. Approximately, 10,000 clients. Dedicated Business Development Manager and Practice Development Manager.

FSC segment: Gold
Note: Adviser 6 and 7 are business partners.

Adviser 8  Male, owner-operator of a mid-size practice. Participant has worked in the industry since 1970s. $70 million in funds-under-management, approximately 200 clients. Dedicated Business Development Manager and Practice Development Manager.

FSC segment: Gold
In total, 13 participants agreed to be a part of this research study. Five participants were from the FSC and eight were from the FP businesses. Of the eight participants from the FP businesses, Adviser 6 and Adviser 7 were from the same practice and were therefore interviewed together. This meant seven interviews were conducted with FP businesses, as only seven unique FP businesses participated in the research study. Therefore, seven business relationship dyads were the focus of this research study. A summary of the participants and interviews is illustrated in Figure 4.

Figure 4: Participant and interview summary
4.6. **Instruments used in data generation**

The primary sources of data for the case study are interviews because the focus of the research is on perceptions. In-depth interviews (depth interviews) were used as a method for asking open-ended questions about participants’ perceptions of relationship quality within the focal relationship. This interviewing technique was selected as it seeks to understand the attributes of relationship quality, including the dimensions and business consequences of relationship quality, by asking the participant to guide the interviewer through their experience of the focal relationship.

Depth interviews are characterised by their relatively long duration. They usually involve one-on-one, face-to-face interaction between an interviewer and an informant and seek to build a rapport that encourages self-disclosure (Johnson, in Gubrium and Holstein (eds.), 2002). The use of open-ended questions allows the participants to provide greater depth and breadth of information regarding their experiences as a participant in the relationship. The open-ended interview enables the participant to recall and explore multiple experiences as the discussion moves from one topic to another. As stated by Johnson, “In-depth interviewing is often a very appropriate method to use in qualitative research…to analyse the accounts of members of some social setting.” (in Gubrium and Holstein (eds.), 2002). As a means of exploring emerging themes or opportunities for clarification of particular attributes, data was also generated through the interviewer asking specific questions in situations where further elaboration was required or where the opportunity to explore a particular attribute emerged. These questions differed from the open-ended questions generally used as they directed the participant to explore and describe a particular theme or attribute.
The interviews were managed using an interview guide (see Appendix 7.1) to ensure a certain level of comparability of responses between interviewees. It was also used to verify that significant issues were covered in each interview and to prevent neglect of any central issues.

Interviews were voice recorded using a digital recording device and data was stored for transcription in electronic file format.

4.7. Procedures used

In carrying out the research design, several specific procedures were used. This included confirming access to both participants from the FSC and a list of the FSC’s key product distributors and confirming the criteria for the sample selection. It also included executing a trial interview with each group. These procedures are described in the following section.

4.7.1. Access and sample confirmed

The researcher contacted the Financial Services Company via the Head of Marketing (herein referred to as the FSC) and invited them to participate in the proposed case study exploring relationship quality in business-to-business relationships. Following the receipt of the company’s agreement to participate, the researcher requested a list of individuals that operated at different levels within the management hierarchy and in different capacities associated with the administration of key business relationships, including Business Development Managers, Practice Development Managers, Licensee group managers, and State Sales Managers. This was to ensure that all
aspects of the enacted relationship were captured by the case study. The Head of Marketing of the FSC drew the list as a convenience sample and subsequently provided the researcher with the names and contact details of the individuals within the business responsible for the tactical and strategic management of the organisations key business-to-business relationships.

An email was sent to each of the ‘relationship managers’ by the Head of Marketing. The email provided an overview of the research, informed them that they would be contacted by the researcher, and requested their participation in the case study. The email also informed the ‘relationship managers’ that their participation was voluntary and anonymous. The researcher then telephoned each individual and invited him or her to participate in the research. If the individual agreed to participate, the researcher emailed a copy of the plain language statement (see Appendix 3) and a copy of the Ethics form (see Appendix 4) and suggested an interview time. All interviews with relationship managers were conducted on the business premises of the FSC, both in Melbourne and in Sydney. Following each interview a code was assigned to the participant and their name was removed from the data file.

As mentioned previously, the Head of Marketing also provided a list of Financial Planning businesses to the researcher from each of the three segments used by the FSC to classify the value (sales value) of its business relationships; Gold, Silver and Core. The FSC agreed to extract a list of the first 50 financial planning businesses (and their key contact at each business) from each of the three segments and provide the list to the researcher as a convenience sample.
Starting at the top of each list (which was ordered according to sales performance in descending order) the researcher telephoned the key contact of each business, explained the purpose of the research and invited the business owner to participate in the research study. If the business owner gave their tacit approval, the researcher emailed a copy of the plain language statement and the Ethics form to the business owner and suggested an interview time. The process was repeated until the researcher confirmed all interviews. The researcher then continued to set up interviews with willing participants, increasing the sample, until the story being told by new participants reflected the experiences of previous participants. This is consistent with the approach to convenience sampling reported by Devlin (2005).

4.7.2. Interview test

A pilot interview was conducted with a relationship manager from the FSC and a financial planner to test the interview guide and provide an indication of the potential length of the interviews. Minor modifications were made to the interview guide following the test. Neither of these interviews has been included in the data generation. A copy of the interview guide is located in Appendix 1.

4.7.3. Interview process

Each interview was conducted with the participant on their business premises. Depth interviews were used as a method for asking open-ended questions about participants’ perceptions of relationship quality within the focal relationship. The researcher selected this interviewing technique as it seeks to understand the attributes of relationship quality, including the dimensions and business consequences of
relationship quality, by asking the participant to guide the interviewer through their experience of the focal relationship. The interviews were managed using an interview guide (see Appendix 1) to ensure a certain level of comparability of responses between interviewees. It was also used to verify that significant issues were covered in each interview and to prevent neglect of any central issues. As a means of exploring emerging themes or opportunities for clarification of particular attributes, data was also generated through the interviewer asking specific questions in situations where further elaboration was required or where the opportunity to explore a particular attribute emerged. These questions differed from the open-ended questions generally used as they directed the participant to explore and describe a particular theme or attribute.

Each interview began with an overview of the study and a discussion of confidentiality issues. The participant was then presented with a hard copy of the ‘Agreement to Participate’ form for their signature (see Appendix 2) and they were presented with a copy of the Plain Language Statement and the Ethics Form (see Appendices 3 and 4) by the researcher. Every participant agreed to have the interview digitally recorded.

The data generation stage of each interview began with the researcher asking the research participant to describe their business according to a variety of aspects, following the interview protocol (Appendix 1). Depending on the participants’ response, some themes or attributes may have been explored in greater detail to achieve greater depth or clarity of the experiences shared. The interview then typically moved to discuss the focal relationship ensuring that, while conversation
explored the multiple experiences of the participant of the relationship, key topics were not omitted, including how the relationship started, the expectations of the relationship (for more detail see Appendix 1) and how the relationship is managed. Then, following the interview protocol, the interviewer would explore different aspects of relationship quality with the participant, delving into the different experiences and stories as introduced by the participant.

4.7.4. Transcript review

Following the transcription of an interview, a copy was sent via email to the participant. This provided the participant with an opportunity to provide further comment on any of their experiences or to clarify any comments they may have made during the interview. This process was undertaken to increase the trustworthiness, density and validity of the results.

4.8. Data analysis

This section will provide a detailed review of the data analysis procedures undertaken for this research study. Firstly it will review the procedure used to reduce and make sense of the raw data. Secondly it will report how the researcher interpreted the data and finally it will review the method the researcher selected for reporting and displaying the data.

4.8.1. Abduction

The start of the abduction process involved the researcher listening to the recorded interview in its entirety. Each interview (including the two advisers interviewed
together) was approximately 1.5 to 2 hours in length. Each interview was then transcribed verbatim by the researcher or by a typist employed by the researcher. All transcriptions completed by a typist were subsequently checked against the recorded interview by the researcher for accuracy. The transcribed interviews amounted to approximately 15-25 pages per interview. Each transcript included identification of the interview, date, time, place, informant, and background information. As stated above (section 4.7.4 Transcript Review), the participants were able to provide clarification and additions as well as comment on the transcripts, which furthers the validity of the findings. Anonymity was also a prerequisite in order to improve access and generate more data.

Once the verbatim transcript had been created, each interview was reviewed using the following process. First, the transcribed interviews were read through and themes were highlighted with comments added in the margins. This approach to coding the data is consistent with the literature as Holmlund (1997) observed that codes are used to retrieve and organise chunks of data so that the researcher can quickly find, identify and cluster segments relating to the phenomenon. The transcribed interviews were then read through for a second time with particular emphasis on the highlighted themes and exploration of a relationship between those themes and the relationship quality dimensions identified through the literature review.

As the themes were identified to correlate with defined relationship quality dimensions identified in the literature (see Chapter Two, Literature Review), new codes were added in the margins of the transcripts. In the third review, themes that emerged from the data that did not correlate to defined relationship quality
dimensions were noted and new codes developed and attached to those themes. As an understanding of the phenomenon was developed, re-coding occurred to reflect an improved conceptualisation. This is in line with the literature, which states, “…the case study evidence is examined, theoretical positions are revised, and the evidence is examined once again from a new perspective, in this iterative mode.” (Yin, 1994, p.111)

Coffey and Atkinson (Coffey and Atkinson, 1996) stated the role of coding is to notice relevant phenomena, collect examples of the phenomena and analyse the phenomena in order to find commonalities. Coding is not merely a function used to reduce the data. It is also used to complicate the data to open up other opportunities for conceptualisation (Coffey and Atkinson, 1996). Coded fragments of data can be brought together to create themes that have some common element and those concepts can in turn be related to one another creating new refined codes for the empirical data. The empirical data may be coded and re-coded several times in a cyclical fashion to reflect the refinement of the theoretical conceptualisation. This cyclical approach to data reduction and complication is essentially heuristic, providing ways of thinking about and interpreting the empirical data (Coffey and Atkinson, 1996). “Abductive inferences seek to go beyond the data themselves, to locate them in explanatory or interpretive frameworks…. there is a repeated interaction among existing ideas, former findings and observations, new observations and new ideas.” (Coffey and Atkinson, 1996, p.156) Through this process, frameworks for the perceived relationships were constructed and thus high quality relationships have been characterised.

In the fourth review, the new codes were pulled from each interview and categorised.
The final result was two lists of codes: those that were consistent with the literature review, and those that were new and previously unidentified.

### 4.8.2. Interpretation

Analysing qualitative data implies interpreting. Using an abductive research strategy, the research followed the hermeneutic tradition in that the concepts used to describe the relationship quality phenomenon have their origin in the language of the actors participating in the investigation. The terms used by the social actors are interpreted to understand how they view relationship quality and to transform the lay concepts into social scientific language. As stated by Blaikie (2000) “From lay concepts, technical concepts can be generated.” (p.139)

The analysis conducted on the first data generates new data upon which subsequent analysis is conducted which leads to additional more focused data generation, which in turn leads to further analysis, and so on in a hermeneutic dialectic fashion. This way of analysing qualitative data (moving between individual pieces of information and aggregated data in an iterative process) and interpreting the meaning in the participants’ answers is called an iterative spiral (Dey, 1993). This approach to data generation is particularly appropriate in research that aims to develop an understanding of complex phenomenon (Holmlund, 1997).

The understanding of perceived high quality business relationships was developed in stages and refined in an iterative process between the literature study and the empirical data analysis. The empirical data were coded and re-coded several times to reflect an increasingly refined conceptualisation. Codes were attached to words,
sentences or paragraphs to allow the researcher to retrieve and organise emerging data and cluster according to the identification of a phenomenon. The dimensions and domains of relationship quality identified in the literature were the starting point for the coding and data organisation process. As data emerged from the interviews that did not relate to the dimensions identified in the literature, they were coded separately and after an iterative process of reading and re-reading multiple interviews, new codes were assigned to these dimensions.

Relationship quality dimensions and domains are key concepts in the organisation of the data generated by the interviews. While the content of the dimensions and domains will be described in details in the Results Chapter, the intention here is to illustrate principles for analysing the data.

Table 6 illustrates that elements identified by participants as relating to the creation of high quality relationships can be analysed on different levels. At the broadest level, the perceptions can be related to a Relationship Domain; in this example, the Economic Domain. The next level, Relationship Dimensions, is more detailed, since perceptions of the economic inputs and outputs of a high quality business relationship can be further categorised into economic characteristics. The quality dimensions identified through the data reduction process were classified into one of the three quality domains based on the substance of the dimension according to the perceptions of the participants. The dimension and domain conceptualisation is useful to explore different aspects of the business relationship, particularly in terms of tangible and intangible elements. The quality dimensions and domains present a comprehensive way of categorising quality perceptions in a relationship.
Table 6: Relationship domains and relationship dimensions

<table>
<thead>
<tr>
<th>Relationship Domain</th>
<th>Relationship Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Mutual investments</td>
</tr>
<tr>
<td></td>
<td>Profit</td>
</tr>
<tr>
<td></td>
<td>Mutual dependence</td>
</tr>
<tr>
<td></td>
<td>Integration</td>
</tr>
<tr>
<td></td>
<td>Goal compatibility</td>
</tr>
</tbody>
</table>

4.8.3. Reporting and displaying data

The data that emerged from this research study has been reported using two methods. Firstly, the raw data has been reported in the form of narrative excerpts from the interviews. This method was selected to provide examples of the different perceptions that emerged from the interviews and were categorised by the researcher under specific relationship dimensions. Secondly, the data has been grouped into categories (Relationship Domains and Relationship Dimensions) and presented in the form of tables to illustrate the relationship between groups of Relationship Dimensions and their associated Relationship Domain.

4.9. Chapter summary

This chapter has explained the methods used in this Interpretive study of the perceptions of relationship quality held by participants in a business-to-business relationship set in the financial services industry. The next chapter, Chapter Five, presents the findings obtained by those methods.
CHAPTER FIVE

This chapter presents the findings of the Interpretive study. The chapter is organised by first presenting the research process, followed by a description of the research participants and an explanation of the data preparation process. The findings are then presented in the following manner: agreement within the dyad, differences within the dyad, relationship dimensions with limited agreement, new dimensions developed, and differences between adviser groups.

5. Results

As stated in Chapter One, the study reported here examined in detail what actors participating in a business-to-business relationship perceive relationship quality to be, including what the interviewees perceived to be the attributes of relationship quality and how they perceived relationship quality affected the longevity of the relationship. These themes were explored dyadically with the individuals responsible for enacting and maintaining the relationship between a Financial Services Organisation (FSC) that develops financial services products (including investments, superannuation and insurance) and the Financial Planning businesses that sell their products to the end customer. This chapter presents interpretations of 12 in-depth interviews of 1.5-2 hours, five with people responsible for enacting the relationship from the product distributor’s point of view and eight with the principal owners and operators of the financial planning organisations responsible for distributing the financial products to the marketplace [Note: Advisers 6 & 7 were from the same business and therefore were interviewed together]. As mentioned in Chapter Five - Methodology, the author conducted these interviews with the research participants and transcribed them
This chapter begins by outlining the research process. The second section provides a description of the thirteen participants. The third section explains how the data generated was prepared; the fourth and fifth sections define the relationship domains and relationship dimensions. From here, the remainder of the chapter explores the specific research findings by looking at agreement and differences in the dyad and exploring new dimensions that emerged from the research.

5.1. The research process

The primary sources of data for this research study were the 13 interviews conducted with five relationship managers from the FSC and the eight principals of seven financial planning organisations (Advisers 6 & 7 were from the same organisation). The analysis of the interview transcripts enabled the researcher to identify attributes that have been integrated into a deeper understanding of what buyers and sellers perceive to be the key components of relationship quality in a service based business-to-business context. Each attribute is described and supported by text from the participant interviews. To illustrate the context within which the attribute was identified, quotes from transcripts may include lead-in comments, as well as follow-up comments by a participant that are beyond the reference of the focal attribute. It is important to note that a quote may include reference to more than one attribute, as a result readers may notice overlap between quotes used to highlight different attributes.

During data generation, depth interviews were used as a method for asking open-ended questions about participants’ perceptions of relationship quality within the focal
relationship. As explained in the Chapter Five - Methodology, the researcher selected this interviewing technique as it seeks to understand the attributes of relationship quality, including the dimensions and business consequences of relationship quality, by asking the participant to guide the interviewer through their experience of the focal relationship. The use of open-ended questions allowed the participants to provide greater depth and breadth of information regarding their experiences as a participant in the relationship. The open-ended interview enabled the participant to recall and explore multiple experiences as the discussion moved from one topic to another.

As a means of exploring emerging themes or opportunities for clarification of particular attributes, data were also generated through the interviewer asking specific questions in situations where further elaboration was required or where the opportunity to explore a particular attribute emerged. These questions differed from the open-ended questions generally used as they directed the participant to explore and describe a particular theme or attribute.

5.2. The research participants

The research conducted for this study was conducted within the framework of the financial services industry in Australia. Participants included relationship managers from a Financial Services Company (FSC) (a company that provides financial products to the marketplace including superannuation, investments and insurance) and Financial Planners from the FSCs affiliated distribution network, comprised of aligned financial planning practices.
5.2.1. The financial services company

As stated in Chapter Five - Methodology, the company was selected to participate in the research based on the following criteria: (a) it is a financial product manufacturer supplying investment and superannuation products to the Australian market and (b) it depends exclusively on its business-to-business relationships to distribute its products to the marketplace.

The researcher contacted the Financial Services Company (herein referred to as the FSC) and invited them to participate in the proposed case study exploring relationship quality in business-to-business relationships. Following the receipt of the company’s agreement to participate, the researcher requested a list of individuals that operated at different levels within the management hierarchy and in different capacities associated with the administration of key business relationships, including Business Development Managers, Practice Development Managers, Licensee group managers, and State Sales Managers. This was to ensure that all aspects of the enacted relationship were captured by the case study. The Head of Marketing of the FSC drew the list as a convenience sample and subsequently provided the researcher with the names and contact details of the individuals within the business responsible for the tactical and strategic management of the organisation’s key business-to-business relationships.

An email was sent to each of the relationship managers by the Head of Marketing. The email provided an overview of the research, informed them that they would be contacted by the researcher, and requested their participation in the case study. The
email also informed the relationship managers that their participation was voluntary and completely anonymous. The researcher then telephoned each individual and invited him or her to participate in the research. If the individual agreed to participate, the researcher emailed a copy of the plain language statement and a copy of the Ethics form and suggested an interview time. All interviews were conducted on the business premises of the FSC.

A summary of the subjects that participated in the study is illustrated in Table 7:

<table>
<thead>
<tr>
<th>Job Role</th>
<th>Sydney</th>
<th>Melbourne</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Sales Manager</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Business Development Manager</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Practice Development Manager</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Licensee Manager</td>
<td>N/a</td>
<td>2</td>
</tr>
</tbody>
</table>

5.2.2. The financial planning businesses

As the research was designed to explore business-to-business relationship quality within a dyad, the researcher also required a sample of financial planning businesses through which the FSC distributes its products to the marketplace. Therefore, in addition to access to the FSC’s relationship managers, the FSC also provided the researcher with names and contact details for its business partners. As described previously, a Financial Planning business is a business operated by an individual qualified to provide financial planning advice to the public. The businesses contacted for the purpose of this research ranged in size from owner-operator businesses to organisations employing more than twenty financial planners and administrative staff.
The criteria used to select the sample were as follows:

- Financial planning businesses from tier-1 (“Gold”) segmentation located in Sydney and non-metropolitan areas.
- Financial planning businesses from tier-2 (“Silver”) segmentation located in Melbourne.
- Financial planning businesses from tier-3 (“Core”) segmentation located in Melbourne.

The researcher attempted to request a sample of businesses from the Gold and Silver segmentation with which the FSC perceived to have both ‘high quality’ and ‘low quality’ relationships but this distinction proved to be problematic as the FSC could not agree on the criteria for a ‘high quality’ versus a ‘low quality’ relationship. The FSC’s internal segmentation is based solely on sales delivered and sales potential. It was agreed that the sample would be drawn from the ‘Gold’, ‘Silver’ and ‘Core’ tiers as a convenience sample.

Starting at the top of each list (which was ordered according to sales performance in descending order) the researcher telephoned the key contact of each business, explained the purpose of the research and invited the business owner to participate in the research study. If the business owner gave their tacit approval, the researcher emailed a copy of the plain language statement and the Ethics form to the business owner and suggested an interview time. The process was repeated until the researcher confirmed all interviews. A summary of locations is provided in Table 8:
Table 8: Location of FP business participants

<table>
<thead>
<tr>
<th></th>
<th>Gold</th>
<th>Silver</th>
<th>Core</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melbourne</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Sydney</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Non-metropolitan</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

5.3. Preparing the data

Each interview was reviewed using the following process. First, the transcribed interviews were read through and themes were highlighted with comments added in the margins. The transcribed interviews were then read through for a second time with particular emphasis on the highlighted themes and exploration of a relationship between those themes and the relationship quality dimensions identified through the literature review. As the themes were identified to correlate with defined relationship quality dimensions identified in the literature (see Chapter Two – Literature Review), new codes were added in the margins of the transcripts. In the third review, themes that emerged from the data that did not correlate to defined relationship quality dimensions were noted and new codes developed and attached to those themes. In the fourth review, the new codes were pulled from each interview and categorised. The process of thematic tapering continued until six new relationship dimensions emerged. All of the identified relationship dimensions, including twelve dimensions defined by the literature and six new dimensions, were then categorised into three domains; social, technical and economic domains, consistent with Holmlund (1997) as a way to denote the content of the interaction. The resulting 18 relationship dimensions were then reviewed against the dyadic interviews. This enabled the researcher to evaluate if participants from each side of the dyad perceived the same
dimensions to be components of relationship quality.

The next section will explore the relationship quality domains and the dimensions that comprise them, comparing the perceptions from both sides of the relationship dyad. To capture the essence of the dimensions in the participants’ own words, selected examples of each type are presented.

5.4. Relationship domains

The classification of relationship quality dimensions into different domains provides a way to view the different arenas of quality in a relationship (Holmlund, 1997). The three domains used here to classify the quality dimensions in a business-to-business relationship are social, technical and economic. The definitions of each of the relationship domains are highlighted in Table 9:

<table>
<thead>
<tr>
<th>Relationship Domain</th>
<th>Description of the Domain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Economic issues are central to the interactions in a business relationship. Dimensions included in this domain relate to the essential purpose for the buyer and supplier to engage in a sustained relationship – economic gain. Simply, what the buyer ‘gets’ from the relationship.</td>
</tr>
<tr>
<td>Social</td>
<td>The social domain is concerned with human interaction. This domain encompasses the sense of unity binding the businesses and it expresses the extent to which actors involved in the co-creation of value like to maintain their relationship. It incorporates emotional content; sentiments of allegiance and faithfulness.</td>
</tr>
<tr>
<td>Technical</td>
<td>At the centre of the technical domain are dimensions that relate to the execution of service delivery. That is, the dimensions that allow a business to evaluate a partner’s credibility and service reliability. It is the core of the relational exchange.</td>
</tr>
</tbody>
</table>
The quality dimensions identified through the data reduction process were classified into one of the three quality domains described above based on the substance of the dimension according to the perceptions of the participants. The dimension and domain conceptualisation is useful to explore different aspects of the business relationship, particularly in terms of tangible and intangible elements. Since the quality dimensions and domains present a comprehensive way of categorising quality perceptions in a relationship, they will be presented in the next section. Excerpts from the interviews will be used to illustrate the technical, social and economic quality dimensions.

5.5. **Relationship dimensions**

The attributes of relationship quality that were identified in the literature are included here as *dimensions* of relationship quality. Each of the dimensions that emerged through the data reduction process was categorised into a relationship quality domain. The relationship domains and their associated dimensions, as defined by this researcher, are detailed in Table 10.

**Table 10: Definition of Relationship Dimensions**

<table>
<thead>
<tr>
<th>Relationship Domain</th>
<th>Relationship Dimension</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Mutual investments</td>
<td>An investment of resources (such as money, knowledge, experience, technology) made by both organisations in building the capabilities of the relationship.</td>
</tr>
<tr>
<td></td>
<td>Profit</td>
<td>The financial return associated with the effort expended in the relationship.</td>
</tr>
<tr>
<td></td>
<td>Mutual dependence</td>
<td>Recognition by both organisations involved in the relationship of their reliance on one another for business success.</td>
</tr>
<tr>
<td><strong>Integration</strong></td>
<td>Process by which the two organisations are effectively made a functional and structural whole, especially through the activity of the people responsible for enacting the relationship.</td>
<td></td>
</tr>
<tr>
<td>-----------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>Goal compatibility</strong></td>
<td>The alignment of business objectives between organisations.</td>
<td></td>
</tr>
<tr>
<td><strong>Good product</strong></td>
<td>A product or service that performs as promised and meets the needs of the customer.</td>
<td></td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trust</strong></td>
<td>A belief that an organisation and its employees will work in the best interests of its business partner based on past experience.</td>
<td></td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>Two-way sharing of information, formal and informal, critical and incidental, between participants in the relationship.</td>
<td></td>
</tr>
<tr>
<td><strong>Social bonds</strong></td>
<td>The personal relationship of people between the organisations that goes beyond the business imperative.</td>
<td></td>
</tr>
<tr>
<td><strong>Commitment</strong></td>
<td>The act of binding the organisation (intellectually or emotionally) to a course of action.</td>
<td></td>
</tr>
<tr>
<td><strong>Technical</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Knowledgeable employees</strong></td>
<td>Employees who have relevant skills, knowledge and experience that are valued by the business partner.</td>
<td></td>
</tr>
<tr>
<td><strong>Legitimate exercise of power</strong></td>
<td>A belief that the business partner will not leverage its position to force the partner organisation to act in a way it does not wish to.</td>
<td></td>
</tr>
<tr>
<td><strong>Cooperation</strong></td>
<td>Practice of people working in common with commonly agreed upon goals and possibly methods, instead of working separately in competition.</td>
<td></td>
</tr>
<tr>
<td><strong>Problem resolution</strong></td>
<td>The steps taken by an organisation that lead to the successful resolution of an issue that has been raised by the partner organisation.</td>
<td></td>
</tr>
<tr>
<td><strong>Mutual understanding of needs</strong></td>
<td>Determining and understanding the needs of the partner and adapting the response in order to satisfy those needs.</td>
<td></td>
</tr>
</tbody>
</table>
5.6. Agreement within the dyad

From the data reduction process a group of relationship dimensions emerged that were similar for both the FSC and the Financial Planning (FP) businesses. During the depth interview process the interviewer explored with participants the key attributes they believed contributed to a quality relationship and probed voluntary contributions made by participants that explored this theme. It was found that within each of the three Relationship Domains, there were dimensions that emerged from both sides of the dyad as core elements of relationship quality. The following section will explore each of the dimensions from both the FSC and FP point of view with supporting quotes from participants on both sides of the dyad.

5.6.1. Economic domain

5.6.1.1. Profit

The profit dimension emerged from themes that emerged from the data generated from participants on both sides of the dyad. The FSC and the FP businesses recognised different aspects of profit as an important element of relationship quality, but the themes that emerged from both sides of the dyad were consistent with the definition of the profit dimension as the financial return associated with the effort expended in the relationship.

Themes that emerged from the data generated through interviews with participants from the FSC were dominated by terms such as “sales” or with “selling multiple products”:...
“It is a commercial relationship first and foremost. However, the best commercial relationships are able to establish…a shared vision where you can openly talk about things that that bring you into conflict or work well for each party.” (C1P2)

“[Financial advice practices are selected to be in the Top 25 based on] sales inflows to [the FSC] and their revenue, but also in terms of…their size and support of [the FSC] via sales.” (C4P2)

“… That is a great relationship. They [the financial advice practice] sell multiple products for us, they are predominantly platform writers but they have brought in some very large corporate superannuation business for us and a bit of risk business, a broad cross section across all of our unit trusts, so it’s a multi-product relationship.” (C2P2)

Sales are a core element of the FSC participating in the relationship, as the FP businesses are the distribution arm through which the FSC gets its products to market. The FSC segments its relationships with the FP businesses by sales, devoting the most resources and one-on-one attention on those businesses that sell the greatest volume, value and variety of products to the end consumer.

The themes associated with the profit dimension also regularly emerged across the data generated from the interviews conducted with the advisers from the FP businesses. The FP businesses commented on participating in the relationship to recap on overheads or to receive assistance that generates increased sales:
“…Quality within the business is to try and recap on your overheads, the other side of the coin, the income will continue coming in if you have done the right thing by your clients…” (A4P4)

“… He [the BDM] will now run another seminar for me next year if I ask for it because he knows that we got success out of the last one…” (A1P13)

Themes emerging from the data generated from the FP businesses were less centred directly around sales and more focused on the assistance or services provided by the FSC that would lead to sales.

5.6.1.2. Goal compatibility

The relationship dimension labelled goal compatibility emerged from themes that were directly related to the alignment of business objectives between the organisations. Themes associated with this dimension emerged from data generated from interviews with both the FSC and the FP businesses. Themes associated with the goal compatibility dimension emerged from two interviews with participants from the FSC and two interviews with participants from the FP businesses. Participants from both sides of the dyad specifically mentioned the concept of ‘goal compatibility’: Participant C1 from the FSC stated:

“It is useful for [the FSC] to have a relationship with a group of people that are aligned in spirit, if you like, because it provides a less volatile and constant adviser relationship.” (C1P1)
Participant A1 from a FP business stated:

“Our goals are not necessarily to grow the business at an astronomically quick rate so her [the BDM] goals and our goals don’t necessarily align. I think she has worked it out [and] that’s why I’m not getting to see her…” (A1P8)

Participants from the FSC also discussed the importance of the businesses engaged in the relationship of having business objectives that are aligned and in some cases, mentioned the value of co-creating business strategy of having an input into the strategic planning process of the partner’s business:

“Relationships will work best where there is a shared common goal.” (C1P2)

“They are a very clear practice around what they’re looking for. Their corporate objectives are quite clear.” (C2P2)

“Often we’re finding, and it’s great to see, the questions we get now in their business planning sessions are how they can help us achieve our goals. You’d be amazed. It’s because when we’re at these…Forums we show them our operating plans, we show them our targets and every time we meet with them we show them our progress against our targets. It’s amazing the buy-in you get into our strategy once you share that strategy with them.” (C4P2)

5.6.2. Social domain

The social domain contained more common dimensions than any other domain. It appeared that both the participants from the FSC and the participants of the FP
businesses weighted the importance of the social domain more highly than either the
economic domain or the technical domain. Numerous instances of the themes that
were categorised into dimensions associated with the social domain emerged from the
data generated by the interviews from both sides of the dyad.

5.6.2.1. Trust

Themes associated with the trust dimension, defined here as a belief that an
organisation and its employees will work in the best interests of its business partner
based on past experience, emerged from all the interviews conducted with participants
from the FSC and five of the seven interviews conducted with participants from the
FP businesses. The themes from both sides of the dyad seemed to centre on the
concept of ‘delivering what you say you’re going to deliver’ and being able to rely or
have confidence in the business partner as being an important element in developing a
quality business relationship. Participants from the FSC stated:

<B>“Three things [make a successful business relationship]: say no when the answer is no…. Take responsibility for what your role is…deliver on what you say you’re going to deliver.”</B> (C3P4)(C3P10)

<B>“I think of a business that I’ve got that’s considering an offer from another [dealer] group and they actually called me to show me what they had been offered. I think it’s a good sign because I’m considered enough in their business to be able to be informed about these sorts of issues.”</B> (C3P8)
Participants from the FP businesses stated:

> “…All that matters to me with the product suppliers is that whatever they are supposed to do they do it and it is done accurately, quickly, easily and without any problems….” (A1P9)

> “Once you trust them you can ring at any time and you know it’s going to get done.”
(A7P7)

Another element of the trust dimension that emerged from the data generated by the interviews with the participants from the FP businesses was around the theme of honesty and being able to rely on the information that is provided by representatives of the business partner:

> “…When you have got people coming in for the first time…well you give them enough information – all the information you can to open their eyes…the income will continue to come in if you have done the right thing by your clients….” (A4P4)

> “It’s taken me time and money but I now have someone who I have got absolute faith in….” (A3P10)

Two participants from the FSC (C1 and C3) also specifically identified openness in the relationship as a key component of relationship quality:

> “It’s their preparedness to talk about what they would like to achieve in the future…”
(C1P2)
“Effectively we get called and asked questions on everything. We’re really like a
counsellor sometimes.” (C3P1)

All of the themes identified above (confidence in the business partner, honesty and
openness) were all distilled into the relationship dimension ‘trust’. Trust was
identified dyadically as a dimension of relationship quality. Interestingly, the data
generated by the research participants seems to suggest that trust is an experiential
concept, based on personal knowledge rather than a concept built on rules and
procedures. This suggests implications for the technologies or structures that
organisations might choose to develop the business relationship, as trust may be an
element of collaboration

5.6.2.2. Commitment

The concept of commitment, emerging from themes associated with the act of binding
the organisation (intellectually or emotionally) to a course of action as well as having
a view towards the long term, also emerged as a relationship quality dimension in
both sides of the dyad. The commitment dimension emerged in all FSC participant
interviews and five of the seven FP business interviews.

From the FP business side of the dyad, the commitment dimension was comprised of
themes such as loyalty and long-term relationship engagement:

“We think long term all the time, not just dollars now and that’s how they have to think,
and they’re not.” (A7P21)
“Most of our clients have been with us 10 years or more…” (A2P11)

5.6.2.3. Social bonds

Themes associated with the relationship dimension *social bonds* emerged frequently in the data from both sides of the dyad. Social bonds are defined here as the personal relationship of people between the organisations that goes beyond the business imperative. From the point of view of the FP businesses, participants stated that as there were similar products available in the marketplace, it was the personal relationship that determined which company, and consequently which product, they chose to use in their business.

“I think it’s probably the same in any business…who you are going to buy your nuts and bolts off [are] people you get on best with.” (A2P10)

A theme that emerged on both sides of the dyad was the concept that a personal relationship with the key business contact could improve the actual business that was done between the two organisations; whether it was in terms of efficiency or sorting out a problem or needing to understand how someone’s personal life might be affecting the efficiency of their business activity.

Participants from the FP businesses stated:

“…If you are going to work with somebody you may as well have a relationship with them. It makes life easier.” (A2P7)
“We email each other jokes and things like that. It becomes a personal thing…” (A8P12)

“If you’ve got a problem you get on the phone, you can have a quick cup of coffee, you can go out and have a drink with them.” (A2P5)

Comments from the perspective of the FSC included:

“Unless you look in the eyes of an individual, you don’t know what their demeanour is…you need to understand exactly what they are about and you need to understand their business. You need to understand their frustrations…you need to understand the circumstances of the client.” (C5P3)

“It’s going to be a pretty straight relationship if I just walk in and we’re talking professional, we probably won’t achieve. All the people I’ve recruited [to work with the FSC] we can go out for a bite to eat or a coffee and sit there and laugh and have a chat…I think it helps build the professional side. I think it gives you more weight to coming in and challenging them in their business that you’ve built that personal side as well.” (C3P3)

“If you don’t have a relationship that extends beyond just the business relationship I think you can lose out. I think it makes a huge amount of difference if you’re able to offer more than just what the price is for something.” (C2P8)

The social bond dimension emerged as a key element that permeated all aspects of the participants’ discussion about the business relationship and what elements were needed to ensure a relationship could be described as ‘high quality’. As seen from the quotes above the social bond dimension was a key determinant in selecting which company a financial planning practice would select its products from; from the
5.6.2.4. Communication

The communication dimension emerged from both sides of the dyad as a key component in the development of a high quality relationship. The communication dimension of relationship quality is defined here as two-way sharing of information, formal and informal, critical and incidental, between participants in the business relationship. Participants from both sides of the dyad stated that communication within the business relationship had to be open and continuous and that the individuals involved in enacting the relationship expected responsiveness when they communicated with their business partner.

Participants from the FSC stated:

> “Their [the business partner] business needs are always evolving and if we’re not in a strong enough relationship you’re not in a position often where people speak their mind in terms of what they value from us and what they don’t. I think without strong relationships those things aren’t forthcoming.” (C4P1)

> “It’s their preparedness to talk about what they’d like to achieve in the future.” (C1P2)

One participant from the FSC highlighted an experience that demonstrated the value of open communications with the business partner by relaying the following experience:
“I think of a business that I’ve got that’s considering an offer from another [dealer] group and they actually called me to show me what they had been offered. I think it’s a good sign because I’m considered enough in their business to be able to be informed about these sorts of issues.” (C3P8)

The participants from the FP businesses highlighted the importance of communication in high quality relationships, as they were very dependent on the FSC and its provision of products and services to adequately service their end client. If communication between the business partners broke down, they would be unable to meet the service expectations of their clients. Their dependency in the business relationship on the provision of timely information from the FSC was critical to their ability to manage the relationship with their client.

“I would make it quite clear…what the problems were.” (A8P12)

“There was no communication about it [the product change].” (A7P13)

“They don’t really tell you too much about their products now. They change them without telling us about the changes in there.” (A7P5)

5.6.3. Technical domain

At the centre of the technical domain are dimensions that relate to the execution of service delivery. That is, the dimensions that allow a business to evaluate a partner’s credibility and service reliability. It is the core of the relational exchange. It is also in this area where the greatest differences in terms of how participants on each side of
the dyad viewed the dimensions of relationship quality emerged. Two dimensions were identified by both sides of the dyad as being a component in the development of a high quality relationship - *mutual understanding of needs* and *problem resolution*.

### 5.6.3.1. Mutual understanding of needs

The foundation of this dimension resides in an organisation determining and understanding the needs of the partner and adapting the response in order to satisfy those needs. The theme that emerged most frequently in the data from both sides of the dyad was managing expectations. This included managing expectations in terms of the timeliness of service delivery as well as setting expectations around what could and could not be done within the parameters of the business relationship. A participant from the FP businesses stated:

> “In terms of the dealer group all I’m looking for is someone who can articulate what they are going to do and then actually do it.” (A1P6)

Participants from the FSC stated:

> “A good relationship is generally sitting down with those businesses either one-on-one or sometimes in a group format and getting an understanding of the things that drive them in their business and the things they expect from us.” (C4P1)

> “I think in some instances there is a disconnect between what the practice expects and what the product can deliver.” (C2P6)
The potential for relationship damage resides in an organisation not making an effort to understand the needs of its business partner. This can lead to disconnection in the relationship where one organisation is not delivering on its service or product promise, consequently damaging the business partner’s belief in an organisation’s credibility and reliability. As stated by one participant from a FP business:

“*When you get someone up there who is sitting up in the ivory tower [who] doesn’t really understand how you create your business that makes it very hard.*” (A2P5)

Another participant from a FP business stated:

“*They kept saying it’s not a big deal. It was a very big deal.*” (A7P23)

It is interesting to note that the previous two comments came from FP businesses that are segmented by the FSC as receiving different levels of service based on their sales activity. Business A2 is a small practice with low sales turnover and no dedicated Business Development Manager, segmented as a ‘core’ practice. Business A7 is a very large FP practice, segmented as a ‘Gold’ practice that has a dedicated Business Development Manager and a dedicated Practice Development Manager each of who visits them at their premises regularly (at least once per month).

### 5.6.3.2. Problem resolution

Another dimensions in the technical domain that emerged as an antecedent to relationship quality on both sides of the dyad was *problem resolution*. Problem resolution is defined here as the steps taken by an organisation that lead to the
successful resolution of an issue that has been raised by the partner organisation.

The themes that emerged from the data generated from the interviews with participants from the FSC indicated that problems were going to inevitably occur at some point during every business relationship. The way that the problem is managed could either harm the relationship – possibly irrevocably – or it could strengthen the relationship. The following quotes from two participants from the FSC highlight this:

 kuk “I agree that in all relationships there are hiccups and that getting past that strengthens the relationship. I think with every relationship there is some hiccup at some time. It’s just how you deal with it that can either improve the relationship or keep it at that level or maybe harm it in some way.” (C3P10)

 kuk “What it does [solving a problem] is leave the sense that I had an issue, I spoke up and you guys actually did something about it. Rather than, I had an issue, I spoke up, nothing really eventuated and sooner or later it just turned into such a festering sore that ultimately you just cut it off and the relationship dies a very painful death.” (C2P6)

Another participant from the FSC highlighted that the internal business culture of the organisation can have some effect on how a problem is received and acted upon.

 kuk “…A lot of people can do a lot of damage by the blame culture…and the distribution channel when I first arrived would say [name of division] this and [name of division] that and I explained to people that [the division] is [the FSC], we all work in the same team and we all need to understand exactly what’s going on and understand it is an [FSC] issue and that is an opportunity to put things right.” (C5P9)
The themes that emerged from the interviews with the participants from the FSC indicated that not all parts of the business saw a problem as an opportunity to improve a relationship, but rather as a mark of failure. Consequently, in some areas problems were buried and significant delays were experienced in fixing the problems rather than openly acknowledging the issue when it arose and resolving it quickly and efficiently.

The theme of problem resolution emerged from the interviews with the FP participants with a lot of emotional commentary. More than any other relationship dimension, when the FP participants explored the theme of problem resolution in the business relationship it was attached to emotion-laden words and commentary as they recalled and reported an experience. The incidents they reported often became a lens through which they viewed the whole business relationship with the FSC, regardless of whether the other touch-points of their relationship (such as in to other divisions or with other key relationship contacts) had anything to do with the problem or not.

“\textbf{The FSC] seem to think we are causing them a problem by bringing them a problem! That's how you feel….” (A7P26)\textbf{\textcolor{red}{}}

“\textbf{When you have a fairly major blue with a couple of their product managers and who wouldn’t admit they were wrong even though they were wrong, you’re obviously not going to last long.” (A4P14)\textbf{\textcolor{red}{}}

“All I require from them [the FSC] is that they answer the phone, that they don’t send me sitting on line for fifteen minutes while they decide which department is going to answer it \textbf{\textcolor{red}{}}

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and then the person I speak to fogs me off to someone else and that’s when I start to question whether or not I am happy with them and what I am going to do with them.” (A1P9)

“We just need a dealer who wants to work with us. If we have a problem, sit down and sort it out with us.” (A2P4)

One participant from a FP business stated that the business relationship could operate smoothly for years, but one poorly handled problem could jeopardise the relationship because a problem was a ‘test’. The financial planner states:

“We are living in an environment where mistakes are made all the time and then mistakes are expected and looked for and yes it’s what you do to deal with that mistake that ultimately determines the strength of your relationship with people. It’s like a test…. I suppose in my mind that response becomes more important than the three hundred good things they’ve done before that unfortunately.” (A1P16)

This dimension seemed to emerge as a critical component of a high quality business relationship as it has the power to dissolve a relationship that up to that point may have been operating very successfully.

5.7. Differences within the dyad

There were many more similarities in the information that emerged from the data generated from both sides of the dyad than there were differences, particularly in the dimensions that were explored in the literature. Three relationship dimensions that were explored in the literature that emerged as dimensions of relationship quality for only one side or the other in the dyad was mutual dependence, legitimate use of power
and good product.

5.7.1. Mutual dependence

The data generated from three of the five participants from the FSC indicated that *mutual dependence* was a dimension that was an antecedent to relationship quality. Data generated from interviews with participants from the FP businesses did not identify this as a dimension of relationship quality for any of them. Mutual dependence is defined here as recognition by both organisations involved in the relationship of their reliance on one another for business success. One participant from the FSC, talking about new business relationships stated:

“…They need the tech hotline and the adviser services area, advertising, business planning sessions; so they can value all those services. So, yes, those practices that use more of our services I probably have a better working relationship with.” (C3P9)

Another participant from the FSC stated:

“First of all we like to get involved in their business planning because we believe if you can be a partner in the development of their business plans you’re more likely to play a stronger role in helping to execute those plans.” (C4P1)

It is important to note that the FSC is dependent on the FP businesses to distribute their product to the market, whereas the FP businesses can use the products of a wide range of financial service organisations to meet the needs of their clients.
5.7.2. Legitimate exercise of power

Like the participants from the FSC, the FP participants also identified a relationship dimension that the other side of the dyad did not identify. Legitimate exercise of power is a relationship dimension that emerged more consistently from the data generated from the FP participants. Legitimate exercise of power is defined as a belief that the business partner will not leverage its position to force the partner organisation to act in a way it does not wish to. This was a relationship dimension that emerged from some strong comments provided by participants. One FP participant stated:

“All they [the FSC] started coming in and saying look you know we have a new regime in place and we’ve got all these targets to think about and here they are, you have to make two phone calls a day and you have got to do this and you have got to do that and you have to report back to us every three minutes…I’d be out of the door so fast it won’t be funny because I’m not interested in that…. that would be one way that they could annoy the daylights out of me – wanting to control.” (A1P21)

Another FP participant stated:

“I knew exactly how I wanted it to work [the relationship with the FSC] – just let me do my own thing! Just let me go, just give me a hand to get it set up and let me go, everything will be fine… just come down and say g’day and leave us alone.” (A4P16)

This dimension emerged as an important antecedent to relationship quality for the FP businesses. The FP businesses that participated in this study are typical of FP practices in Australia. The top practices had one to two principals in the business and
a couple of support staff handling administration in the back-office. The main differences between the largest and smallest practices (defined by ‘Funds Under Management’) were the number of support staff employed as this enabled the business to manage a larger client base. In contrast, the FSC is a large, multinational financial services organisation with more than 3000 employees. The issue of leverage in this circumstance seems to weigh heavily in the assessment of relationship quality for the smaller business in the dyad.

5.7.3. Good product

The relationship dimension good product was primarily identified by participants from the FP businesses as being an antecedent to relationship quality. The definition of good product is a product or service that performs as promised and meets the needs of the customer. This dimension emerged as a ‘hygiene factor’ for many participants in their relationship with the FSC. A hygiene factor can be defined as a dimension that can cause dissatisfaction when missing but doesn’t necessarily promote satisfaction when it’s present. The participants from the FP businesses indicated that without the good product dimension, they would not be involved in the relationship with the FSC, so it therefore appears to be a precursor to the development of relationship quality. One financial adviser stated:

“They’ve [the FSC] had about 35 products on a Platform, pretty simple…but their admin [administration] was a nightmare. There comes a day when you just stop writing a product. At their end they had no real follow-up, so all of a sudden you stop using it. So we write a lot of business but that grates them [the FSC] that we don’t write with them but they’ve only got

5 The concept of a ‘hygiene factor’ is derived from Frederick Herzberg’s (1968) work on motivation.
a full-blown master fund at the moment…which is just not suitable for our clientele at this point in time.” (A2P6)

Another participant when discussing the social relationship (in terms of perks like conferences, golf days and other ancillary benefits) he has with the FSC commented that:

“…I mean it’s [the social perks] an irrelevancy at the end of the day. It’s nice to be offered and if you’re not being offered certain things you might have your nose out a bit but the bottom line is you want to get the business written, you want to get it through the system as efficiently as possible. Everything else is incidental.” (A3P8)

The concept the good product dimension refers to the FSC having a product that meets the needs of the FP businesses and their customers. In this context, ‘product’ also includes the service offer of the FSC. The actual financial implement itself (such as a Value Fund or an Imputation Fund) is not delivered discretely from the administration required to invest and report on the funds invested by the end customer or the payment of commissions to the FP business, so the FP businesses view the product and service in a holistic manner. For this reason, if either the product itself (the financial implement) or the administration (reporting, investment, etc) associated with the product is not meeting the needs of the FP business or their end customer, the FP business will either not engage with, or withdraw from, the relationship.

5.8. **Dimensions with limited agreement**

In addition to differences between participants in the dyad in terms of dimensions
identified by one side and not the other, there were also some relationship dimensions that were explored in the literature that did not emerge from the data generated from either side of the dyad. Three dimensions in particular did not emerge as dimensions of relationship quality: mutual investments, integration and cooperation. The definitions of the three dimensions are outlined in Table 11.

### Table 11: Definition of Relationship Dimensions not identified in the research

<table>
<thead>
<tr>
<th>Relationship Dimension</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual investments</td>
<td>An investment of resources (such as money, knowledge, experience, technology) made by both organisations in building the capabilities of the relationship.</td>
</tr>
<tr>
<td>Integration</td>
<td>Process by which the two organisations are effectively made a functional and structural whole, especially through the activity of the people responsible for enacting the relationship.</td>
</tr>
<tr>
<td>Cooperation</td>
<td>Practice of people working in common with commonly agreed upon goals and possibly methods, instead of working separately in competition.</td>
</tr>
</tbody>
</table>

#### 5.9. New dimensions developed

Themes emerged from the data generated through the open-ended depth interviews conducted with participants from both sides of a business relationship that have not previously been identified in the business-to-business relationship literature (see Chapter Two – Literature Review). The use of open-ended questions allowed the participants to provide greater depth and breadth of information regarding their experiences as a participant in the relationship and enabled the participant to recall and explore multiple experiences as the discussion moved from one topic to another.
As the data was thematically reduced, some themes emerged from the data that did not correlate to defined relationship quality dimensions. These themes were noted and new codes developed and attached to those themes. The new codes were then pulled from each interview and categorised. A summary of the new relationship dimensions created for each of the three relationship domains is provided in Table 12.

Table 12: New Relationship Dimensions emerging from the data

<table>
<thead>
<tr>
<th>Relationship Domain</th>
<th>Relationship Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Reciprocity</td>
</tr>
<tr>
<td>Social</td>
<td>Face-to-face contact</td>
</tr>
<tr>
<td>Technical</td>
<td>Efficiency of service</td>
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<tr>
<td></td>
<td>Staff consistency</td>
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<tr>
<td></td>
<td>Business support</td>
</tr>
<tr>
<td></td>
<td>Hierarchy of contacts</td>
</tr>
</tbody>
</table>

The next section will explore the new relationship quality dimensions that emerged from the data comparing the perceptions of the dimensions from both sides of the relationship dyad. To capture the essence of the dimensions in the participants’ own words, selected examples of each type are presented.

5.9.1. Economic domain

Within the economic relationship domain, one new relationship dimension emerged as component of relationship quality. This was *reciprocity*. The reciprocity dimension emerged from data generated from both sides of the dyad.
5.9.1.1. **Reciprocity**

The definition of *reciprocity* as a relationship dimension is when one organisation extends certain benefits (or expends effort) to meet the needs of the other and in return receives the same or similar benefits. The themes that emerged and were categorised as the relationship dimension *reciprocity* included concepts such as ‘getting value for money’, receiving increasing levels of service assistance in exchange for increasing sales and one business not taking another for granted.

One participant from a FP business made the comment that they didn’t feel valued by the FSC. This is despite being in the FSCs ‘Gold’ segment, which means they should be receiving the highest level of service offered by the FSC:

> “…They [the FSC] keep telling us you’re a valued agency of ours…you’d think they’d would be out here trying to piddle in our pockets all the time, not that we would want it, but you just feel as though you are old baggage in the joint and you’re of no value to them…. Because if they aren’t going to look after us then obviously we will start looking now in the new year at different other dealerships.” (A7P13)

It was important to this business that the Business Development Manager and other key contacts within the FSC, such as the State Sales Manager, make an effort to understand their business and reward their continued loyalty and high sales with attentive and informed service.

Another participant from a smaller FP business who is segmented by the FSC as ‘Core’ (meaning they receive the lowest level of service) added to the theme by stating:
“…We just have a non relationship with our dealer group because we don’t write their product….” (A2P9)

The opposite side to this theme emerged from the participants of the FSC who stated that in order for a FP business to receive a higher service level, they had to write the products of the FSC. The comment from one participant from the FSC reflected the comment made the financial planner (quoted above – A2P9):

“…When you’ve got a relationship which has enough of a book of business in your products, but that particular practice perhaps doesn’t write a lot of new business with you, yet demand from you a lot of service – there’s no equilibrium. There’s no give and take in the relationship.” (C2P5)

The same theme emerged from the data generated from another participant from the FSC who viewed the concept from a slightly different stance, suggesting that a FP business that was writing the FSCs products deserved to receive a higher level of service and that the FSC needed to demonstrate that it ‘earned’ the business through its service offer:

“I then played golf at the FPA golf day and I’m sat beside this chap who tells me he’s from this group of advisers and I said, ‘well we don’t know your business – we’ve done very well by default. I don’t think we have done well or earned the right to that business other than the products we have are a right fit for what you are doing.’ And he agreed and we are sitting down tomorrow to start that process of adding value then seeing how far we can extend this relationship that we hold.” (C5P14)
The reciprocity dimension emerged from both sides of the dyad as an important antecedent to relationship quality as both sides of the relationship wanted to ensure that the effort they put in (either from a sales or service perspective) was being matched by the effort of their relationship partner. The data generated from the interviews, as highlighted by the quotes above, indicated that a lack of reciprocity caused relationship unrest. The tone and selection of words (such as, ‘feel as though you are old baggage’ and ‘earned the right’) used by research participants exploring their experiences of ‘reciprocity’ suggest that there is an emotion-laden element to this relationship dimension and consequently may be connected to relationship dimensions within the social domain.

5.9.2. Social domain

In the social domain, one theme emerged from the data generated from both sides of the dyad from all but two participants (C1 and C3) and that was the importance of face-to-face contact in building and maintaining quality relationships. The themes that emerged were very specifically related to face-to-face contact and went beyond the dimension of social bonds suggested by the literature, so a new relationship dimension was created. The definition of face-to-face contact is where communication between actors responsible for enacting the relationship occurs face-to-face. Social bonds refer to the personal relationship between people that goes beyond the business imperative, but the face-to-face relationship dimension takes this concept a step further as the themes that emerged from the data indicate that you can have a good interpersonal relationship with a key business contact, but that in order to have a high quality relationship, some of that contact must occur face-to-face.
The need for face-to-face contact arises from a couple different source themes. The first theme arose from the FP participants who identified face-to-face contact as an important way of ensuring that they received special assistance or service:

“\[\text{If there’s an application that’s got a bit of an issue with it, you can go through the Business Development Manager. They will look over your shoulder and make sure it’s done properly. Things like special rates. If you have a client who wants an extra 0.05% before they are going to be happy, you might not be able to get it going through the regular channels but if you have a relationship with the Business Development Manager then you might get it.}\]\text{ (A1P11)}

One participant from the FP businesses found the Call Centres introduced by the FSCs to streamline service and cut down costs were actually a false efficiency as the people on the phone could not adequately service their needs and they were forced to use their face-to-face contact to get things done for their clients:

“\[\text{...All companies now use these silly Call Centres, that can’t really answer a lot of your questions – they try – then they go to an administration department and then they say the administrators won’t talk to you. Well that’s when I jump over [and call the BDM]. You shouldn’t have to do that. ...They’re the ones who have created these call centres and so-called efficiency.... The BDM ...is actually excellent.}\]\text{ (A8P7)}

In each of these cases, the person the FP participant is seeing face-to-face is either the Business Development Manager or the Practice Development Manager. Financial Planning practices that are segmented by the FSC as ‘Gold’ practices are assigned a
specific BDM and PDM to assist them and they usually visit the clients on their panel once per month. A ‘panel’ is a list of approximately 50-100 financial planning practices. ‘Silver’ practices do not have a dedicated face-to-face contact and receive visits from BDMs a couple times per year, depending on their sales performance. ‘Core’ practices are not allocated a face-to-face contact and primarily interact with the FSC through a telephone-based contact. Participant A1 above is a practice segmented by the FSC as ‘Core’ and A8 is segmented as ‘Gold’.

For the first time in 2006, the FSC introduced a meeting between the telephone-based support staff and their panel of FP businesses as the telephonic support process was receiving negative feedback from the planning practices. A participant from the FSC recalled:

“We’ve only trialled it from early this year [the telephone-based support system]. We’ve never done it before. It started off probably not as good as we had hoped. Given now that they’ve had the opportunity to meet the person face-to-face in the quarterly half-day sessions – that’s been probably one aspect that’s changed their relationship because they’ve met the person, had a discussion, and formed some kind of one-on-one relationship. Had we not done that I would be concerned.” (C4P5)

This experience highlights the perceived importance of face-to-face contact to the development of high quality relationships in the dyad.

Another theme that emerged from the data generated from the interviews with the FP businesses was the contribution that face-to-face contact has to the development of trust between the relationship partners. One participant stated:
…When you are face-to-face you get to know the person, you get to trust them and then you rely on their service…. Once you trust them you can ring them at any time and you know it’s going to get done.” (A6P7)

On the other side of the relationship dyad, participants from the FSC also identified themes associated with face-to-face contact as being important to developing a high quality relationship. A key theme emerging from data generated from the FSC interviews was around the role that face-to-face contact plays in increasing the sales potential of a business partner. As stated by one participant:

“I put in another BDM and the work that he has done in building that relationship has really taken them from being a reasonably good producer to being an exceptionally good producer. Very, very personal hands-on servicing. He’s basically at call with these guys. To a point of, you’d almost say 24/7. If the guys phoned and there was a problem the BDM would be there to solve the issue very, very quickly.” (C2P3)

As sales are the key criterion that the FSC uses to segment its business relationships, building sales volume in its business relationships is fundamental to its business success. The information that emerged from the data indicates that the FSC understands that if it pursued face-to-face contact with more of its business partners it would increase sales, but there is balance between cost of service and sales being generated. This is the reason the FSC introduced (along with its contemporaries in the financial services marketplace) telephone-based sales and service support. The same participant as quoted above went on to comment:
“If you’re not writing enough business, is it worth my while to take the time of a $120K resource when I could do it at a much lower cost and probably get the same result to the business. I think in some cases we have built some very good relationships telephonically. Are they ever going to be as good as a one-on-one? I don’t think so.” (C2P6)

Another participant expanded on this theme by stating:

“I think it [managing relationships] is easier face-to-face because if you can’t get in front of them you can’t see them, you can’t do this, you can’t do that, well you know something is going wrong, on the telesales you could have a guess but you don’t know what’s going on in the background.” (C5P9)

It seems the FSC sees the value (particularly in terms of increasing sales) that face-to-face contact has in terms of developing high quality relationships but must balance cost of service with the financial implications for the business.

Experiences shared by research participants suggest that face-to-face contact may be a mediating factor in service efficiency, effectiveness of communication, trust, and satisfaction with service. It is suggested that social actors engaged in the recursive creation of meaning and structure in business relationships have difficulty assessing the degree and state of the relationship if it is enacted from a distance. Consequently, face-to-face contact is a mechanism that supports the development of shared meanings among the social actors.
5.9.3.  Technical domain

Through the data reduction and thematic tapering process, more new relationship dimensions emerged within the technical domain than in either of the other two relationship domains. Five new relationship dimensions were identified, including *problem resolution, efficiency of service, staff consistency, business support* and *hierarchy of contacts*. Two of these dimensions emerged from the data generated by the interviews with participants from the FP business efficiency of service and staff consistency. The other three relationship dimensions (problem resolution, business support and hierarchy of contacts) emerged as key themes contributing to high relationship quality on both sides of the dyad. The next section will first explore the two dimensions the emerged only from the data generated from the interviews with participants from the FP businesses and will then explore the dimensions that emerged dyadically.

5.9.3.1.  Staff consistency

This relationship dimension is defined as the degree to which organisations’ employees (particularly key contacts responsible for enacting the relationship) remain the same over time. This dimension emerged as a key antecedent to relationship quality for participants from the FP businesses. Managing the investments and service needs of clients depends heavily on the accuracy and efficiency of the service received from the FSC. From the financial planner’s points of view, service efficiency and accuracy is inextricably linked to staff consistency. That is, being able to contact the same person or persons time after time that understand their business and possibly the history of the issue being resolved. Participants from the FP
businesses stated:

“…Name me a funds management group that doesn’t have its internal politics in a continual stream of BDMs, PDMs. You don’t know which one is Arthur or which one is Martha at the end of the day.” (A4P10)

“[The] trouble is they move these people so much.” (A8P7)

“…If somebody leaves – and they often do – then their [the FSC] processes aren’t in place properly. The next person does it their way, a different way. Whereas this other company is very good and it doesn’t matter, you’re confident that if somebody leaves they hand you over…they hold you r hand over the process and then nothing changes. So from your side it’s seamless…it’s irrelevant who’s delivering the service.” (A7P12)

Interestingly, each of the comments quoted above came from FP businesses that are segmented by the FSC to receive regular face-to-face contact with a dedicated BDM. Although the theme also emerged in the data generated from the interviews with Financial Planners from ‘core’ and ‘silver’ practices, the theme did not arise as often as it did in the interviews with participants from the ‘gold’ segmented practices. As stated previously, practices segmented ‘gold’ receive the highest level of face-to-face contact and business support from the FSC through its various relationship managers.

5.9.3.2. Efficiency of service

The second relationship dimension within the technical domain that was developed as a result of themes that emerged from the data generated from the FP businesses was
efficiency of service. This dimension is defined here as the skilfulness of organisations’ employees in avoiding wasted time and effort.

The main theme that emerged from the data was FP businesses wanted the FSC to streamline their administration and service as much as possible. This dimension included timely processing of product applications, prompt response to questions, and eliminating unnecessary bureaucracy from the application process. One example of an area that has the potential to require a lot of time to be invested by the FP business is in the area of compliance. Compliance refers to an ongoing need by the FP business to meet licensing requirements (to remain a licensed financial planning practice), implement any changes that may result for updates to legislation or policy, meet audit requirements, and meet the ongoing requirements that determine what must go into a Statement of Advice for a client. The way that the FSC manages its expectations around compliance can vary from relatively lenient to incredibly pedantic. Consequently, FP practices are often trying to improve efficiency in this area. As stated by one FP participant when exploring what they don’t perceive to be a quality business relationship:

“An overabundance of compliance.” (A4P10)

Another theme that emerged from the FP practices was the organisation and planning of the relationship managers in terms of how up-to-speed they were with what was going on in the Financial Planners’ businesses. They wanted their key contact to know what was going on and to be prepared for any meetings that they had, rather than turning up at their office either unprepared or under prepared. As one participant
stated:

“Now they [the BDM of a competitor of the FSC] would come, they’d have all your stats, wouldn’t they? This year, last year, they’d have it all broken down by quarter, graphs, you know just to lead you, what’s happening. Finger on the pulse the whole time, weren’t they?” (A7P16)

The flip side to this comment was made by another participant and reflected exactly the same theme relating to preparedness:

“Well one of them [BDM] comes out with information like that which we think the figures are wrong and we say, ‘that can’t be right’. [They say] Well I don’t know we’ve taken it off the system! Well!” (A6P16)

The other theme that emerged from the Financial Planners was related to the speed and accuracy of response to questions or requests. As the Financial Planner is managing the needs and expectations of the end client, their service and response time is only as good as that of the FSC. One participant highlights this by saying:

“We had a meeting on Tuesday. Neither of us [the financial planners] knew the person was coming. Obviously we said, all right, maybe it’s our stuff-up because it wasn’t in the diary. So we sat down [and he says] um, um, we gave you some presentations, how are they going? Well [we said] there are some issues. Oh, haven’t you got all the information? No, we asked for that information months ago. And it took them three months to get them to give it to us and then we didn’t get all the information we needed!” (A6P21)
The quality of relationship that a FP practice can offer its clients is only as good as the
service that it receives from the FSC. This is likely why the relationship dimension
*efficiency of service* emerged as a strong theme in the data generated from the
interviews with the FP businesses.

**5.9.3.3. Business support**

Through the data reduction and thematic tapering process, another theme common to
both sides of the dyad emerged that was identified by participants as being an
antecedent to relationship quality. Participants from both sides of the dyad
commented that support services provided by the FSC to the FP business were
important to the ongoing success of the business relationship. These support services
included expertise and resources that did not already exist in the FP businesses, but
which the FSC had available due to its size. These support services include things
like marketing assistance such as running seminars and assisting with direct mail
activity. They also include helping introduce new technology into a business such as
customer contact management systems or ‘paperless office’ technology. It can also
include ongoing coaching to help the principals of a FP practice to improve their sales
skills or build a strategic business plan. Based on these themes, this relationship
dimension has been defined here as the activity of providing for or maintaining by
supplying with skills, experience or necessities.

Receiving support to meet the changing compliance requirements introduced by new
legislation was a theme that was identified by one participant from a FP practice:

“For example when all this compliance came in, and everyone’s having trouble doing

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these templates and all these type of things, we had somebody come here and they said…of so and so in the other practice, they’ve already done a template for that, they’ve got it all worked out. Oh that’s good – give us the template!” (A7P15)

Another financial planner expressed a desire to receive ongoing training to increase their skills:

“So we would go on training days and he [the training manager from the FSC] had a passion…he had a lot of things which I still use today about positive thinking. They don’t do that anymore [offer those training programs].” (A2P8)

The themes that emerged from the perspective of the participants from the FSC was similar in terms of the types of business support that they thought should be offered to the FP businesses as a way to improve relationship quality, but the motivation for doing so was slightly different. The base motivation of the FSC in offering skills, training or technology was to either tie the FP practice more tightly into their relationship network or to increase their sales productivity.

One participant from the FSC identified the types of ancillary support offered to its ‘gold’ practices and the rationale from the perspective of the FSC for offering that support:

“…We do much more for those high quality practices…. Within [the FSC] we have a sales and professional development area that employs industry specialists like trainers, product writers, Neuro-Linguistic Programming specialists…. So we developed a value proposition for the business as a whole…. I suppose what we do is create enough ties in their business to
Another participant from the FSC stated that it is in the best interests of the FSC to help its business partners to grow their business and to provide the expertise to assist them to be able to achieve this:

“...It’s incumbent upon us to work with his [the financial planners] base, look at his base and put some ideas into his head so it’s some strategy around how he can grow his business.”  (C5P12)

Both sides of the dyad identified business support dimensions such as training, marketing assistance, and technology as elements that they recognised helped build high quality business relationships.

5.9.3.4.  Hierarchy of contacts

The final relationship dimension that was diffused from the themes that emerged from the data that were generated dyadically is based on the importance of having contacts within the partner organisation at a variety of levels within the hierarchy. Specifically the themes associated with this dimension are based around having more than one contact or having contacts that one could escalate to as required. This dimension is defined here as a list of people at different ranks in an organisation available to provide special assistance and who act as a channel for communication between the businesses.
The themes emerging from the data generated from the FSC side of the dyad included having an alternative to the main relationship contact in case the main contact was unavailable, using the concept of multi-level management as a way to identify new opportunities within a business relationship and having multiple skills available to assist the client as required.

One participant from the FSC identified the benefit of multiple contacts rather than one dedicated relationship contact for the financial planner in terms of efficiency of service:

“… The message I get to advisers is that we are all part of the same team so whether that’s BDO, BDM or myself [State Sales Manager], that they should equally speak to me if [the BDM] is out and about because if they have got an issue…I need to…address that issue in a timely fashion, manage and advise the expectations.” (C5P3)

The same participant indicated that providing the relationship partner with a variety of business contacts within the organisation can also provide opportunities to improve or deepen the business relationship as different people with varying business focus interact with the business. The participant commented:

“… Many times the rapport that I have with advisers would be different to that of the BDMs but saying that I hope it’s a positive on both parts and sometimes [it’s] the different ways to crack a nut! You know, if the BDM comes in at one end of the scale and we come in at the other end of the scale…we can come together with the desired result. It’s a team effort….” (C5P7)
Participants from the FP business side of the dyad highlighted other benefits of having multiple contacts within the partner organisation’s hierarchy, including ensuring that the service they received was based on inherent business processes as opposed to the particular skills or abilities of a key relationship manager. As one participant from a FP business indicated:

“If it’s important that the process isn’t specific to an individual] because everyone moves around a lot. That’s what we try to build here…is that we have processes in place so if somebody leaves, they are going to get exactly the same service so we try and sell it as [the company] not as [the individual].” (A7P12)

Other participants indicated that having a key contact higher up the hierarchy ensured that they could always escalate a problem to someone who had the power to resolve the issue.

“If I want to ring [the head of Customer Service], I’ll ring [her] and she will know that I’ll be ringing because something is drastically wrong.” (A4P13)

The use of multiple contacts within the business relationship appears to mediate the key person risk perceived by both sides of the dyad.

5.10. Summary of relationship domains and dimensions

Following the data reduction and thematic tapering process, it was found that themes that emerged from the data that were consistent with relationship dimensions identified in the literature and it was found that new themes emerged that required
new relationship dimensions to be constructed to accurately report the perceptions of
the research participants. Table 13 summarises the relationship dimensions
categorised by each relationship domain, including both the existing dimensions
reported by the literature and identified by this research and new dimensions
identified by this research.

<table>
<thead>
<tr>
<th>Relationship Domain</th>
<th>Relationship Dimension</th>
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<tbody>
<tr>
<td>Economic</td>
<td>Profit</td>
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<tr>
<td></td>
<td>Mutual dependence</td>
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<tr>
<td></td>
<td>Goal compatibility</td>
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<td></td>
<td>Good product</td>
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<td></td>
<td>Reciprocity</td>
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<tr>
<td>Social</td>
<td>Trust</td>
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<td></td>
<td>Communication</td>
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<tr>
<td></td>
<td>Social bonds</td>
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<tr>
<td></td>
<td>Face-to-face contact</td>
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<td></td>
<td>Commitment</td>
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<tr>
<td>Technical</td>
<td>Knowledgeable employees</td>
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<tr>
<td></td>
<td>Legitimate exercise of power</td>
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<td></td>
<td>Problem resolution</td>
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<td></td>
<td>Efficiency of service</td>
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<td></td>
<td>Staff consistency</td>
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<td></td>
<td>Business support</td>
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<td>Hierarchy of contacts</td>
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<td></td>
<td>Mutual understanding of needs</td>
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</table>

5.11. Differences between adviser groups

As stated at the beginning of this chapter, FP businesses representing three tiers of the
FSCs business segmentation index were included in this research: Gold, Silver and
Core. Gold practices are designated by the FSC as their highest performing business
partners in terms of product sales volume and variety. Consequently these practices receive the highest level of service, including regular face-to-face contact with a variety of relationship managers from within the FSC and access to a range of business support options from marketing assistance to technology implementation. Business partners rated as ‘Silver’ according to the FSC are practices that continue to strongly support the FSC in terms of sales but are not in the top 10% of performers. They receive less face-to-face contact and instead receive a combination of telephone-based support and access to intermittent visitation from the FSC’s relationship managers. FP businesses that are segmented as ‘Core’ practices are only allocated telephone-based support and would only have face-to-face contact with relationship managers from the FSC during group functions, such as training seminars or conferences. Due to the differences in the way that the business relationships are managed, this section will explore the differences between the segments in terms of how they perceive high relationship quality.

Following an analysis of the dimensions that emerged from the data generated by the FP businesses, it was found that Gold segmented practices were more likely to have the following dimensions emerge as themes during the data collection process. These dimensions emerged less often with the Core and Silver advisers.

5.11.1. Economic domain

Within the economic domain the Gold segmented practices were more likely to explore themes related to the profit dimension, integration dimension and reciprocity dimension than were their counterparts in either the Silver or Core segmented practices. The other relationship dimensions categorised within the economic domain
emerged evenly from gold, silver and core practices.

5.11.2. Technical domain

Within the economic domain the Gold segmented practices were more likely to explore themes related to the legitimate exercise of power dimension, cooperation dimension, staff consistency dimension and hierarchy of contacts dimension, than were their counterparts in either the Silver or Core segmented practices. The other relationship dimensions categorised within the technical domain emerged evenly from gold, silver and core practices.

5.12. Chapter summary

The findings presented above indicate that there are more similarities than differences in the perceptions of relationship quality held by the participants on both sides of a business-to-business relationship. The findings also indicate that some relationship dimensions identified are consistent with the literature whereas other dimensions identified in the literature did not emerge in this study. Additionally, new dimensions of relationship quality emerged in this study. A more detailed summary and a discussion of the findings are presented in the next chapter.
CHAPTER SIX

This chapter addresses issues related to the major findings from and limitations of the Interpretivist study of the perceptions of the dimensions of relationship quality held by participants engaged in a business-to-business relationship. This chapter will also consider the implications of the findings for professional practice as well as discuss future research directions.

6. Discussion

6.1. Introduction

The motivation for doing this study emerged from observing the ongoing professional development of the financial planning industry in Australia and its (often) uncomfortable relationship with the financial services institutions with which it is affiliated. Over the past ten years the financial planning industry has undergone severe scrutiny from the media and the regulators for the way it is remunerated by financial service institutions for selling their products. The industry has struggled to overcome a perception that its advice is based on commissions paid for product sales and the financial service institutions have sought new ways to manage its relationships with financial planners as legislation has removed incentive schemes and ‘soft dollar’ commissions from its relationship management tool kit. Vigorous competition amongst financial services institutions for investor dollars combined with a shortage of skilled, qualified financial planners has meant financial services institutions are seeking new ways to manage their key relationships to prevent attrition and to attract planners to their networks, without resorting to the
aforementioned soft dollar incentives. A more professional approach is being adopted but there is still a long way to go before the media, and consequently the public, is convinced about the new professionalism of the industry. It is the aim of this study to contribute towards the ongoing development of the industry by identifying ways for both financial planning businesses and financial service institutions to build and maintain high quality business relationships with each other.

This chapter compares and contrasts this research’s findings, reported in Chapter Five, with the literature to highlight similarities and differences and to show where this research advances the existing literature and therefore makes contributions to the body of knowledge on relationship quality. This chapter concludes with the implications of the findings for theory, practice and policy, a discussion of the limitation of the research and recommendations for further research.

6.2. Overview of the significant findings

This section will discuss the significant findings of the research study and is organised in the following manner: first the dimensions of relationship quality identified in the literature and the study will be discussed and secondly, the new dimensions of relationship quality that emerged in this study will be discussed.

6.2.1. Dimensions identified in the literature and the study

6.2.1.1. Agreement in the dyad

Within the dyad there were relationship dimensions that emerged from the interviews that were consistent with relationship dimensions that have been reported in the
literature. These dimensions included profit, goal compatibility, trust, commitment, social bonds, communication, mutual understanding of needs and problem resolution. This section will review each of these dimensions and compare the findings to those identified in the literature.

Within the economic domain, the concept of business profitability emerged regularly from the data generated from both sides of the dyad. ‘Profit’ as a relationship quality dimension was defined as the financial return associated with the effort expended in the relationship. From the perspective of the FSC, sales emerged as a dominant theme, which is not surprising considering the FSC segments its relationships with FP businesses based on volume and variety of sales activity and certain relationship managers within the FSC (namely Business Development Managers and State Sales Managers) are remunerated based on the sales volume that their panel of FP businesses generates each year. The FP businesses were also concerned with profit but couched it in terms of what assistance the FSC would provide to help them increase sales to the end consumer. Generating profit for the business emerged as a key antecedent to relationship quality but it could also be described as a hygiene factor, as without the profitability aspect, participants indicated that the relationship could not continue. A hygiene factor can be described as an element that is notable only when it is lacking. That is, both sides of the dyad expect profitability, as it is a core reason for entering into and maintaining the relationship. Profit has also arisen in the literature as a component of relationship quality in a business-to-business context as Naudé and Buttle (2000) identified profit as one of five attributes of business-to-business relationship quality in their research study. The fact that this dimension has also emerged strongly across the dyad in this study may indicate that
profit is a dimension of relationship quality that is generalisable across market contexts. It also adds to the body of knowledge in this area as it indicates that profit is recognised dyadically as an important dimension of business-to-business relationship quality, whereas previously it had only been identified from the perspective of one party to the relationship.

In addition to profit, another dimension of relationship quality in the economic domain that emerged from the data generated from both sides of the relationship dyad was goal compatibility. Goal compatibility was identified in the literature by both Wilson and Jantrania (1996) and Myhal et al (2001) as a quality linked to achieving a high quality relationship. This research defined goal compatibility as the alignment of business objectives between organisations. Goal compatibility emerged as a dimension that could lead to openness in a business relationship as businesses share and try and align their plans for the future. The instances where goal compatibility emerged as a dimension linked to relationship quality in the data generated from the interviews also seemed to be linked to a greater enthusiasm for the relationship from both the FSC and the FP. It also appeared that a misalignment in compatibility of business goals could lead to disharmony in the relationship and a breakdown of contact, as was highlighted by Participant A1 who stated, “Our goals are not necessarily to grow the business at an astronomically quick rate so her [the BDM] and our goals don’t necessarily align. I think she has worked it out [and] that’s why I’m not getting to see her…” It appears this study supports the existing knowledge that goal compatibility is an antecedent to relationship quality and extends this by suggesting that is recognised dyadically in the relationship as being an antecedent.
In addition to the two dimensions (profit and goal compatibility) identified in the economic domain that were consistent between the findings of this study and the literature, four dimensions were identified in the social domain that were reported in the literature and were supported by this study; trust, commitment, social bonds and communication.

Previous studies concluded that trust is a cornerstone of effective relationships and an element of relationship quality (Naudé and Buttle, 2000; Wilson and Jantrania, 1996; Dwyer et al, 1987; Schurr and Ozanne, 1985; Johnson, 1999; Gansesan, 1994; de Burca et al, 2004). This study seems to support this and further the knowledge in this area as trust was recognised dyadically as an antecedent to relationship quality. This study identified that the existence of trust in a relationship opened the pathway to communicating and sharing business sensitive or commercially sensitive information. A participant from the FSC (C3) stated that a Financial Planner shared information that competitors would provide to make the FSC aware of competing offers in the marketplace. This type of information was very valuable to the FSC and would not have been possible for them to acquire outside of the relationship with the Financial Planner.

An aspect of the trust dimension that has not specifically been identified in the literature that seemed to emerge from this study was the concept that if trust existed in the relationship then it opened the way to share bad news or information more effectively, particularly without fear that the news or information would detrimentally affect the relationship. A participant from the FSC (C3) stated that one of the things that makes a successful relationship is saying no when the answer is no. This is
potentially due to having a feeling of security about the relationship, which is an aspect of trust that was identified by Buttle and Biggemann (2003). Additional research seems necessary to clarify this aspect of the trust dimension, however.

Previous studies have identified commitment as the most common dependent variable used in B2B relationship studies and many authors recognise commitment as a critical element for building long term relationships (Garbarino and Johnson, 1999; Morgan and Hunt, 1994; Dwyer et al, 1987; Wilson and Jantrania, 1995; de Burca et al, 2004). The definition of commitment cited in the literature, as a pledge of relational continuity between partners (Dwyer et al, 1987), is consistent with the findings of this study. One Financial Planner stated, “We think long term all the time, not just dollars now…” (A7P21) Having a long term view and the concept of trading off short term benefits for long term gain, was a dimension of relationship quality that was consistent across the dyad and adds to the existing body of knowledge that trust is an antecedent to business-to-business relationship quality. The knowledge that this dimension has also emerged in a financial services context may indicate that commitment is a dimension of relationship quality that is common across all market categories.

Wilson and Jantrania (1996) proposed in their conceptual contribution to the body of knowledge on business-to-business relationship quality that social bonds were one of seven attributes that characterised successful business-to-business relationships. Social bonds are defined as personal relationships that go beyond the business imperative. The findings of this study appear to support that as themes associated with the dimension, ‘social bonds’ emerged frequently in the data generated from both
sides of the dyad. Social bonds emerged as a key component in the decision-making process to support the purchase of one product within a universe of similar products. The findings of this research indicate that the quality of a product is assessed as much through the participants’ interaction with the service (processes and people) that supports the product as it is through the simple assessment of the functions of the product itself. Participants described being able to understand ‘what their business is all about’ by looking in the eyes of the individual (C5P3). This seems to indicate that if the person with whom the participant was engaged in the social interaction was found to be ‘lacking’, then the product would also be found to be lacking. Further, social bonds emerged as a dimension that ‘allowed’ a participant in the dyad to challenge the relationship. That is, pose difficult questions or confront an issue that may be emerging in the relationship. The social bond dimension emerged as a holistic dimension of relationship quality that touched many aspects of the way participants assessed the quality of the relationship. It appears to influence sales and provide the impetus for businesses to work together or improve a potentially failing relationship. The findings of this study seem to indicate that the social bonds dimension is potentially multi-dimensional and further research could be conducted to explore this component of relationship quality.

Communication also emerged in the dyad as an antecedent of relationship quality recognised by both the FSC and the FP businesses. This is consistent with the business-to-business literature that states communication and information sharing is linked to achieving a high quality relationship (Anderson and Narus, 1990; Morgan and Hunt, 1994; Myhal et al, 2001). As financial products are highly complex, business partners depend on regular, ongoing communications to meet the service
expectations and needs of clients. Communications regularly include issues such as problem resolution, sharing information relating to market movement or legislative changes and how that may affect product or service outcomes, or competitor activity. A lack of communication or breakdown in communication emerged as a significant issue for businesses as some of the issues that emerged from the data could trace their cause to communication issues between the businesses; lack of communication about product changes (A7), changing business needs (C4), timely information (A7). Service-based sales interactions differ from product-based sales interactions particularly in the ongoing communication required between the buyer and the seller to maintain the product. In a financial services context, the FP businesses rely on the FSC to deliver accurate and timely reporting and if this does not occur the FP businesses must ‘chase it up’ on behalf of their clients. Time spent managing problem resolution costs the businesses, as it is time the FP business could have spent servicing its client base and increasing sales. Therefore, inefficient service delivery from the FSC is actually a cost to the FP business. It is understandable then that sharing information, both critical and incidental, through formal and informal channels between businesses can be an antecedent to relationship quality, particularly in a service industry. The results of this study add to the existing body of knowledge that communication is an antecedent to relationship quality and is recognised dyadically in a business-to-business relationship in a service-based industry.

The seventh dimension of relationship quality that emerged dyadically from the data generated for this study and is also recognised in the literature is the mutual understanding of needs. This dimension particularly refers to an organisation determining and understanding the needs of the partner and adapting its response to
satisfy those needs. The data generated from this study particularly identified ‘managing expectations’ as an aspect of this dimension that was important. Managing expectations is an important aspect of the business relationship as sometimes the product ‘promise’ does not live up to expectations, and this disconnect between what is promised and what is actually delivered can harm the integrity of the business relationship and erode trust. As one of the key themes emerging from the data linked to trust is based on ‘doing what you say you’re going to do’, it appears that mutual understanding of needs is correlated to trust as a dimension leading to relationship quality. Naudé and Buttle (2000) have also suggested that trust is linked to mutual understanding of needs as components of relationship quality. It appears that more research could be undertaken to determine whether trust and mutual understanding of needs are interrelated as components leading to relationship quality in a business-to-business context.

Problem resolution also emerged dyadically from the data generated from the interviews with the FP businesses as a dimension linked to relationship quality. Problem resolution is defined as the steps taken by an organisation that lead to the successful resolution of an issue that has been raised by the partner organisation. It is suggested that the reason this dimension appeared strongly from the data generated by the interviews with the FP businesses is that the FP businesses are in direct contact with the customer. If a problem occurs with the application or management of a clients’ investment (purchased from the FSC) then it is the FP business that is the ‘middleman’ in the resolution of the problem and consequently it is the reputation of the FP business that is most likely to be affected by the process of resolution.
The idea that a problem would occur during the course of a relationship wasn’t the key issue of concern for the FP businesses. Rather it was about the approach to the resolution of the problem that was identified by participants as a driver to either strengthening or weakening the relationship between the two businesses. As one participant clearly stated, “We are living in an environment where mistakes are made all the time and then mistakes are expected and looked for and yes it’s what you do to deal with that mistake that ultimately determines the strength of your relationship with people. It’s like a test…. I suppose in my mind that response becomes more important than the three hundred good things they’ve done before that unfortunately.” (A1P16). A participant from the FSC echoed this sentiment when he stated, “I think with every relationship there is a hiccup at some time. It’s just how you deal with it that can either improve the relationship or keep it at that level or maybe harm it in some way.” (C3P10) Both of these quotes highlight that the identification of a problem in the relationship is an opportunity. It is an opportunity to strengthen a relationship to a point where a competitor would find it difficult to step in and offer a competitive alternative. As participant A1 highlighted, a problem is a test for a relationship.

It may be true in business relationships what is true in human relationships, that surviving a challenging experience can draw people/ businesses together and create a bond between them that is very difficult to break. It stands to reason then that a business should welcome the opportunity to resolve a problem, as it may be one of the only ways to truly create loyalty in a business relationship. If this is even remotely true, it would be worthwhile for a business to manufacture a problem just so that they can successfully resolve it! What is suggested by data generated for this study is that
problem resolution may be a catalyst for relationship quality. That is, the resolution of a problem early in the tenure of a business relationship may accelerate the process of developing relationship quality; conversely it can also hasten the demise of a relationship if the problem resolution process is handled poorly. This relationship dimension needs to be explored further to determine whether it can act as a catalyst to accelerating the progression of a business-to-business relationship towards long term relationship quality.

The themes that emerged from the data generated by this study indicate that the following dimensions Table 14 are identified dyadically as dimensions of relationship quality in a business-to-business context. These dimensions have also been identified in the literature as components of relationship quality in a business-to-business context.

**Table 14: Dimensions of relationship quality identified dyadically and appearing in the literature**

<table>
<thead>
<tr>
<th>Economic Domain</th>
<th>Social Domain</th>
<th>Technical Domain</th>
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<tbody>
<tr>
<td>Profit</td>
<td>Trust</td>
<td>Mutual understanding of needs</td>
</tr>
<tr>
<td>Goal compatibility</td>
<td>Commitment</td>
<td>Problem resolution</td>
</tr>
<tr>
<td></td>
<td>Social bonds</td>
<td></td>
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<tr>
<td></td>
<td>Communication</td>
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It appears that the results of this study add to the body of knowledge in this area by identifying that these elements are identified dyadically and are identified in a services industry context. This may indicate that these components of relationship quality are common across market and industry sectors.
Although some components of relationship quality emerged dyadically, there were other themes that emerged from the data generated from either one side or the other of the relationship dyad. That may indicate that some components of relationship quality are identified based on an individual’s perspective in the relationship. The next section will explore the themes that were only identified by one side of the relationship dyad.

6.2.1.2. Differences in the dyad

Three dimensions of relationship quality that were identified in the literature (mutual dependence, good product and legitimate use of power) also emerged from the data generated from the interviews conducted for this study, but they emerged only from one side of the relationship. Mutual dependence emerged as a dimension of relationship quality from the data generated from the FSC and legitimate use of power and good product emerged as a dimension of relationship quality from the data generated through the interviews with participants from the FP businesses.

Mutual dependence was identified by Naudé and Buttle (2000) and Anderson and Narus (1990) as a quality being linked to achieving a high quality relationship. It appears from the interviews with participants from the FSC that the dimension of mutual dependence is based on ‘locking’ the partner businesses into the relationship through the introduction of other service elements that act as ‘golden handcuffs’. These include offering additional services to the FP businesses such as advertising, business planning sessions and technical service hotlines. The FSC knows that the FP businesses are often too small to cost effectively introduce these services into their business structure so offering these services to them for free makes it more difficult
for the FP business to leave the relationship if they’re dissatisfied. The interesting flip side to this dimension is the dimension that was identified as an antecedent to relationship quality by the FP businesses but not by participants from the FSC – the legitimate exercise of power. Participants from the FP businesses were particularly concerned with restricting the likelihood that the bigger FSC business could exert any form of control over their business. Legitimate exercise of power is identified in the literature by Wilkinson and Young (1996) and Johnson (1999) as being linked to relationship quality. It is interesting that the dimension related to dependence was identified as an antecedent to relationship quality by the larger FSC who is dependent on the smaller FP businesses for the distribution of its products, where the smaller partner, the FP business, can choose from a variety of product providers and therefore isn’t as ‘locked-in’ to the relationship. The FP business on the other hand appears to be more concerned with limiting the influence of the larger FSC on its operations. Both of these dimensions appear to be related to control and the balance of power in the relationship. It seems as though to achieve relationship quality in a business-to-business context each business must have the perception of equitable use of power.

Good product is a dimension that emerged from the data that appears to be a hygiene factor for the relationship. That is, without this factor – the product performing as promised and meeting the needs of the customer – the relationship would not exist. It is interesting that the fundamental building block of the relationship, that the product or service meets the needs of the customer, has only emerged once previously as a dimension linked to relationship quality (De Burca, 2004). It is possible that this is due to the fact that many of the previous studies conducted on business-to-business relationship quality were approached quantitatively and hygiene factors weren’t
considered for inclusion as measures. Participants from the FP businesses identified *good product* as an important antecedent to relationship quality and described all other relationship dimensions as ‘incidental’ (A3) to having a good product. Participants from the FP businesses stated that they would stop writing business from the FSC if the product on offer did not meet the needs of the client, even if all other aspects of the relationship were positive (A2).

These comments suggest that *good product* is a core dimension of relationship quality that supersedes other dimensions of relationship quality. It is suggested that the concept of relationship dimensions having a hierarchy in terms of the way they interact as dimensions of relationship quality would benefit from further exploration and definition. It may be that the dimensions of relationship quality can be classified into a pyramidal hierarchy for the development of business-to-business relationship quality much like Maslow’s⁶ hierarchy of needs applies to needs associated with human motivation. That is, we may be able to depict relationship quality as a pyramid consisting of three levels, the first (or foundation) level being associated with core needs that must be fulfilled for the relationship to exist or ‘hygiene factors’, the second (or structural) level with needs associated with the successful management and maintenance of the relationship and a third and top level consisting of growth needs for the business relationship (see Figure 5).

Figure 5: Pyramidal relationship quality continuum

The foundational needs must be met first. Once these are met, the relationship can be established and operationalised. The higher needs in the hierarchy only come into focus when the lower needs in the pyramid are satisfied. Once a business relationship has moved upwards to the next level, the needs in the lower level will no longer be prioritised. If a lower set of needs is no longer being met, the business will temporarily re-prioritise those needs by focusing on the unfulfilled needs. For instance, a business operating within a business-to-business relationship at the structural level may find a product change instituted by the partner no longer meets the needs of all its clients. The business will then spend a lot of time concentrating on managing the operationalisation of the change in its day-to-day activities but will continue to value the other structural components of the relationship with the partner.
such as goal compatibility.

Although this hierarchy is suggested by the themes that have emerged from the data generated by both sides of the dyad where some relationship dimensions appear to be ‘hygiene factors’ for the relationship, conceptually it is worth thinking of relationship quality as a continuum, as it is not a destination that is achieved by ‘checking off’ each of the relationship dimensions discussed here. Rather relationship quality exists in some form, either in a poorer or richer form, at both ends of the pyramid. As it is depicted here in a pyramid, a poorer form of relationship quality is in place at the structural level and a richer form of relationship quality is in place at the growth level. It is suggested that testing this concept of a relationship continuum that can be organised into a hierarchy would be a worthwhile endeavour for future research initiatives.

6.2.1.3. Unidentified in this study

Although many of the dimensions of relationship quality reported in the literature also emerged as themes from the data generated for this study, there were three dimensions identified by the literature that did not emerge from this study. These dimensions were mutual investments, integration and cooperation.

For one of these dimensions, cooperation, it is possible that this is due to the definition applied to the dimension in so far as there are two dimensions that seem to define the same activity or behaviour but are named separately in the literature by different authors - cooperation and goal compatibility. Cooperation is defined as the ‘practice of people working in common with commonly agreed upon goals and
possibly methods, instead of working separately in competition’ and goal compatibility is defined as the ‘alignment of business objectives’. Although subtly different the intention of the dimension is the same – businesses aligning their goals and working together to achieve these goals. Goal compatibility was a relationship dimension that emerged from the thematic tapering process undertaken as part of the data analysis for this study.

As for the dimension integration, identified in the literature by Naudé and Buttle (2000), although the participants in this study did not specifically identify themes that could be thematically tapered into an ‘integration’ dimension, some of the data generated through the interview process suggested that integration may be occurring in the relationship, possibly without the participants being conscious of it. Integration is defined by the researcher as the ‘process by which two organisations are effectively made a functional and structural whole, especially through the activity of the people responsible for enacting the relationship’ (Table 10: Definition of Relationship Dimensions). This researcher experienced activities that were co-created by actors from both sides of the business relationship during the data generation stage of this study. This included business planning, marketing and technology integration. Actors responsible for enacting the relationship from the FSC were seen to assist in the introduction of new technology to a FP business, including training on that technology. Interview participants from the FP businesses also shared experiences where Business Development Managers from the FSC would come into their business and assist them with their strategic planning activities. These activities suggest that a level of integration does exist between the FSC and some of the FP businesses. It is possible that the actors from the FP businesses enacting the business relationship
however, do not consciously identify this sharing of skills and resources as a type of integration. This may be due to the size difference between the FP businesses and the FSC and the desire of the FP businesses to remain ‘independent’ from the FSC. It is also possible this relationship dimension is not recognised as an antecedent to relationship quality in the financial services industry.

The dimension identified in the literature, ‘mutual investments’, which is defined as ‘an investment of resources (money, knowledge, experience, skills) made by both organisations in building the capabilities of the relationship’ also did not specifically emerge from the data generated for this study. The experience of this researcher however, was that resources such as skills, knowledge and experience were regularly being shared between actors from both sides of the dyad each time they interacted. It is possible that this ongoing exchange of resources is considered business-as-usual in the financial services industry due to the highly complex nature of the products and services. That is, this dimension of relationship quality may be context specific and may not emerge in highly complex business-to-business relationship exchanges. Or, it may be that the participants in this study were more focused on the outputs of the relationship than the inputs. It is also possible that these activities are not seen by the actors participating in this business relationship as ‘mutual’, rather something to be delivered as part of the relationship dynamic from the larger, better resourced partner, to the smaller partner.

6.2.2. New dimensions identified

While certain dimensions of relationship quality that were identified in the literature also emerged thematically from the data generated for this study, there were also
dimensions that emerged from the thematic tapering process undertaken as part of the data analysis that revealed dimensions of relationship quality that have not been identified to date in the literature. The emergence of new relationship quality dimensions from this study is likely due to the Interpretivist paradigm and the open-ended interview process, which allowed participants to provide greater breadth and depth of information regarding their experiences as a participant in the relationship and enabled the participant to recall and explore multiple experiences as the discussion moved from one topic to another. Six new dimensions of relationship quality were identified, two that emerged from the data generated from the interviews with the FP businesses and four from the data generated dyadically. The dimensions and their associated domains are shown in Table 15.

Table 15: New Relationship Dimensions and source

<table>
<thead>
<tr>
<th>Relationship Domain</th>
<th>Relationship Dimension</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Reciprocity</td>
<td>Dyad</td>
</tr>
<tr>
<td>Social</td>
<td>Face-to-face contact</td>
<td>Dyad</td>
</tr>
<tr>
<td>Technical</td>
<td>Efficiency of service</td>
<td>FP businesses</td>
</tr>
<tr>
<td></td>
<td>Staff consistency</td>
<td>FP businesses</td>
</tr>
<tr>
<td></td>
<td>Business support</td>
<td>Dyad</td>
</tr>
<tr>
<td></td>
<td>Hierarchy of contacts</td>
<td>Dyad</td>
</tr>
</tbody>
</table>

None of the themes that emerged from the data that were tapered to these relationship dimensions have previously been identified specifically in the literature as dimensions of business-to-business relationship quality. Two dimensions were identified as a result of themes emerging from the data generated by participants from the FP
businesses (problem resolution and staff consistency) but were not identified from themes generated from the data generated from the FSC. The other four themes were identified dyadically, resulting from themes emerging from the data generated from participants from both sides of the relationship; these themes included reciprocity, face-to-face contact, business support and hierarchy of contacts. The following section will explore each of the new dimensions and their possible input to the development of business-to-business relationship quality.

6.2.2.1. New dimensions identified by the FP businesses

The FP businesses identified efficiency of service, and staff consistency as dimensions that are dimensions of relationship quality. Efficiency of service is defined as the skilfulness of organisations’ employees in avoiding wasted time and effort. Efficiency of service as a dimension of relationship quality emerged from the issues that the FP businesses face as an intermediary between the product producer and the end client. The service that the FP business offers to the client is often only as good as the service that the FP business receives from the actors responsible for enacting the relationship at the FSC. In addition to the speed and accuracy of the response by the FSC to issues and requests raised by the FP businesses, the FP businesses also expected their contact at the FSC to have a basic level of understanding about their business and to be well-informed and prepared when they attended meetings. The FP businesses seem to equate efficiency of service with the level of interest that the relationship partner has in them and their business – almost as if efficiency of service is a proxy for relationship engagement. This relationship dimension emerged from the data generated from interviews with FP businesses that were classified by the FSC as being both Gold and Core practices. That means efficiency of service is a...
dimension of relationship quality emerging from businesses regardless of whether they receive regular direct face-to-face contact with their relationship partner or whether they receive telephonic-based service. It also seems to suggest that service efficiency is not necessarily improved by face-to-face interaction.

The third relationship dimension that emerged from the data generated by the interviews with the FP businesses that has not previously been identified in the literature is staff consistency. This relationship dimension appears to be connected to the relationship dimension efficiency of service, as similar themes arose in association with both dimensions. That is, being able to contact the same person time and again, from the perspective of the FP businesses, is important to achieve a timely and accurate outcome in terms of processing transactions and resolving problems. The participants from the FP businesses ranked as ‘Gold’ level practices by the FSC were more likely to identify this relationship dimension as an antecedent to relationship quality that the FP businesses that were receiving the majority of their contact via telephonic-based relationships. It is possible that the two relationship dimensions, staff consistency and efficiency of service could be merged and represented as one relationship dimension as they appear in some ways to be thematically similar, but it is suggested that could be determined more effectively through additional research.

Aside from the two relationship dimensions staff consistency and efficiency of service that emerged as new dimensions of relationship quality from the data generated from the interviews with the FP businesses, four new relationship dimensions emerged dyadically; reciprocity, face-to-face contact, business support and hierarchy of contacts. The next section will discuss these four new relationship dimensions.
6.2.2.2. **New dimensions identified dyadically**

The relationship dimension, *reciprocity* emerged from themes in the data related to ‘value for money’. The concept of value for money, where one organisation extends certain benefits (or effort) to meet the needs of the other and in return receives the same or similar benefits, emerged from the FP businesses desire to have the business relationship be in equilibrium. That is, if the FP businesses were working hard to meet sales targets or business objectives, they expected the actors responsible for enacting the relationship on behalf of the FSC would, complimentarily, work hard to assist them to achieve their goals, as ultimately the product sales would benefit the FSC. It was when the FP businesses didn’t feel as though they were receiving ‘value’ for the fees they paid for their licenses that harmony in the relationship began to break down. The FSC on the other hand also identified *reciprocity* as an antecedent to relationship quality as they expected that the FP businesses had to ‘earn’ (C5) their support through sales. It appears that unless both partners in the business relationship feel there is equilibrium in terms of effort being put into the success of the relationship (through sales, business support activities, etc) the relationship has the potential to break down. The concept of equilibrium in the business relationship has only previously been identified in the literature in terms of power and the potentially inappropriate use of power within a business relationship (Wilkinson and Young, 1996; Johnson, 1999). It appears that this concept of balance in the relationship in terms of effort rather than power would benefit from further investigation and research.

The relationship dimension *business support* emerged from the data generated from
interviews with both sides of the relationship dyad. Participants from both the FSC and the FP businesses identified business support offered by the FSC to the FP businesses as critical to the ongoing success of the business relationship. Many of the FP businesses depend on their larger, better-resourced partner to assist them with business functions that they could not afford to access outside of the business relationship. Examples of this support include marketing assistance, technology introduction, and access to technical skills such as legal and compliance advice. This support is offered by the FSC with the expectation that the result will benefit the FSC in terms of improved sales and increased ongoing profitability of the FP business. A partner to this relationship dimension may be the dimension reciprocity as the expectation is that the FSC will get something back for its efforts. This relationship dimension and its manifestation is a good example of the practical application of Hedberg’s theory of the Imaginary Organisation (Hedberg et al, 1994) where the FP business can operate as an entity that is better resourced than what its balance sheet would naturally allow as it is accessing the resources of its business partner. The manifestation of this relationship dimension is that actors from both sides of the dyad engage in joint production and joint value creation thereby temporarily enhancing the resources of the FP business without expanding it, blurring the division between the two organisations.

The other two relationship dimensions that emerged from the data generated from the dyad were hierarchy of contacts and face-to-face support.

Another relationship dimension that emerged strongly from the data generated dyadically was the identification of the importance of face-to-face contact in the
development of relationship quality. This relationship dimension may have the
greatest impact on practice as financial service companies move away from face-to-
face interaction with many of its business relationships and move towards telephonic
support as a way of economising. This relationship dimension takes the concept of
social bonds identified in the literature (Wilson and Jantrania, 1996) to another level
as it focuses very particularly on the need for face-to-face contact between actors
responsible for enacting the relationship. The themes that emerged from the data
suggest that you can have a good interpersonal relationship with a key business
contact, but that in order to have a high quality relationship, some of that contact must
occur face to face. The importance of this relationship dimension in building
relationship quality was effectively highlighted by the improvement in sales
productivity and process efficiency of FP businesses that had the opportunity to meet
their key telephonic support person face-to-face at a quarterly meeting. This initiative
suggests that the FSC can continue to offer telephonic support services to its lower
grossing sales relationships but that combining this with an opportunity for the actors
engaged in this relationship to meet, noticeably improves productivity. This
experience also suggests that face-to-face contact may be linked to other relationship
dimensions such as trust, profit, and mutual understanding of needs. It is suggested
further research could be conducted into testing these linkages.

The centrality of the social domain (including the relationship dimensions: trust,
commitment, social bonds, communication, and face-to-face contact) in the
development of relationship quality is linked to a key assumption and pre-requisite of
Giddens’ concept of structuration, that of social agents’ ability to learn from everyday
activities and interactions through their collection of implicit and explicit clues and
peripheral information. This is most effectively facilitated by a face-to-face interaction structure, which supports improvised learning as social actors experience variations in interactions and repeated adjustments are developed into relational knowledge for future interactions; accumulated interaction knowledge will therefore have a direct and positive effect on relationship quality. As sense-making reduces uncertainty (the purpose of sense making of past experiences is to make predictions about the future) and minimises perceived risk in interactions, this will in turn lead to the development of increased trust, commitment, social bonds, effective face-to-face contact and communication.

The final relationship dimension that emerged from the data generated in the dyad that has not been explored in the literature is hierarchy of contacts. This relationship dimension can be summarised as the need for multiple working relationships to be cultivated at different levels of the hierarchies between the relationship partners. Themes that emerged from the data generated in this study suggest that relationship quality is enhanced if the relationship is enacted at multiple levels. This ensures that if a problem occurs at any one level that the relationship is not irretrievably damaged as it is also simultaneously being enacted at other levels. One participant in this study (C1) referred to this phenomenon as the ‘zip-it’ effect. This participant suggested that it also served to mitigate key person risk. Key person risk in this instance refers to the risk inherent in losing a business relationship due to the reliance on one person for the creation of that relationship. So, if the key person leaves the organisations, so does the relationship partner, as their relationship, ultimately was with the person, not with the organisation. The ‘zip-it’ effect mitigates this risk by spreading the responsibility for the creation and re-creation of the relationship across multiple actors and across
multiple processes. A breakdown that occurs at one connection does not nullify all
connections. This relationship dimension fits conceptually within Giddens’
*Structuration Theory* (1984), which suggests that you need multiple agents to enact
change within a structure. Implementing a hierarchy of contacts to manage an
organisations’ business relationships may assist in the ongoing management of
structural change within the relationship. The themes emerging from this study
suggest that this relationship dimension is an antecedent to relationship quality
because it strengthens the relationship between the two organisations in the same way
that a single thread may be easily broken, but that individual threads woven into a
rope are collectively stronger than their individual pieces suggest they are.

6.3. *Professional implications*

6.3.1. **Hierarchy of relationship dimensions**

In assessing whether an organisation should enter into a business relationship,
applying the knowledge that there are hygiene factors that must be satisfied for the
relationship to exist would be a valuable aspect to include in the due diligence
process. As part of due diligence, an organisation should be able to identify that the
proposed business relationship would at least be able to meet the minimum needs
proposed in the ‘foundation’ level of the hierarchy, including:

- Good product
- Profit
- Trust
- Commitment

7Giddens defines structure as: “rules and resources, recursively implicated in the reproduction of social
systems.” (1984, p.377)
• Goal compatibility

Using a relationship dimension hierarchy as a way to assess the quality in a business relationship would be a practical method for a relationship manager to regularly assess the quality in the business relationship. It is for this reason that it would be valuable to explore the concept of the hierarchy, and establish which relationship dimensions could populate each tier of the hierarchy, more fully through additional research.

6.3.2. Face-to-face contact

The finding from this research study that face-to-face contact is an antecedent to relationship quality has important implications for practice. Many financial service organisations (and many businesses operating in other sectors) have moved to telephone-based servicing for the majority of its business relationships. Except where an organisation has identified a business partner as high performing and provided specialised one-on-one service (in this case study, FP businesses segmented by the FSC as Gold and Silver received regular face-to-face contact from Business development Managers and Practice Development Managers) the business relationship was serviced via a designated telephone representative. A key finding from this study is that the use of the telephone to enact the relationship is not an inhibitor to achieving relationship quality, as long as the actors involved meet one another face-to-face. The FSC in this study achieved this by hosting a session where participants from the FP businesses were invited to meet their telephone representative. As was reported in this study, participants from the FSC stated that this face-to-face interaction improved sales rates and service efficiency. The findings
from this study suggest that any businesses that use telephony as the primary medium by which they enact their business relationship should ensure that those actors get the opportunity to meet face-to-face. It is suggested that further research could be used to determine whether the business relationship improves if the face-to-face interaction occurs at regular intervals (monthly or yearly) or is it merely required to occur near the beginning of the telephonic interaction.

6.3.3. Zip-it effect

The third key finding from this research that may have valuable implications for businesses engaged in business-to-business relationships is that the business relationship should be enacted by actors on both sides of the dyad operating at different levels in the hierarchy. Often in business relationships, the relationship is managed by one or two key ‘relationship managers’, such as a Business Development Manager. What the findings from this study suggest is that wherever there is a structural (to use Giddens’ term) connection, the actors responsible for enacting the relationship at that point should have contact and be actively engaged in recursively creating the relationship. This creates contacts between administrative personnel, middle managers, senior managers and executives. This type of contact hierarchy was called the ‘zip-it’ effect by one of the participants from the FSC as a metaphor for how the linkages between people at all levels can lock two organisations together. Linking the ‘zip-it’ effect to Giddens’ Structuration Theory leads this researcher to suggest that as structures work in concert with one another creating and reinforcing social reality, expanding the structure (through multiple contacts at various levels of the hierarchy) will reinforce the business-to-business relationship, as it becomes the social reality of multiple actors. The further benefit of this type of relationship
management strategy for practice is that it may also mitigate key person risk in a business relationship where a key client may choose to follow their relationship manager if the relationship manager leaves to join a competitor.

6.3.4. Problem resolution

The fourth and final key finding from this research study that has an important implication for business practice is that successful problem resolution may be a catalyst for achieving relationship quality. In many organisations, the emergence of a problem is the cue to make oneself scarce, to ‘hand-ball’ the problem to someone in another department, or to blame someone else for the error (preferably someone outside of your organisation). While this ‘blame game’ activity is occurring, the business at the end of the problem gets increasingly frustrated. A business relationship that may have been operating well for years could now be damaged because of the way the partner organisation chooses to manage the problem resolution process. In contrast, participants in this study indicated that a well-managed problem resolution process could actually strengthen the relationship. Further, they suggested that a relationship that had experienced a problem that had been effectively resolved would be a relationship that a competitor would find very hard to break. It is suggested here that an organisation should welcome the opportunity of a problem, as its successful resolution may be a key antecedent to relationship quality. Put simply, a problem could be viewed as an opportunity to achieve relationship quality in a business-to-business relationship.

The four preceding key findings (relationship dimension hierarchy, face-to-face contact, the zip-it effect, and problem resolution) all have practical implications for
businesses engaged in business-to-business relationships trying to identify ways to achieve relationship quality. Each of the four findings can be reduced to practical changes that can be implemented by a business trying to achieve relationship quality: use a relationship dimension hierarchy to assist the due diligence process before entering into a business-to-business relationship, introduce opportunities for telephone-based relationship managers to meet their key relationship contacts, ensure there are contacts across the hierarchy between the businesses engaged in the relationship, and view problem resolution as an opportunity rather than a headache. Each of these findings may assist businesses in their goal of achieving business-to-business relationship quality.

6.4. Limitations

The main limitation of this research study is related to research design and the characteristics of the sample. From a research design standpoint, the case study sought to explore the perceptions of relationship quality held by participants engaged in a business-to-business relationship from both sides of a relationship dyad. Overall the study accomplished this objective. This study was limited however to the experiences of one financial services organisation and its associated financial planning businesses. The sample included six participants from the Financial Services Company and eight participants from Financial Planning businesses. This sample provided the necessary depth and breadth needed to explore the perceptions of relationship quality dyadically in a business-to-business relationship, but it was limited to the scope of a single financial services organisation and its business relationships. The uniqueness of the financial services industry in terms of its intermediated sales arrangements and strict legislative and compliance guidelines also
means that the research findings may not be generalisable across other industry sectors.

Another potential shortcoming of this research is in the interpretation of the large amount of data generated. In the thematic tapering process the interpretations of the analyst may have directed the outcome. Personal involvement with the subject matter also increases the possibility that the interpretations highlighted particular incidents while ignoring others. This researcher tried to mitigate this risk by using sources of data from participants operating at different levels within the relationship management hierarchy across the relationship dyad. A significant amount of time and effort was also spent in carefully assembling the data reduction notebooks, which included data displays of the thematic tapering process. The effort was made towards a goal of being able to track in the documents the reasoning behind descriptions and summary and the generalizations made about the relationship dimensions. During the analysis of the data this researcher looked for contrasts, comparisons, and exemplars and reported these during the data reduction.

6.5. Recommendations for future research

As research in the area of relationship quality in business-to-business contexts is still in its infancy, there are multiple opportunities for further research. This research study has highlighted two key opportunities that could be viewed as priorities due to the potential for practical outcomes that could be easily implemented in business relationships. Firstly, the new relationship dimensions identified from this study need to be tested in other business-to-business contexts to ensure they are significant and valid across business sectors. Secondly, the concept of a relationship dimension
hierarchy could be tested to assist in the development of a relationship quality ‘health check’ that could be implemented by organisations regularly to determine the health of their business-to-business relationships. Outcomes from both of these suggested research activities could provide valuable insights and assist in coming to a consensus on the definition of relationship quality in the literature.

6.6. Conclusion

This Interpretivist research study began by asking, “what do participants in a dyadic relationship perceive to be high relationship quality?” This question was particularly interesting to the author because it was hoped that the results would make a contribution to the knowledge in the emerging research areas of both business-to-business relationships and relationship quality. The inclusion of participants from both sides of a business relationship dyad and the Interpretivist methodology helped the researcher to explore and understand the phenomena from the perspectives of both the buyer and seller. The researcher was able to establish that some of the dimensions of relationship quality suggested by the literature emerged in this study and some dimensions did not. The researcher was also able to identify new dimensions of relationship quality that have not been previously identified in the literature which emerged as important to the development of relationship quality and relationship longevity. Finally, the findings suggested four implications for practice so that businesses can successfully manage their relationships for longevity: the importance of face to face contact; that relationship quality is a continuum, not a destination; that relationships should be managed by multiple actors operating across the business hierarchies; and that problem resolution may be a catalyst for relationship strength. Given the increasingly competitive nature of the financial services industry and the
tight employment market for qualified financial advisers, the researcher feels the findings of this research study will be of interest to both academics and marketing practitioners.
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7. **Appendices**

7.1. **Appendix 1: Interview protocol**

<table>
<thead>
<tr>
<th>Category</th>
<th>Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organisation</strong></td>
<td>A. Information about the company</td>
</tr>
<tr>
<td></td>
<td>a. Size (FUA, clients)</td>
</tr>
<tr>
<td></td>
<td>b. Number of employees</td>
</tr>
<tr>
<td></td>
<td>c. Age of the company</td>
</tr>
<tr>
<td></td>
<td>d. Role of the interviewee</td>
</tr>
<tr>
<td>B. Clients</td>
<td>a. Type</td>
</tr>
<tr>
<td></td>
<td>b. Tenure</td>
</tr>
<tr>
<td></td>
<td>c. % of business going to main customers</td>
</tr>
<tr>
<td></td>
<td>d. Fee structure</td>
</tr>
<tr>
<td>C. Buyers/ Suppliers/ Competitors</td>
<td>a. What kind of relationships does the firm have?</td>
</tr>
<tr>
<td></td>
<td>b. Length of relationships</td>
</tr>
<tr>
<td></td>
<td>c. % of business going to main suppliers</td>
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<tr>
<td><strong>Focal Relationship</strong></td>
<td>A. How did the relationship start? When?</td>
</tr>
<tr>
<td></td>
<td>a. Informants role (now, future)</td>
</tr>
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<td></td>
<td>b. With whom have they had contact</td>
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<tr>
<td></td>
<td>c. Importance of relationship</td>
</tr>
<tr>
<td></td>
<td>d. Intensity</td>
</tr>
<tr>
<td>B. Relationship expectations</td>
<td>a. In beginning, now, future</td>
</tr>
<tr>
<td></td>
<td>b. Goals (formal and informal) reached?</td>
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<tr>
<td></td>
<td>c. Role of quality in the relationship</td>
</tr>
<tr>
<td></td>
<td>d. When dissatisfied/ satisfied</td>
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<td></td>
<td>e. What would weaken/ strengthen the relationship</td>
</tr>
<tr>
<td>C. How is the relationship managed</td>
<td>a. Phone, direct contact</td>
</tr>
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<td></td>
<td>b. Frequency</td>
</tr>
<tr>
<td><strong>Relationship Quality</strong></td>
<td>A. What is it? What is it not?</td>
</tr>
<tr>
<td>B. When is it good? When is it poor?</td>
<td></td>
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<tr>
<td>C. Has it changed over time? Why?</td>
<td></td>
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<td>D. Own quality aims?</td>
<td></td>
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<tr>
<td>E. Criteria for quality partners?</td>
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<tr>
<td>F. What satisfies you? Dissatisfies you?</td>
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</tr>
<tr>
<td>G. What is required (versus done) when something goes wrong?</td>
<td></td>
</tr>
<tr>
<td>H. Considered change of supplier/ buyer?</td>
<td></td>
</tr>
<tr>
<td>I. Consequences</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. For your business</td>
</tr>
<tr>
<td></td>
<td>b. For clients</td>
</tr>
</tbody>
</table>
7.2. **Appendix 2: Agreement to Participate**

RMIT HUMAN RESEARCH ETHICS COMMITTEE  
Prescribed Consent Form for Persons Participating In Research Projects Involving Interviews, Questionnaires, Focus Groups or Disclosure of Personal Information

<table>
<thead>
<tr>
<th>PORTFOLIO OF SCHOOL OF</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Participant:</td>
<td>RMIT Graduate School Of Business</td>
</tr>
<tr>
<td>Project Title:</td>
<td></td>
</tr>
<tr>
<td>Name(s) of Investigators: (1)</td>
<td>Rosalyn deVries Phone: 0403 988 543</td>
</tr>
<tr>
<td>(2)</td>
<td>Erica Hallebone Phone:</td>
</tr>
</tbody>
</table>

1. I have received a statement explaining the interview/questionnaire involved in this project.
2. I consent to participate in the above project, the particulars of which - including details of the interviews or questionnaires - have been explained to me.
   - I authorise the investigator or his or her assistant to interview me or administer a questionnaire.
   - I give my permission to be audio taped: ☐ Yes ☐ No
   - I give my permission for my name or identity to be used: ☐ Yes ☐ No
3. I acknowledge that:
   - Having read the Plain Language Statement, I agree to the general purpose, methods and demands of the study.
   - I have been informed that I am free to withdraw from the project at any time and to withdraw any unprocessed data previously supplied.
   - The project is for the purpose of research and/or teaching. It may not be of direct benefit to me.
   - The privacy of the information I provide will be safeguarded. However should information of a private nature need to be disclosed for moral, clinical or legal reasons, I will be given an opportunity to negotiate the terms of this disclosure.
   - If I participate in a focus group I understand that whilst all participants will be asked to keep the conversation confidential, the researcher cannot guarantee that other participants will do this.
   - The security of the research data is assured during and after completion of the study. The data collected during the study may be published, and a report of the project outcomes will be provided to AXA Australia. Any information that may be used to identify me will not be used unless I have given my permission (see point 5).

**Participant’s Consent**

<table>
<thead>
<tr>
<th>Name:</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Participant)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name:</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Witness to signature)</td>
<td></td>
</tr>
</tbody>
</table>
7.3. Appendix 3: Plain Language Statement

INVITATION TO PARTICIPATE IN A RESEARCH PROJECT
PROJECT INFORMATION STATEMENT

Project Title
The determinants and business consequences of high relationship quality in B2B relationships

Investigators
Ms. Rosalyn deVries (Doctor of Business Administration candidate, rosalyndevries@yahoo.com)
A/Prof. Erica Hallebone (Research Supervisor: Professor, Research Methods, RMIT University, erica.hallebone@rmit.edu.au, 03 9925 1348)

Dear _____________________________

You are invited to participate in a research project being conducted by Rosalyn deVries, a DBA candidate at RMIT University. This information sheet describes the project in straightforward language, or ‘plain English’. Please read this sheet carefully and be confident that you understand its contents before deciding whether to participate. If you have any questions about the project, please ask on of the investigators named above.

Who is involved in this research project? Why is it being conducted?
The research is being conducted as part of the requirements for the award of Doctor of Business Administration. The candidate for this award is Rosalyn deVries. Professor Erica Hallebone, whose contact details have been provided above, is supervising this research project from an academic perspective.

AXA Australia has given approval for the research to be conducted with employees of AXA and members of its associated Financial Advice Network.

The RMIT Human Research Ethics Committee has also approved this research project.

Why have you been approached?
You have been selected to participate in this research because of your knowledge and experience in managing adviser relationships. Your contact details were supplied by AXA so that you may be invited to participate in this research.

OR

You have been selected to participate in this research by convenience sampling the AXA League of Honour 2005 tables. That is, advisers ranked 1-50 have been selected for contact and advisers ranked 481-552 have been selected for contact. Your contact details were supplied by AXA so that you may be invited to participate in this research.

What is the project about? What are the questions being addressed?
The research is designed to develop our understanding of what participants in a business-to-business relationship perceive to be the components of a high quality business relationship. The research will look to understand what the attributes of a quality relationship are and the potential business consequences of a high quality relationship.

The primary research questions are:

- What are your perceptions of relationship quality?
- How do you define the determinants (antecedents) of relationship quality?
- Why do you perceive some relationships to be more successful than others?
- What is it that makes a relationship valued by you?
- Do you perceive relationship quality improves sales productivity or relationship longevity?
It is anticipated that 35-40 people will participate in this research project.

If I agree to participate what will I be required to do?
If you agree to participate you will attend a 1-hour interview that will explore the questions listed above in detail, based on your experience and knowledge. The interview will be audio recorded. You may request that recording be stopped at any time during the interview. A thematic transcript (that is, not word-for-word) will be produced from the recorded interview and provided to you for your review. You may make comments or additions, if required. Once you have reviewed the transcript your name will be destroyed in relation to the interview so that there will be no way to link you to your interview. The interview recording will be saved in password-protected electronic format on the hard-drive of the investigators computer.

What are the risks or disadvantages associated with participation?
There are no perceived risks outside of your normal day-to-day activities.

What are the benefits of participation?
It is anticipated that the research will be used by AXA to provide insight regarding how they can improve and retain adviser relationships.

What will happen to the information I provide?
The interviews and transcripts will be kept confidential at all times. Following your review of the transcript of your interview, your name and any identifiers that could associate you with your interview will be destroyed. People who will see the data collected include the investigator, Rosalyn deVries and the research supervisor, Professor Erica Hallebone.

Any information that you provide can be disclosed only if (1) it is to protect you or others from harm, (2) a court order is produced, or (3) you provide the researchers with written permission.

The results of the research project will be disseminated in a Doctoral thesis in an aggregated format. If quotes are used, a pseudonym will be assigned to the quote. The results may also be disseminated in a paper for publication, at a conference, or to AXA Australia in an aggregated format.

Research data will be kept securely at RMIT for a period of 5 years before being destroyed.

What are my rights as a participant?
As a participant, your rights include:

- The right to withdraw your participation at any time without prejudice.
- The right to have any unprocessed data withdrawn and destroyed, provided it can be reliably identified, and provided that so doing does not increase the risk for the participant.
- The right to have any questions answered at any time.

Who should I contact if I have any questions?
Questions about this research project should be directed to:

A/Prof. Erica Hallebone, RMIT University
03 9299 1348
erica.hallebone@rmit.edu.au

or Chair of RMIT Ethics Committee (see footnote for contact details)
What other issues should I be aware of before deciding whether to participate?
There are no other ethical issues that a potential research participant should be aware of before deciding to participate in this research project.

Yours Sincerely

Rosalyn deVries
BA, MBus (Marketing)  Date  Erica Hallebone
BA (Hons), Ph.D.  Date

Any complaints about your participation in this project may be directed to the Chair, Portfolio Human Research Ethics Sub Committee, Business Portfolio, RMIT, GPO Box 2476V, Melbourne, 3001. The telephone number is (03) 9925 5594 or email address rdu@rmit.edu.au. Details of the complaints procedure are available from the above address or http://www.rmit.edu.au/council/hec.
7.4. Appendix 4: Ethics Form

Ref: Ethics Appl. 565

11 January 2006

Ms Rosalyn De Vries
7 Kenny St
Richmond
Vic 3121

Dear Rosalyn,

I am pleased to advise that your application for ethics approval for your Research Project has been approved by the Chair of the RMIT Business Human Research Ethics Sub-Committee. Approval has been granted for the period from 11 January 2006 to 18 January 2009.

Enclosed is the original approval form.

Yours sincerely,

Prue Lamont
Secretary
RMIT Business Ethics Sub-Committee

Encl.