A Definition, Model, and Empirical Analysis of Business-To-Business Relationship Quality

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ABSTRACT

Purpose: The aim of this research is to provide insights into quality in a business-to-business relationship setting. The objectives are to review related relationship quality studies, to put forward first a definition and then a model of perceived business-to-business relationship quality, and afterwards to illustrate and deepen this model with empirical data from a typical business-to-business relationship.

Methodology/Approach: The whole study rests on accumulated theoretical insights from service management combined with IMP literature which have been used together with empirical findings in an abductive manner to expand the scope on quality to encompass dyadic quality perceptions in a business relationship setting.

Findings: The definition and model do not so much depend on completely new elements, but instead the contribution lies in the way that current insights and empirical data have been combined into a conceptually dense and comprehensive entirety. Focusing on the process character of a relationship and the content of quality perceptions in a relationship, several new conceptualisations are developed and illustrated with empirical data. These are: unit and span of perceptions; comparison standards; variation in interactions; technical, social, and economic quality dimensions; process and outcome quality domains; four different hierarchical levels for categorising business interactions; and a dyadic analysis of perceived relationship quality.

Research limitations/implications: The proposed definition and model were developed for analysing typical ongoing business-to-business relationships.

Practical implications: The study offers a tool for analysing and improving relationships, setting priorities in quality improvements, and selecting counterparts.

Originality/value of paper: This is the first published study that expands the scope on quality, embracing interactions in the whole business relationship and in two companies’ perceptions of their relationship.

Category: Case study.

Key words: relationship quality, perceived relationship quality, business relationships, dyadic, PRQ model, perceived relationship quality definition
INTRODUCTION

This paper seeks to explore relationship quality as a dyadic perceptual concept in a business-to-business relationship setting. Since the early 1980s quality in terms of how consumers perceive it has been at the core in service management studies (e.g., Grönroos 1982; Parasuraman et al 1988). Besides service management and later relationship marketing (e.g., Gummesson 1987; Storbacka et al 1994; Liljander and Strandvik 1995; Hennig-Thurau and Klee 1997; Lang and Colgate 2003), other streams of research have also paid attention to quality in relationships, e.g., personal selling and sales management (e.g., Crosby et al 1990; Palmer and Bejou 1994; Parsons 2002), business-to-business marketing (e.g., Szmigin 1993; Naude and Buttle 2000; Ivens 2004; Woo and Ennew 2004), distribution channels (e.g., Kumar et al 1995; Johnson 1999), and international marketing (Lages et al 2005).

Different antecedents of relationship quality have been examined such as sales persons’ characteristics (Crosby et al 1990), relationship duration (Wray et al 1994), relationship management (Smith 1998), fairness (Kumar et al 1995), IT channel use (Lang and Colgate 2003) and various relationship functions (Walter et al 2003; Ivens 2004). Of interest has additionally been how relationship quality affects share of business (Leuthesser 1997) strategic integration (Johnson 1999), customer retention (Hennig-Thurau and Klee 1997; Hennig-Thurau 2000), service quality (Woo and Ennew 2004), offering quality (Leuthesser 1997), profitability (Huntley 2006), and sales effectiveness (Crosby et al 1990; Wray et al 1994).

Research problem and justification for the study

A large body of research has thus been devoted to the study of relationship quality in different business-to-business settings, providing useful insights as well as relevant theoretical and managerial implications. Above all, different antecedents and consequences have constituted relevant topics. However, comparing relationship quality studies and their findings is not easy. The same constructs are used as antecedents and consequences as well as elements of relationship
quality, and the directional link between relationship quality and other relationship concepts is unclear. It subsequently appears as if the relationship quality concept itself is still rather under-explored. Many researchers in fact assert this (e.g., Rosen and Suprenant 1998; Naudé and Buttle 2000; Hennig-Thurau 2000; Hennig-Thurau et al 2001; Walter et al 2003; Woo and Ennew 2004, Huntley 2006): relationship quality as such still lacks a formal established definition and has received remarkably limited attention considering its significance as a key construct in the relationship paradigm within marketing.

On the one hand, previous relationship quality studies typically refer to the quality of intangible aspects in a business relationship such as services and communication or social interactions in sales or customer service. Service management related studies as well as others share this soft relationship element focus. On the other hand, similar to service quality and relationship studies in general, relationship quality studies predominantly apply the customer’s perspective. However, little attention has been paid to the nature of the quality of an entire business relationship, and this particularly pertains to business relationships where the perceptions of both parties in the dyad are recognised. This paucity is remarkable not only from a scientific but also a business perspective, and it needs immediate attention.

The present study is timely and relevant, in line with research in service management and business-to-business marketing and also current business practice. For service management researchers the notion of perceived quality of the entire relationship is interesting and relevant because of their growing interest in customer relationships. Transferring the notion of the perceived quality of a service to the perceived quality of a business relationship is natural because of fundamental similarities between services and relationships. Both are typically described in terms of having two counterparts, consisting of different processes, being mutual and the outcome of enacted interactions rather than pre-determined actions, affected by time and change, and giving rise to different bonds and adjustments. With a different foundation, business-to-business
researchers (e.g., Dwyer et al 1987; Donaldson and O’Toole 2000) have, on the other hand, developed conceptualisations and measures of what constitutes a good/strong or a poor/weak business relationship. Even if these studies are closely related to relationship quality because they deal with evaluating relationships, quality as a construct is not at the core. From a business perspective, yet again, management in any business is typically becoming more concerned with understanding and managing individual relationships and the portfolios of relationships and, e.g., quality management and quality certificates are also increasingly incorporating relationship aspects. The quality of relationships determines how the relationships develop, what the likelihood of its ending is, and what revenues, costs and profitability it incurs. Few companies can ignore understanding relationships nowadays; the notion of relationship quality benefits the aspiration to remedy this.

Purpose and contribution of the study

Against this background, the aim of this research is to provide insights into quality in a business-to-business relationship setting. The objectives are to review related relationship quality studies, to put forward first a definition and then a model of perceived business-to-business relationship quality, and afterwards to illustrate and deepen this model with empirical data from a typical business-to-business relationship. In the study the research tradition concerning service and relationship quality is synthesised with the stream of research on industrial relationships and networks that is labelled the IMP approach (e.g., Håkansson 1982; Håkansson and Snehota 1995; Möller and Wilson 1995). The latter stream of studies has relevance for a wide variety of industry contexts, drawing on extensive empirical work and case studies for theory building. It furthermore uses the whole business relationship as the unit of analysis and consequently supplements service management studies.

The new definition and model focus on a business-to-business setting and expand the current scope on relationship quality to concern all kinds of interactions, not merely intangible aspects or
social interactions, taking place in the relationship between two firms. The study additionally
widens the scope of relationship quality as it, contrary to the current customer focus, is dyadic and
takes both firms in the relationship into account. The merging of the service management and IMP
studies around the quality issue will expand service quality models in the direction of relationships. This means employing insights and concepts from the IMP research to enrich the
understanding of perceived quality in line with the new focus, i.e. perceived quality from a relationship perspective. In like manner, the introduction of the quality concept into a relationship setting will provide new insights into the management and evaluation of business relationships and as a result correspondingly enrich the IMP approach.

Outline of the paper

The first section of the paper offers, after examining current definitions, the new definition of
Perceived Relationship Quality (PRQ). The following section presents the empirical case study which was used to develop and illustrate the model. Thereafter the new PRQ model and its main elements are first developed and then illustrated with the case. The final section proposes contribution to research, research ideas, and implications for managers.

THE NOTION OF PERCEIVED RELATIONSHIP QUALITY

Previous studies

The current study has its origin in service management where a strong focus on customer perceived quality has dominated the quality thinking. The early service management researchers had comparable definitions of quality which still today virtually all service management researchers share. Grönroos (1982) defined the quality of a specified service as the outcome of an evaluation process, where the consumers compare their expectations of the service with what they perceive they have received, resulting in the customer-perceived quality of the service. Lewis and Booms (1983) similarly defined it as a measure of how well the service delivered conforms to customers’ expectations on a consistent basis, and Parasuraman et al. (1985) viewed it as a global
judgment or attitude that results from a comparison of customers’ expectations and their perceptions of actual service performance. As for the content of these perceptions, the most frequently used quality dimensions are: technical and functional quality dimensions, as suggested by Grönroos (1982); and tangibles, reliability, responsiveness, assurance, empathy as suggested by Parasuraman et al (1988). Regarding relationship quality on the other hand there is no commonly used definition, as shown in Table 1, providing definitions of relationship quality in selected mainly business-to-business studies.

‘TAKE IN TABLE 1’

The list shows that relationship quality as a construct has attracted attention for some 20 years. Studies are regularly published on it, and it seems as if they will continue. The construct is thus indeed both significant and topical. Still, all in all it seems as if there are few conceptual and operational definitions of RQ in the literature and a modest consensus on what dimensions constitute it. Hennig-Thurau (2000, p. 61) found the same, and contends that researchers may assume that everyone has some kind of intuitive understanding of what it involves and that therefore a sophisticated discussion is rare. Crosby et al’s (1990) study is clearly the seminal work since virtually all relationship-quality studies refer to it. This suggests that relationship quality studies have adopted a salesperson-oriented approach stemming from a setting where reduction of customer uncertainty is the key. Furthermore, it is apparent that instead of defining or developing the relationship quality construct it has been treated as a higher-order construct consisting of several first-order constructs, of which satisfaction (with the salesperson), commitment, and trust are the most common. These constructs have in turn been used to quantitatively measure relationship quality together with one or several antecedents or consequences. Moreover, the surveys have typically been conducted among purchasing managers in fairly large companies in several lines of business. The customers’ perspective has nearly without exception (Lages et al 2005) been in focus.
A new definition of perceived relationship quality

The current study employs a different approach and transfers the perceived-service quality definition to a business relationship setting and formulates the following dyadic definition of perceived relationship quality (PRQ):

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 of experienced with desired, potential, usual or previous interactions which constitute comparison standards.

This definition of perceived relationship quality is based on fundamentals of perceived service quality conceptualisations, taking into account the specific characteristics of business relationships. In line with previous quality definitions based on perceptions in a relationship setting (Parasuraman et al 1994; Liljander and Strandvik 1995; Hennig-Thurau 1997; Smith 1998; Järvelin 2001, Huntley 2006), the new definition is based on cognitive judgement and founded on a disconfirmation paradigm. Compared to most relationship quality conceptualisations, perceived relationship quality here does not, however, concern merely perceptions of intangible aspects or social interactions but encompasses perceptions of the entire relationship seen as an offering reflecting two companies’ interlinked production processes. Furthermore, in contrast to previous definitions, the suggested definition is dyadic, meaning that both companies, not merely the customer, are significant for quality perceptions in their relationship. Another difference is that the definition specifies that it is not merely one person that represents the business relationship but several such persons. Significant individuals comprise those persons who are important either because of their position or because of their influence on the relationship. This notion is new in relationship quality definitions, but the idea is based on the well-documented notion of several persons from different functions and with different roles being part of a business-to-business relationship.
THE EMPIRICAL CASE STUDY

The case in the study

The present study aims at theory building and goes beyond existing models in order to develop a new model, by which is meant a tool for understanding a phenomenon rather than a set of interrelated propositions that are testable and explain a phenomenon. In the abductive process to achieve this service quality, models and studies together with IMP studies were used and further combined with empirical insights in an iterative manner. The model thus represents new insights but is based on solid theoretical and empirical grounds. Its empirical grounding is further enhanced by the fact that existing models are also based on empirical studies. Case studies and qualitative data are considered appropriate for concept development and theory generation (e.g., Gummesson 1988; Coffey and Atkinson 1996). A case study approach is particularly usable in this study since it unveils specifics and details as well as viewing the phenomenon as a complex system.

In this study a case refers to a dyad, i.e. a relationship between two firms. A single case approach is considered as a viable strategy if great care is taken in the choice of the case and the data generation and analysis. One dyad was chosen which can be characterised as instrumental (Stake 1994, p. 243). The chosen case can be considered to be a typical representative business-to-business relationship and therefore suitable. This means that the case in itself is of secondary interest; instead it is theoretically representative and explanatory and plays a supportive role in facilitating the understanding of the phenomenon. The value and possibility to generalise are based on being capable of revealing general mechanisms that are expected to exist also in other situations, and this does not depend on the number of cases. The case contributed in two ways. Together with an earlier pilot study, it first provided insights for developing the model, and, then, offered empirical correspondence of the model’s elements. This is a fruitful way to make use of empirical data in an abductive study. Relative to the purpose of the study and based on the care given to case choice and the nature and number of empirical insights it is argued that the case is suitable and rich enough to provide one of the bases for model development. More information on
how the case influenced the development of the model is provided in the model description and research contribution.

There were many reasons why the chosen dyad was appropriate in this theory-generating study. First, it was a typical industrial relationship in terms of operations; the firms and products concerned were not too complex; and the number of involved individuals was reasonable. Second, the dyad was two years old when the data generation took place: rich enough to reveal diversified aspects and situations with informants still able to remember what had happened from the beginning and documents still available. Third, significant individuals in both firms were interested in and willing to participate in the study. Fourth, access was facilitated by the geographical closeness of the firms. Fifth, it was also important that the dyad was an active, not dormant, relationship with ongoing business interactions. Sixth, the relationship was voluntary and both firms were able to terminate it when necessary. The two last aspects were important to ensure that a diversified picture of perceptions in a relationship setting was obtained.

**Empirical data**

Personal interviews were the most relevant data source because the focus was on perceptions. An issue related to this is how the data were generated as informants were asked to recall the relationship as they experienced it, both in real-time and in retrospect. The relationship was thus studied as experienced and as reflecting the perceptions of the involved individuals, which is the basis for studying quality in terms of perceived quality. However, it was also important to be able to visit the firms and to use secondary data such as different quality manuals and materials and product brochures. These complementary sources of empirical insights enabled me to get a more diverse picture of the companies and their products and ways of operating. They supported the informants’ information and my impression that the companies strived to be customer-oriented and that customer service and service elements were important. That I obtained this access also shows that the companies were open and honest providing all kinds of information that could benefit the
study. In the studied case, the firm’s managing directors were key informants, because they represented key individuals in the dyad and were the main owners and decision makers in each firm. They provided names and positions of other persons who were involved in the dyad and everyone involved agreed to share their views. Anonymity was also used in order to improve access and generate more data.

Interview guides were used as checklists and to encourage significant issues, and stress was laid on getting examples as they activate new issues and illustrate and clarify general issues. The main topic categories were: information about the informant and the company; company quality management and priorities; customer and supplier management; quality management changes; quality problems - and for the studied dyad: background information, business content, joint tasks, development, and problems, with an emphasis on obtaining examples illustrating the answers. Besides explaining the nature of the study to each informant I also described the role and use of insights from the companies. Every informant agreed to the use of a tape recorder during the interviews, which was a condition for retrieving the interviews for analysis. I conducted and transcribed all of the interviews myself, and they lasted between half an hour and four hours, on average about 2 hours, resulting in transcribed interviews from each discussion of 15-50 pages, on average 35 pages. I aimed to be systematic and thorough throughout the study and kept a diary and wrote notes and observations in it, also during the interviews. The seller’s managing director was interviewed on three occasions, for six hours in total, the production manager once for three and one half hours, and the shift manager once for three hours. The buying company’s managing directors was interviewed five times for nine hours, the operative manager once for four hours, and the sales manager once for two hours. The transcribed interviews were sent to the informants, and follow-up telephone interviews were also used to some extent. During the subsequent occasion, the previous interview as well as new issues and developments were discussed, and clarifications and additions to previous interviews were made to increase the trustworthiness and density of the results.
The understanding of perceived quality was developed in stages and refined in an iterative process between literature studies and empirical data analysis. The empirical data were coded and re-coded several times in order to reflect the refined theoretical conceptualisation. In addition, the theoretical conceptualisation, in turn, was further developed in accordance with the reinterpreted empirical findings. Developing and finding elements of content of quality dimensions was one way of analysing the data; another was discovering aspects of quality perceptions in the chosen setting. Analysing implied reading and interpreting the raw empirical data several times, and identifying and coding excerpts based on previous quality and relationship models and the new emerging model. The emerging excerpt categories constituted the raw material providing the details and illustrations that will be shown below.

**Service elements in the studied case**

Even if ideas inherent in service management are and should be applicable to any setting (e.g., Grönroos 1993) most of its research has taken place in the context of traditional consumer service businesses, such as travel, financial services etc. This is probably because the focus has been on discrete service encounters which are easily examined in these businesses, and because in these businesses service elements such as customer service and personal contacts provide a natural and established way of competing. This has allowed service researchers to focus on characteristics that distinguish services from tangible products, but it neglects many business contexts in which services also play a significant role. The two companies in the current study represent such industries and would normally be called product or manufacturing companies, a re-seller of ergonomic office equipment to business customers and a manufacturer of metal-moulded products and components.

Nevertheless, from a relationship perspective both of them rely heavily on various service elements. This is how they said that they view and manage their own business as well; much of
their opportunity for differentiation arises from service elements and they are what customers and others expect. Thus, a focus on the characteristics of the product is not enough, certainly not if the aim is long-term business relationships. It is in fact difficult to draw the line between what constitutes the product/manufacturing business and what is part of services, and even more difficult to determine which part is more important. For them and other companies making customer-specific adjustments in products and processes and, for instance, participating in joint product development, being open and sharing ideas, socialising to some extent outside business hours, and offering after-sales service, repair services, technical support, preventive maintenance and flexible delivery schedules are part of normal business. Also, it is not only a matter of ‘what’ is done in the business with others but also at least as much of ‘how’ the business is done. The situation for the two studied companies therefore corresponds to how many similar companies in traditional product and manufacturing markets work nowadays, trying to become customer oriented and considering service as a natural part of their business.

THE PERCEIVED RELATIONSHIP QUALITY (PRQ) MODEL

Service management and IMP conceptualisations supplement each other and can be combined to develop a PRQ model in a business-to-business relationship setting. Using additional disciplines would have posed the requirement of being combinable with service management and the IMP approach, and if that was fulfilled it could unreasonably have increased the complexity of the model. To replace one of them or draw on other marketing disciplines would have needed a different emphasis for the study. Service management and the IMP approach have much in common and are easily combined in order to conceptualise quality in a business relationship setting. The two marketing disciplines are well-established and based on extensive empirical research. They endorse theory-generating studies, and they share several fundamental ideas such as an emphasis on processes, interactions, and human/social aspects. Their research foci augment each other and can be merged.
The core and starting point for the new model is the perceived quality notion from service management; quality is a cognitive process where individuals compare experienced performance with different kinds of expectations. The tolerance zone and critical incident notions are also borrowed from service management as relevant for quality perceptions in the business-to-business relationship setting. As for the content of quality perceptions, service management needs to be supplemented with insights into long-term business-to-business relationships. These conceptualisations can be found in the IMP approach which is used to extend process insights from an original encounter-type service to a whole long-term business-to-business relationship. In line with many IMP-related models, the new model is furthermore dyadic, and it distinguishes between individual and company-level elements, and incorporates directly and indirectly linked surrounding companies.

Figure 1 depicts the new PRQ model which was developed in an abductive manner (Stake 1994; Coffey and Atkinson 1996; Gadde and Dubois 2002) using empirical data together with service quality models and IMP studies. The model is an entity, denser and more encompassing in comparison to many current perceived service quality models and lists. It combines a detailed analysis of the content of quality dimensions with different aspects of perceptions in a dyadic business relationship setting and also depicts the connectedness of the focal firms to the surrounding network. It is a structural model that specifies key elements of relationship quality rather than explaining the development of relationship quality over time. The model’s key elements are here denoted in italics, and will in the next section be illustrated with empirical data.

‘TAKE IN FIGURE 1’

A significant feature of the model is the fact that it is dyadic. Perceptions may differ between individuals (in the figure octagons illustrate that three individuals denoted A, B, C, D, E, and F in
each company represent the relationship) and this can be captured with *span of perception*, which refers to differing width and depth of perception. *Unit of perception* in comparison means that perceptions can be analysed on different levels: individual, company, and dyad, for example. Perceived relationship quality reflects firms’ *experiences of* interactions in a relationship relative to their reference points, labelled *comparison standards* (Liljander and Strandvik 1995, 1996). Included in the experience notion is also variation; that some interactions are *critical* (cf., Flanagan 1954), while others are routine and absorbed in the stream of interactions constituting the relationship.

Having a dyadic perspective is not common in service quality studies which focus more or less solely on how the consumer/buyer perceives the seller’s service with the ultimate aim for the selling counterpart to improve its to-the-customer visible operations and thereby increase customer loyalty and profitability. For a business relationship on the other hand it is not equally easy to draw the line between the two companies and their input and roles; instead it reflects the abilities, actions and intention of two often more balanced counterparts. Each side’s view can indeed by itself be used to get a picture of perceived relationship quality, but the use of a dyadic perspective including the seller’s and the buyer’s perceptions of their relationship results in a more comprehensive depiction. Experiences, comparison standards or expectations, and the notion of critical incidents are equally fundamental constructs in this model since they are perceived as service conceptualisations. Span and unit of perception on the other hand are new, resulting from analysing the empirical data and researching companies and relationships instead of consumers. In service quality studies the issue of different width and depth of perceptions has not been raised.

The content of perceptions is a key element, and perceptions of a relationship are based on the interactions taking place in the relationship. Two central conceptualisations in the model for analysing this are: the cross-combination of quality dimensions with domains, and the hierarchical level categorisation of interaction. Typical quality dimensions as used service management
(Grönroos 1982; Parasuraman et al. 1988) were considered insufficient and too focused on customer’s interface with employees. The quality dimensions were developed based on empirical insights and on how interactions in business relationships are categorised in the IMP approach, namely, products, social contacts, money, or information (Håkansson 1982), where the latter is considered as embedded in products and social contacts. The model suggests that, from a relationship and dynamic point of view, perceptions may concern both the process and outcome aspects of the interactions in the relationship. The model suggests that these are called domains where quality can emerge, and they represent one way of modelling quality in a relationship. The quality domains can be combined with different types of content of quality. These are referred to as quality dimensions and constitute the technical, social and economic dimension. The technical dimension refers to the core offering in the relationship, while perceptions of social and financial issues constitute the social and economic dimension respectively. This means that relationship quality consists of how different processes and outcomes of a technical, social and economic nature are perceived.

In line with recent literature emphasising that the core competence in firms resides in their processes, the new model therefore highlights the significance of processes in relationships. As for content of quality perceptions, the model encompasses a new dimension compared to current service quality models, the economic dimension. Economic aspects become important when the focus is shifted from evaluating offerings to evaluating the whole business relationship. The model goes beyond current studies on quality, focusing on service and social interactions. In addition, compared to current service quality models where the technical dimension refers to the result of the service, this model views the technical dimension as pertaining to the offering at the core of the relationship. Besides economic issues and the core offering, social contacts constitute another type of interaction, which formed the third quality dimension, the social dimension. Despite focusing on different types of social aspects, both the interaction and network approach and service quality studies emphasise their significance in a relationship setting.
Whether interactions constitute aspects of a process or of an outcome depends on which interaction level is examined. By structuring interactions on the basis of their interconnectedness, interactions in business relationships can be identified on different hierarchical levels (Holmlund 2004). In this categorisation, interactions are configured on four different aggregation levels, namely actions, episodes, sequences, and relationships. These are hierarchical levels that range from a single individual exchange to an entire relationship of one particular firm. Lower levels are embedded in and part of the higher levels, and a lower level of analysis implies a short time perspective on the interactions. Both lower and higher levels influence perceptions of interactions on a particular level. The categorisation is based on previous research, but came to light only by combining the two bodies of literature and empirical findings. It is in line with earlier research concerning the importance of certain episodes, or critical incidents, and with observations of relationships being sustained in spite of occasional poor quality.

An additional feature of the model is that it considers the dyad’s context in that other firms directly (Companies E, F, G, and H) and indirectly (Companies B and C) through intermediaries (Companies A and D) affect perceptions of the focal relationship. These aspects were derived from the IMP approach, which focuses on understanding this particular issue, i.e. how firms are connected to each other in a network setting. In comparison with how quality is understood in service management, it implies a wider scope in this approach because it encompasses the setting of the parties. In other words, this means that not only the two focal counterparts but also other firms in the surrounding network impact quality perceptions in a dyad.

EMPIRICAL ILLUSTRATION OF THE PRQ MODEL

The PRQ model’s key elements are next illustrated with: unit and span of perception, including experiences and comparison standards; variation in interactions; different quality dimensions and domains; interaction levels; and finally a dyadic relationship quality analysis. The quality domains
are not illustrated separately but used to analyse each of the quality dimensions. The names of the companies have been altered to ensure anonymity, and were constructed by abbreviating and combining the firm’s position in the dyad and product. The buyer in the dyad is, hence, labelled BuyOff (Buyer Office equipment), and the seller is labelled SelMet (Seller moulded Metal components).

Unit and span of perception, and comparison standards

When conducting research on companies, the issue of how to aggregate several perceptions on the individual level into the company level perception implies, as always, a number of challenges. This study refers to the aggregation issue as unit of perception, and suggests that perceptions are studied, except for group interviews and other team-based data collection methods, primarily on the individual level. Thereafter it is a matter of aggregation how the company and dyad-level perceptions are formed. This can involve adding and complementing views, but in the event that views differ, which they often do, the perception of the person who has the power to make vital decisions in the firm regarding the relationship outweighs the others’ perceptions. The perceptions of each studied company were complementary and non-conflicting but, had the issue arisen, these persons would have been the two managing directors.

The study furthermore highlights that span of perception may differ between persons so that the individual who is likely to have the widest span is the managing director while individuals in specialised functions have perceptions primarily related to the particular function that they are involved in. This emerged in the case: the span of perception was narrower on lower levels in the firms as the nature of working tasks became more operational and the extent of contact decreased. Both managing directors had been involved in the relationship from the beginning. In fact, they stated that they had been involved in 90% of the contacts in the beginning, and that it had gradually decreased to about 10%, after the production of the products had started and the majority of the contacts had shifted to SelMet’s production shift managers and BuyOff’s operative
The analysis revealed that comparison standards were used and were vital for how the firms perceived the relationship and that both firms used multiple and different types of *comparison standards*. That things should be done right the first time and that disruptions should be eliminated illustrates ideal-like standards since they can be interpreted as feasible under ideal circumstances. Industry standards represent standards which reflect what the firm perceives as general market norms. Price issues in particular seemed to be evaluated in terms of how they compare with those of alternative suppliers. Experience-based standards in turn imply that the firms use their experience from the particular relationship when they make evaluations of it, and these were amply used, for example concerning how problems usually are corrected and products delivered in the relationship. The fourth type of standard is predictive and reflects expectations on future interactions. They may reflect key criteria for initiating the relationship which BuyOff had when selecting a supplier: it had to be a firm that manufactures half-made products or the whole package from the beginning to the end, and have the capacity issue, own personnel, machinery, know-how, and ideas in their area.

*Variations in interactions*

There were certain incidents that the informants recalled more easily than others. This supports the notion that interactions vary and perceptions of a relationship are based on both routine and critical incidents. Perceptions on the relationship level were, however, not immediately affected since the...
firms were found to have a wide tolerance zone; everyone is allowed - and even expected - to make occasional mistakes. Examples of negative incidents concerned, for example, how the other party without prior notification had changed a drawing, and how a prototype had flopped. Manufacturing and delivery seemed to cause a great number of potential problems and subsequent critical incidents. Their importance and the buyer’s sensitivity to them may be related to the type of offering which is heavily dependent on production and delivery time schedules. Positive incidents in turn concerned, e.g., a successful recovery process and a prompt response occasion. Interaction variations seemed to be a matter of how variation is managed and, for example, of how long a variation is allowed to continue, how complaints are handled, and how compensations are made. It was evident that the firms’ tolerance for variation decreased and their sensitivity increased when other relationships could be affected, or the firm’s general operation was severely affected.

The technical dimension of relationship quality

The studied dyad was a typical industrial relationship in which the emphasis is on product modification and manufacturing. Innovativeness and being able to make adjustments, in addition to being reliable, were therefore important. BuyOff and SelMet divided and carried out different tasks, and other firms participated in the design process. This process consisted of planning, choosing, preparing and modifying materials, components, tools and prototypes. Different specifications, sketches, drawings and documents were made, and trial series were produced. BuyOff and SelMet shared many responsibilities pertaining to generating ideas and production, such as choosing subcontractors and raw materials. SelMet was responsible for documentation, manufacturing, assembling, packing, inspecting and storing the products, whereas BuyOff was responsible for transports. The planning and adjustment of tools, production, production series and capacity were important aspects. SelMet did not have a quality certificate, but they had a quality handbook and manual, and their employees had received quality training. Delays in production and deliveries occurred and were often caused by late deliveries from third parties. Also, difficulties in forecasting the demand and thus in planning production series caused occasional disruptions. It
was relevant to repair the products because they were sold to end-customers. Defaulted products were replaced. The recovery process was thus highly relevant. Personal supervision to avoid delays and problems as well as flexibility and the rapid handling of problems were mentioned.

The technical outcome, which in this dyad refers to features of the manufactured products, was explained with different aspects of reliability, innovation, conformance, aesthetics, and endurability. The reliability of the products was described in terms of the importance of developing functional products that the end-customers need and appreciate, while conformance referred to the significance of meeting technical specifications and producing defect-free products. Innovation and exterior features of the products were emphasised, and patents were not considered important because of the continuous modifications, which quickly make patents obsolete.

*The social dimension of relationship quality*

Although the firms had regular contact, the contact surface was rather narrow. It comprised basically two persons in BuyOff and three persons in SelMet who had been involved in the relationship, and this, in turn, was considered to make the relationship vulnerable. On the other hand, the owners and hence key decision-makers in each firm were two of these significant persons in the dyad. The contact pattern varied: they had weekly contacts, but if disruptions occurred, then the contacts became very intensive.

As for social aspects on the individual level, personal qualities reflected in honesty and courtesy, and the need to be dependable and positive were emphasised by the studied firms. Aspects of pleasure, such as socialising, informality, having fun and being friends, were also identifiable. The firms did not have a contract; however, both firms pointed out that common interest and duties need to be clarified in order to achieve smooth interactions. Congeniality in contacts was considered vital by the firms, and many aspects were therefore found that represent smooth
interactions: for example, unexpected effort, waiting time, smooth communication, responsiveness, access, empathy, conflict solving, and flexibility.

Trust on a company level was also identifiable in the empirical data of both firms. The perceptions of the contacts with SelMet’s managing director were especially positive, and he, in turn, also expressed positive views of BuyOff. As he, to a great extent, represented the selling firm, congeniality, attraction and trust on the company level were interpreted as fairly strong. Although there had been some problems in the beginning that had needed clarification as well as a few conflicts, both firms had confidence in each other. This faith encompassed the future and, thus by definition, it reflects trust, a fundamental feature of a long-term relationship.

The interpreting of empirical data and distinguishing between, for example, aspects of attraction and those of trust are difficult. In this study, more general aspects concerning company type, interpersonal appeal, atmosphere and reputation were interpreted as aspects of attraction at company level. Trust on the company level, in turn, was reflected in, e.g., a low need for written documents, past successful experience, faith, honesty, and general reliability. The third company-level outcome of social interactions, i.e. inter-firm cohesion, was illustrated with width of contact surface, hierarchical levels involved, and contact style.

*The economic dimension of relationship quality*

How process and outcome aspects of the economic dimension in a relationship are separated depends on the chosen level of analysis. Perceptions of pricing, costs and productivity can be interpreted from a dynamic perspective as reflections of different economic processes, but may also be considered as different types of relationship benefits and costs. In the studied dyad, raw material, wages, production development and design, CAD planning, tools, inventory and transportation represent different cost types and hence direct relationship costs. In addition, the use of subcontractors, for example, to design and paint the products reflected another product-related
cost type. Closely related to costing is the issue of productivity. Since manufacturing was central, most aspects of productivity concerned the reduction of manufacturing costs.

Pricing was illustrated with different aspects of how prices were calculated and negotiated. Despite the fact that the studied firms did not have contracts, they usually made written cost calculations. In addition, they had a price list stipulating terms of prices and deliveries. As the price list was valid for one year and the increased price level of raw material and wages usually fell outside the price interval during that time, annual negotiations were used to set prices. The common result was to increase the price still during these negotiations, once the price had been dropped to maintain the end-product price level. The prices and terms of new products and for product modifications were also determined in negotiations.

The analysis of economic benefits from the relationship contained many aspects that relate to the end-market of the products. The competitiveness of the product price was evaluated against the price level on the domestic and foreign end-market and how it changed relative to these. Volume, in turn, was described with aspects of end-product demand, present and future potential volume, volume development and turnover. End product dumping, financial prerequisites, and profit sharing were considered aspects of how the firms perceived the profit margin. Compared to the productivity category in the process domain, which was illustrated with various ways of affecting productivity from a process perspective, the benefit category of productivity enhancement was summarised with cost reduction which incorporates improved production efficiency and decreased inventory circulation.

The empirical data revealed four aspects that were interpreted as latent relationship rewards which are the opposite of the notion of relationship burdens proposed by Håkansson and Snehota (1995). One concerned positive stickiness and referred to the influence of the end-market, which was considered to be stable and have future potential. Another concerned determinedness and was the
result of task division and joint purchasing, whereby actions were directed in a way that led to economic relationship benefits for both firms. Another statement of determinedness in the studied relationship concerned tool utilisation, because the lifetime of tools used was long. Also, as the studied firms did not consider initial investment to be substantial, resource commitment of production equipment was perceived in a positive manner.

The other outcome category of economic issues refers to relationship costs which refer to costs that arise directly from the relationship. Different quality failure costs were also revealed and considered substantial even if the firms did not have any calculations on them. Aspects of quality failure costs identified in the empirical data included, for example, scrap, over-time, worrying, repair, reproduction, and unclear division of the responsibility for these issues. Indirect relationship costs were also identifiable. These concerned handling end-customer complaints and delayed receipt of payment because of complaints. BuyOff intended to hire an assistant for general tasks, which can be assumed to be the result of the need to spend more time with counterparts. Capital costs and organisational cost efficiency can also be considered aspects of indirect relationship cost. Another aspect referred to temporal projects that were mentioned as a means to develop manufacturing both in general and in connection with products.

Latent relationship costs, in turn, were reflected in for example the product that had been notably delayed in the design process. This was interpreted as an example of un-determinedness and misdirected actions, because the delay resulted in lost opportunities, as the interest in the particular product on the end-product market was considerable. Idleness and unclear task division were other aspects of un-determinedness. Resource commitment on the other hand was illustrated with initial uncertainty and the need to invest in inventory facilities. How control may be lost was illustrated with aspects of how suppliers have to be prepared to make adjustments in production.

_A summary of the quality dimensions and domains in the studied dyad_
Figure 2 summarises the content of quality perceptions in the studied dyad by using the suggested two quality perception types: quality dimensions and quality domains. The technical dimension consists of both the core interaction process and the outcome, i.e. the result of that process. Hence, ‘technical’ does not refer to merely materialistic and technical issues, but more generally to the offering in the value creation process, i.e. the basis for the two companies doing business with each other. In fact, the term technical may be misleading, but it is used because it has been used in service quality studies to denote the corresponding core of exchange. The second dimension, i.e. the social, refers to human interactions; their importance is heavily stressed in both service management literature and in the IMP approach. Many studies show that constructs concerning social interactions are interrelated. The third dimension, which is the economic dimension, is new to perceived quality models. This dimension has been included because economic issues are vital in a business relationship and a part of how the quality of it is perceived. In this study the term economic dimension has been chosen instead of financial dimension, because it is used in both service quality models and the IMP approach.

‘TAKE IN FIGURE 2’

Interaction levels

The informants provided information that reflected different types of interaction, which resulted in a new notion of different interaction levels as proposed in the PRQ model. Although not systematically generated on different levels, the empirical data contained examples of perceptions pertaining to interaction with a different time span. That one of the firms thought that they were not tied to each other represents a perception on the relationship level. An example of how a relationship-level perception impacted a narrower interaction type was that having a relationship affected the development of new products, as it was considered to improve the prerequisites and increase expectations. Compared to a perception that concerns the entire relationship, a perception on the sequence level represents another type, concerning interactions that are more limited in scope, and with regard to a natural entity, which the firms evaluate within the relationship. In the
studied relationship a natural entity was a product which was represented with different versions which slightly differed from each other in terms of technical features. Most of the data concerned the product which had been in production since the relationship started. Empirical statements about this product seemed to constitute a set of perceptions which formed a natural entity and which could be distinguished from the perceptions of the second product. That products can be considered sequences in this particular case can be attributed to both the nature of the offering and the types of firms studied. The offering concerned was an end product, which was relatively easy to evaluate. Products were significant to both firms: BuyOff wanted competitive products to sell to end-customers, and SelMet was a traditional manufacturing-oriented supplier to whom products were the main focus.

Products were the core of the studied relationship. The tools were expensive and because of this it was important that the products stayed in production long enough to make the tool investment pay off. Tools therefore simultaneously defined a natural entity, i.e. a product, within the relationship. The end of a sequence also defines a vulnerable point in time for the whole relationship; a new product may imply that the supplier is replaced. This illustrates a type of time-framed commitment anchored in products instead of being the traditional general relationship-level type of commitment. However, supplier changes were not considered for existing products but, regarding the future, new products may imply changes. Because the first product developed together with SelMet was in a high demand on the end market, BuyOff considered the relationship as important. This illustrates how perception on the sequence level influences perception on the relationship level.

A sequence is thus an entity that is more limited in scope than the relationship. Within a sequence, perceptions could be identified that concerned, for example, a price negotiation, design process and recovery process, which were interpreted as episodes. The parties can evaluate a price negotiation, for instance, in terms of both how the price discussions go and the outcome of that
A dyadic analysis of relationship quality

This study uses a dyadic approach which means that both counterparts’ views are relevant. Even though dyadic studies are quite common, especially in the IMP approach, there does not at the present exist a way in which to effectively analyse and illustrate this. This study therefore developed a configuration map (Holmlund and Strandvik 1999) that shows the combination of two parties’ paired perceptions. The perceptions of the buyer and the seller are depicted in the map on the horizontal and vertical axes respectively, which represent the relative perception frame of each firm. For quality perceptions in a qualitative study it is common and appropriate to use a scale of positive (+), neutral (0), negative (-). No data as a category are added lest views from both sides on a particular aspect do not exist. The map structures perceptions and reveals the nature and spread of paired quality perceptions. In contrast to previous studies that usually assume that two companies have concordant views of their relationship, the map allows conflicting views in the dyad to be revealed and described. Another feature of the map is the possibility to describe indifference zones, where one or both parties are neutral and perceive this as normal and acceptable.

BuyOff's and SelMet’s perceptions of the three quality dimensions and two quality domains were interpreted according to whether they were positive, negative or neutral, and thereafter matched on the dyad level. Perceptions were interpreted based on how the informants described what was going on in the relationship and the spontaneous evaluations they made of their business. Descriptions and evaluations of negative and positive critical incidents also affected the
interpretation. Describing in detail how each aspect was evaluated is outside the scope of this paper, but it can be concluded that the companies seemed to relate and compare the performance in the dyad with different comparison standards (see section below). The result is shown in the configuration map in Figure 3 which contains sixteen cells categorising and configuring the two firms’ perceptions.

‘TAKE IN FIGURE 3’

Some sub-types of processes and outcomes appear in several cells, because perceptions of aspects within them differed. Another reason for assigning aspects in several cells was that many aspects had improved over time, such as keeping timetables and generating ideas. In addition to aspects issues that both firms evaluated and had positive, neutral or negative perceptions of, the analysis also revealed that some issues were firm specific. For example, SelMet described more aspects of production than BuyOff did, while BuyOff on the other hand focused more on the products and their features. As the processes and outcomes contain many several types and features, and as perceptions of these tend to differ, each process type and outcome has been interpreted and assigned to several cells.

Design and manufacturing were at the core and they contained many aspects, of which some, e.g., idea generation and adjustable specifications, were perceived as good by both firms. Also, despite some initial problems, both companies perceived recovery as good. One of BuyOff’s concerns was therefore the assurance of defect-free and innovative products. It was therefore mainly BuyOff that made evaluations of the products’ features, and these were mostly positive. Achieving defect-free and innovative products was so essential that BuyOff would seriously have questioned the continuation of the relationship if the technical outcome in the relationship had not met with the end-customers’ approval. This illustrates how third parties have an impact on how quality is perceived in the focal relationship. Several technical aspects were considered as rather neutral,
which meant that they were not considered as particularly good or poor, but instead in line with common business practice. There were also aspects of which there were opposite perceptions, i.e. both positive and negative. For example, SelMet were involved in generating product ideas together with BuyOff. This was considered positive by SelMet as they thereby were able to affect subsequent manufacturing, but simultaneously it was negative since it demanded resources.

The clear majority of perceptions of social interactions were interpreted as either positive or neutral, which may be attributable to the fact that the studied relationship was ongoing. Proportionately more perceptions concerning processes and outcomes of social interactions were identifiable in interviews with BuyOff’s representatives than with SelMet’s representatives. This may be due to the personality of the individuals or the nature of their business, i.e. selling and dealing with end-customers. However, both firms were aware of the significance of social aspects and advocated the need to cultivate their business relationships also from a social point of view.

Both firms had positive perceptions of social contacts on an individual level consisting of: appeal, acquaintance, respect, congeniality, and pleasure. Both firms also had positive perceptions of each other’s responsiveness and flexibility, which reflects congeniality. Perceptions of acquaintance, respect and pleasure as well as inter-firm cohesion have been interpreted as primarily neutral in the relationship, because the firms had some negative experiences in connection to problems that had not been resolved as smoothly as they would have preferred. But, on the whole, they expressed mutual respect, regarded their contacts as informal, and liked doing business with each other.

Aspects such as, for example, conflicts in a relationship may be interpreted as either positive or negative. On the one hand, a conflict may be regarded as negative, since it as such reflects a negative incident that potentially may result in a weakening of the relationship. On the other hand, a conflict may be seen as a process which, for example, through negotiation and compromise reaches a solution and therefore eventually is perceived as positive. In the studied dyad, there had
been a few conflicts, and they had by and large been solved; still, they had made the firms more careful when negotiating, setting prices, and determining different schedules.

It was apparent in the studied dyad that perceptions of economic issues may be opposite and depend on from whose point of view the aspect is viewed. For example, it is natural that a buyer tends to perceive a price increase as negative, while the seller may be assumed to perceive the price increase differently and see it as justified because of, for example, more expensive raw material and higher wages. Correspondingly, price reductions, unless they are warranted by reduced costs and improved productivity and do not affect profitability, may be assumed to be positive from the buyer’s perspective and negative from that of the seller. This applied especially to perceptions of pricing, which have been interpreted as primarily neutral, because none of the firms perceived exceptional difficulties in the dyad although both mentioned aspects that they were not satisfied with. In addition, the majority of costs was highly dependent on price increases that the firms were unable to influence. BuyOff appreciated the price reduction that they had received, but had a negative experience because of two price conflicts. Although price negotiations were fierce, they had been able to compromise and reach agreements, which was interpreted as a positive aspect from both firms’ points of view. In contrast to BuyOff, which did not discuss economic aspects in terms of productivity issues, SelMet discussed them in general focusing on production-related aspects. BuyOff perceived the costs, on the whole, as rather neutral, even if they considered the price level as high and thus negative. SelMet did planning and design work for BuyOff, for which they did not get paid, but which was highly appreciated. This has been interpreted as a neutral aspect from SelMet’s point of view but, depending on the chosen time perspective, it may also be interpreted as either negative or positive. SelMet tended to regard these expenses and efforts as rather negative since they implied a considerable financial risk especially for a firm of their size. While negative in the short-run, SelMet acknowledged the necessity to occasionally take the risk and undertake unprofitable tasks in order to secure and develop the business in the long run.
The analysis did not reveal any latent relationship rewards as perceived by BuyOff. SelMet, in contrast, mentioned a few aspects, interpreted as aspects of latent relationship rewards, that they considered positive in the relationship with BuyOff. Concerning latent relationship costs, on the other hand, the analysis revealed that both firms had experienced negative issues. Compared to BuyOff, SelMet provided the majority of aspects pertaining to direct relationship costs. SelMet’s perceptions of offering, quality failure and relationship management costs were nevertheless interpreted as primarily neutral. It is noteworthy, however, that all informants, on several occasions, brought up quality failure issues. Both firms were concerned about them and acknowledged how difficult they are to pinpoint and measure. Indirect costs stemming from the relationship were interpreted as neutral according to both firms, because they mentioned several aspects but did not consider them exceptional or considerable in costs.

SUMMARY AND IMPLICATIONS OF RESULTS

Summary
This study addresses a construct, i.e. relationship quality which, despite its apparent significance in the current relationship-management paradigm and considerable research attention, is claimed to lack a definition and conceptualisation. It proposes a new definition together with a model of perceived relationship quality which is illustrated with a business-to-business dyad. One of this study’s basic assumptions is that quality should be depicted as perceived quality as opposed to objective quality and originates from quality models in the service management approach. However, since this approach does not provide the language with which to describe ongoing interactions between parties, it needed to be combined with insights into relationships. The IMP approach provided such a framework and was therefore used to capture the content and dynamics of relationships. The whole study rests on accumulated theoretical insights which have been used together with empirical findings in an abductive manner to expand the scope on quality to encompass dyadic quality perceptions in a business relationship setting. The definition and model
have hence been developed to concern business-to-business relationships and are therefore best suited to this particular type of market.

Research contribution and further research

The current study expands the scope of quality from that of previous studies which incorporate social interactions, sales activities or communication to concern the entire business relationship, and from a traditional customer view to a dyadic perspective. Compared to earlier models of business-to-business relationship quality, the new model is a comprehensive model that captures the whole business relationship in detail and reveals several new aspects. The whole study rests on accumulated theoretical insights which have been used together with empirical findings in an abductive manner to expand the scope on quality to encompass dyadic quality perceptions in a business relationship setting. The definition and model do not so much depend on completely new elements, but instead the contribution lies in the way that current insights and empirical data have been combined.

The empirical case was used both to develop the new PRQ model and to illustrate it with empirical data. One case cannot, however, be expected to illuminate all aspects of the model. Instead, it deepens the model by refining it and illustrating central elements in a particular setting. Two central conclusions from the empirical case were nonetheless that despite the obvious focus on product-related issues in the chosen manufacturing-oriented business relationship, other aspects, which can be considered aspects of a social and economic nature and related to the whole relationship, were essential, and not merely the customer but both firms made evaluations of the relationship. These in turn support the suggested widening of scope on relationship quality to pertain to the whole relationship and both parties in it.

Typically in RQ studies one person per company is asked to make a relationship assessment. This study on the other hand highlights the notions of relationship-specific and significant persons. This
implies that several informants represent the company’s view, and in case of incongruent opinions, the views of those with the decision power over the relationship outweigh those of others. Although this was not particularly problematic in the studied dyad, it may be a challenge in business-to-business studies in general. Concerning another new proposed notion, namely, span of perception, the two managing directors seemed to have a wider span of perception than other informants. The case furthermore supported the idea that different types of comparison standards related to ideal, industry norms, past experience, and future expectations are used in a business relationship setting for making evaluations. There was also support for the notion of variation in interactions as there were many situations that the informants recalled of things that had worked exceptionally well or poorly. The studied firms in addition seemed, on the whole, to tolerate a great deal of variation in a negative sense, except for when their other relationships were affected. How to study, analyse and compare individuals’ quality perceptions in a company setting are suggested as areas for additional and needed research.

The empirical study was not designed to capture dynamic aspects. It nonetheless revealed the need to distinguish between interactions covering different time spans, and this resulted in the conceptualisation of interaction levels. Interactions constitute the relationship, and in the new model they were grouped into different levels based on their connectedness and time frame. Recognised in the service quality literature (Liljander and Strandvik 1995) and IMP approach (Håkansson 1982, p. 14; Möller and Wilson 1995, p. 26), this hierarchical categorisation of interactions represents a new way of configuring the content of business relationships. Compared to currently used conceptualisations, it is more refined and it allows perceptions of relationships to be captured in a comprehensive manner. The case additionally illustrated how perceptions of interactions on a particular level influence perceptions on both lower and higher levels. The analysis thus supports the proposed categorisation of perception types that can be identified on the relationship level as well as lower levels within it. Another research design where the informants would have been asked to configure different interaction types and thereafter describe them
systematically would obviously have generated more comprehensive information. This would be an idea to pursue in upcoming studies.

The interaction-level conceptualisation was also used to model the content of quality perceptions. From a relationship perspective, both process and outcome aspects of interactions are vital, and they constitute one way of categorising quality perceptions and were labelled quality domains. Another way is the content of quality perceptions, which was divided into three quality dimensions, namely technical, social, and economic. The quality domains and dimensions are refined extensions from the widely used technical (‘what’) and functional (‘how’) quality dimensions in service quality research (Grönroos 1982), and ‘hard’, ‘soft’, and ‘outcome’ quality elements used in business-to-business relationship studies (Szmigin 1993). By combining quality dimensions and domains a detailed categorisation of quality perceptions in relationship was achieved. Sub-dimensions of the quality dimensions would depend on the empirical setting, and are fruitful areas for future studies.

As opposed to current service quality models, a central element of the new model is the economic dimension of perceived quality. It corresponds to some extent to the notion of value as used in service quality models, where it has been seen as the result of a customer’s comparison of perceived quality with sacrifices made to buy the particular service. Reasons for including financial aspects in relationship quality in the current study are several. Firstly, in a business firm setting, economic aspects are considered important and may represent the main reason for the original establishment of the relationship. Secondly, unlike studies of single exchanges, conceptualisations of relationships concern a longer time frame, encompassing economic aspects. Thirdly, the counterparts tend to evaluate the economic contribution of the focal relationship in relation to their other counterparts and relationships.

*Limitations of the study*
There is perhaps no such thing as a typical business relationship. They are variable and all tend to be unique in some respect. Even though this makes the interaction processes and adjustments unique and difficult to compare, there are certain patterns in them. The chosen empirical case for this study is simpler in function than IMP relationships tend to be but more complex than the traditional service management relationship type. Thus compared to current offerings in perceived quality models, the case is complex enough to reveal diversified aspects that can be used to expand the scope on quality. An issue related to this is how the data were generated as informants were asked to recall the relationship as they experienced it, both in real-time and in retrospect. The relationship was thus studied as experienced and as reflecting the perceptions of the involved individuals, which is the basis for studying quality in terms of perceived quality. Nonetheless, it may be assumed that it is easier and more common to recall and describe events that differ from the normal. This may result in unjustified weight being given to deviating events. It may also mean, however, that these deviating events are influential with regard to how quality is perceived (cf., critical-incident studies in service and relationship marketing based on Flanagan 1954).

The perceived relationship quality definition and model developed in this study are rather generic. Additional insights into quality perceptions in business relationships may be achieved by taking into consideration, for example, the line of business, the size of the firms, and the economic significance of the relationship. Furthermore, this study focuses on ongoing relationships, and does therefore not explain, for example, why relationships are established or why they are disrupted. It may, however, generate ideas applicable to studies on these issues. The study of relationships which are on the verge of breaking up or which have been disrupted would potentially reveal additional insights into quality perceptions in business relationships. Another area for further research concerns the dynamics of quality perceptions in relationships. The PRQ model is not a dynamic model, yet it contains dynamic elements since a relationship by definition extends over a period of time. This is evident, for example, in the conceptualisation of different interaction levels
which encompass different time frames and how perceptions on different levels are related to each other.

Managerial implications

The new perceived relationship model enables detailed depiction of entire relationships, and is, consequently, useful for assessing and developing current as well as potential business relationships. It facilitates the discovery of real as well as potential strengths and deficiencies in a particular relationship. The domain conceptualisation of the relationship quality construct as such redirects attention by emphasising process instead of product. Such a perspective also automatically leads to a broader understanding of the processes behind the co-operation between firms. The model may thus be used to characterise different types of relationships, and to detect and distinguish between those that are, for example, technical-process oriented and economic-outcome dominated. If such an analysis revealed deficiencies concerning the social or economic dimension, then the particular firm could direct its improvement efforts in the former case towards its personnel, and in the latter, towards economic issues. This implies that the model offers the possibility to discover different sources of deficiencies and thus find the most appropriate focus for improvement endeavours. This can be compared to manufacturing-oriented quality models which do not take into consideration how a product can be integrated into the buyer’s product process or how it affects the buyer’s process and outcome. Much quality work focuses on enhancing the firm’s own production processes, and the new relationship quality model in this study points to the need to manage the resources acquired through relationships with other parties.

The model may also be useful when, for example, alternative counterparts are evaluated and compared, and particularly when the differences between these are minor or difficult to detect and describe. Since firms have different demands on their counterparts in terms of their input to the production processes, the new understanding of perceived quality in relationships would be particularly appropriate for evaluating counterparts on their process or outcome orientation.
Furthermore, clarifying and describing quality domains and dimensions help in deciding priorities for quality improvements and provide a language for discussing different aspects of quality matters covering a vast number of different aspects and not merely product-related issues.

REFERENCES


<table>
<thead>
<tr>
<th>Study</th>
<th>Type of study</th>
<th>Definition of relationship quality</th>
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<tbody>
<tr>
<td>Gummesson (1987)</td>
<td>Conceptualises different forms of quality customers encounter.</td>
<td>RQ reflects how adept members of the organisation are at developing and maintaining relationships at an interpersonal level. (p. 19)</td>
</tr>
<tr>
<td>Dwyer and Oh (1987)</td>
<td>Measures the effect of environmental aspects on the nature of channel relationships.</td>
<td>RQ illuminates three key facets: satisfaction, minimal opportunism, and trust, as perceived by customers.</td>
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<tr>
<td>Crosby et al (1990)</td>
<td>Advances and tests a model on how salesperson’s characteristics and selling behaviour affects RQ and in turn anticipated future interaction.</td>
<td>High RQ is when “the customer is able to rely on the salesperson’s integrity and has confidence in the salesperson’s future performance because the level of past performance has been consistently satisfactory.” (p. 70) Two dimensions of RQ: trust in the salesperson, and satisfaction with the salesperson, as perceived by the customer.</td>
</tr>
<tr>
<td>Szmigin (1993)</td>
<td>Conceptualises business-to-business services and requirements for different types of quality in suppliers’ relationships with clients.</td>
<td>Classifies quality and satisfaction in a b-t-b service relationship under the headings of “hard”, “soft” and “outcome” quality, as perceived by the customer.</td>
</tr>
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<td>Palmer and Bejou (1994)</td>
<td>Measures how consumers assess the effect of sales orientation in different stages of financial broker relationships.</td>
<td>Sales effectiveness perspective on RQ, its determinants are: relationship satisfaction, seller’s trustworthiness, seller’s customer orientation, selling orientation, seller’s expertise, and seller’s ethics.</td>
</tr>
<tr>
<td>Parasuraman et al (1994)</td>
<td>Discusses the specification and measurement of service quality and proposes an agenda for further research</td>
<td>RQ is seen as a global framework reflecting an aggregation of customers’ evaluations of multiple transactions. Transaction-specific satisfaction is a predictor of perceived long-term RQ.</td>
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<td>Wray et al (1994)</td>
<td>Uses neural network analysis to test the effect of several constructs such as sales orientation, expertise, ethics, relationship duration, on RQ.</td>
<td>“Relationship satisfaction and trust are seen as indicators of RQ.” (p. 120)</td>
</tr>
<tr>
<td>Kumar et al (1995)</td>
<td>Measures the effect of procedural and distributive fairness on RQ.</td>
<td>Better RQ implies a lower level of conflict as well as greater trust, commitment, expectation of continuity, and willingness to invest, assessed by customers.</td>
</tr>
<tr>
<td>Hennig-Thurau and Klee (1997)</td>
<td>Conceptualises the nature of RQ and the effect of it and service quality on customer retention.</td>
<td>“Relationship quality can be seen as the degree of appropriateness of a relationship to fulfil the needs of the customer associated with that relationship.” (p. 751) The RQ construct contains three components: the customer’s perception of service or product, trust in the relationship partner, and the commitment to that partner.</td>
</tr>
<tr>
<td>Leuthesser (1997)</td>
<td>Measures the extent to which suppliers’ relational behaviour influences the quality of their relationships and sales performance with buyers.</td>
<td>Buyer satisfaction and trust are highly correlated, forming a measure of RQ.</td>
</tr>
<tr>
<td>Dorsch et al (1998)</td>
<td>Examines how inequalities in RQ correspond with a hierarchical ranking of qualified vendors.</td>
<td>RQ is a higher-order construct encompassing trust, satisfaction, commitment, minimal opportunism, customer orientation, and ethical profile, as assessed by customers.</td>
</tr>
<tr>
<td>Smith (1998)</td>
<td>Measures the effect of biological sex on relationship management, relational bonds, and RQ.</td>
<td>“an overall assessment of the strength of a relationship and the extent to which it meets the needs and expectations of the parties based on a history of”</td>
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<tr>
<td>Authors and Year</td>
<td>Description</td>
<td>RQ Definition and Dimensions</td>
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<tr>
<td>Järvelin (2001)</td>
<td>Develops a conceptual system illustrated with data from one case about how RQ is evaluated.</td>
<td>RQ “refers to the perceptions of relationship partners formed as a result of the two level evaluation process concerning all the feasible aspects of the relationship.” (p. 17) Dyadic view.</td>
</tr>
<tr>
<td>Naudé and Buttle (2000)</td>
<td>Develops with qualitative data an understanding of what counts as a “good” or “poor” quality relationship.</td>
<td>Five attributes of RQ: trust, integration, mutual understanding of needs, power, and profit.</td>
</tr>
<tr>
<td>Parsons (2002)</td>
<td>Considers and measures two main sets of variables determining RQ: interpersonal and relationship.</td>
<td>RQ has two dimensions: trust and satisfaction, as the customer perceives the salesperson.</td>
</tr>
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<td>Lang and Colgate (2003)</td>
<td>Measures how customers’ preference towards using a combination of IT mediated channels to interact with their service provider relates to RQ from the customer’s perspective.</td>
<td>RQ consists of: commitment, trust, satisfaction, social bonds and conflict.</td>
</tr>
<tr>
<td>Walter et al (2003)</td>
<td>Measures the effect of direct and indirect functions on RQ, as perceived by customers.</td>
<td>RQ is a higher-order construct encompassing three distinct, although related dimensions of business relationships: trust, commitment and satisfaction.</td>
</tr>
<tr>
<td>Ivens (2004)</td>
<td>Measures effect of relational style on RQ.</td>
<td>RQ is a multi-dimensional construct consisting of: satisfaction, commitment, and trust, as assessed by the customer.</td>
</tr>
<tr>
<td>Woo and Ennew (2004)</td>
<td>Builds the RQ construct and supports empirically that relationship quality has a direct and positive impact on service quality.</td>
<td>RQ is a higher-order construct of cooperation, adaptation, and atmosphere, as perceived by the customer.</td>
</tr>
<tr>
<td>Lages et al (2005)</td>
<td>Develops and tests a new measurement scale (the RELQUAL scale) to assess the degree of relationship quality between the exporting firm and the importer.</td>
<td>RQ is seen as a higher order construct made of several distinct, although related dimensions: intensity of information sharing, communication quality, long-term orientation and satisfaction with the relationship between the exporter and importer. The seller assesses RQ.</td>
</tr>
<tr>
<td>Huntley (2006)</td>
<td>Inductively conceptualises RQ, and quantitatively measures and links it to profitability.</td>
<td>RQ is defined as: “the degree to which buyers are satisfied over time with the overall relationship as manifested in product quality, service quality, and price paid for the value received and the degree to which the relationship functions as a partnership.” (p. 4)</td>
</tr>
</tbody>
</table>
Figure 1. The PRQ model
**Process Domain**

The composition process types in the relationship where the offering is composed:
- Design
- Production
- Inventory
- Delivery
- Recovery
  *each of them characterised by:*
  - Reliability
  - Innovativeness
  - Use of competence
  - Speed
  - Use of physical resources
  - Flexibility
  - Security

**Outcome Domain**

The technical composition as the technical outcome of the composition processes in terms of:
- Reliability
- Innovation
- Conformance
- Aesthetics
- Endurability

---

**Technical Dimension**

Concerns the offering at the core in the relationship consisting of tangibles and intangibles.

---

**Social Dimension**

Concerns the social interaction on the individual and company level.

---

**Economic Dimension**

Concerns the economic benefits and costs of the relationship.

---

**Running economic issues in the relationship:**
- Pricing
- Costing
- Productivity

---

**The result of social interactions, on the individual level:**
- Appeal
- Trust
- Acquaintance
- Respect
- Congeniality
- Pleasure

**on the company level:**
- Inter-firm cohesion
- Attraction
- Trust

---

**The results of the economic processes:**

**Relationship benefits:**
- Competitive price level
- Volume
- Profit margin
- Productivity enhancement
- Latent relationship rewards

**Relationship costs:**
- Direct relationship costs
- Indirect relationship costs
- Latent relationship costs

---

Figure 2. Content of quality dimensions and domains in the studied dyad
<table>
<thead>
<tr>
<th>SelMet + Positive</th>
<th>SelMet 0 Neutral</th>
<th>SelMet - Negative</th>
<th>SelMet No data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technical dimension</strong></td>
<td><strong>Technical dimension</strong></td>
<td><strong>Technical dimension</strong></td>
<td><strong>Technical dimension</strong></td>
</tr>
<tr>
<td><strong>Social dimension</strong></td>
<td><strong>Social dimension</strong></td>
<td><strong>Social dimension</strong></td>
<td><strong>Social dimension</strong></td>
</tr>
<tr>
<td>Outcome aspects: Congeniality, trust comp. level, attraction</td>
<td>Economic results: Aesthetics</td>
<td>Economic results: Trust</td>
<td>Economic results: Trust</td>
</tr>
<tr>
<td><strong>Economic dimension</strong></td>
<td><strong>Economic dimension</strong></td>
<td><strong>Economic dimension</strong></td>
<td><strong>Economic dimension</strong></td>
</tr>
<tr>
<td>Economic results: Volume</td>
<td>Economic results: Price level, profit margin</td>
<td>Economic results: Latent relationship costs</td>
<td>Economic results: Profit margin</td>
</tr>
</tbody>
</table>

Figure 3. Dyadic perception of relationship quality in the studied relationship