ANNE-MARI JÄRVELIN

Evaluation of Relationship Quality in Business Relationships

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ACADEMIC DISSERTATION
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The journey, that sometimes seemed to be never-ending, is finally finished. This journey will be unforgettable for me, not only because of the journey itself, but also because of the other important things that has happened during the journey. This journey has taught me a lot, not only as a researcher, but as a person. In addition to my relief, I am feeling a little bit bittersweet, as this journey ends.

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Looking for new journeys….

Tampere, January 2001

Anne-Mari Järvelin

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1. INTRODUCTION

1.1. Background of the study

This study deals with the evaluation of relationship quality in business relationships. In this chapter 1.1. the background of the study is discussed from different perspectives. These aspects include relationships, service quality, relationship quality and evaluation in business relationships.

Since the beginning of 1990's, both marketing and management literature and research has witnessed a growing interest in *relationships.* The paradigm shift in marketing towards the relationship marketing has been widely discussed (e.g. Sheth 1994; Grönroos 1994, 1995; Gummesson 1995; Lehtinen 1996; Strandvik and Storbacka 1996; Gummesson, Lehtinen and Grönroos 1997; Mattson 1997). A shift in perspective from the individual transactions to the long lasting relationships is anticipated. This shift would mean that both the scope and time perspective of marketing would change from narrow and short to the vast and long.

In the interaction-network approach, together with channel studies, the interest in relationships had risen long before the interest in relationship marketing. As relationship marketing and service quality research are mainly concentrating on customer markets these approaches examine relationships in a business-to-business -context. The interaction-network approach research has, in recent years, moved toward the functions and processes that tie firms together. Satisfaction with the relationship has been found to be one of the factors that affects the continuity of the relationship (e.g. Ganesan 1994; Halinen 1997), and thus also the financial performance of the actors involved within the relationship (e.g. Söderlund and Vilgon 1995). In line with this paradigm shift, towards relationship marketing, the scope of quality research seems to be changing from product quality, in single exchanges, to quality of resources and processes within relationships (see Holmlund 1997, p. 6).

Service quality has been the most researched area in services marketing (Brown, Fisk and Bitner 1994, pp. 33-39). As a result of this interest several service quality models have been developed (Grönroos 1982; Lehtinen and Lehtinen 1982, 1991; Parasuraman, Zeithaml and Berry 1985, 1988, 1994; Gummesson 1987; Bitner 1990; Bolton and Drew 1991; Zeithaml, Berry and Parasuraman 1991; Oliver 1993; Liljander and Strandvik 1995b). Service quality researchers have in the recent years shown a growing interest in the relationship perspective. The reason for this interest lies mainly in the need for more dynamic ways to both define and measure service quality (Grönroos 1993; Brown, Fisk and Bitner 1994). It seems to be, however, that relationship perspective in service quality research is the area which requires more theoretical and empirical research (e.g. Strandvik 1994, pp. 166-168; Liljander 1995, pp. 213-124; Halinen 1997, pp. 25-26). Research done in the area of service quality has already found evidence for the assumption that relationship quality affects the profitability of a relationship (see Storbacka, Strandvik and Grönroos 1994).

The service quality research has evolved according to what Grönroos predicted in 1993 to be the third phase (1993 onwards) of service quality research (Grönroos 1993). The research has to some extent proceeded from the static service quality models, to more dynamic ones. This has been mainly done by concentrating on developing the "expectations" component of the service quality models (see e.g. Liljander and Strandvik 1993a; Teas 1993; Cronin and Taylor 1994; Parasuraman, Zeithaml and Berry 1994; Strandvik 1994; Teas 1994; Liljander 1995). Only a few studies have addressed directly the concept of *relationship quality* (see Liljander and Strandvik 1994; Lehtinen and Järvelin 1995; Liljander and Strandvik 1995b; Storbacka, Strandvik and Grönroos 1995; Järvelin and Lehtinen 1996). However, most of these studies only theoretically address relationship quality. The studies by Holmlund and Kock (1995a) and Holmlund (1996, 1997) are an exception, as they also view empirically relationship quality. These studies do not, however, concentrate on the evaluation perspective, as does this study.

Although the studies related to the relationship quality are still quite rare, the aspects related to the relationship quality have been, however, addressed in several research fields already before the discussion concerning the relationship quality even started. Researchers in the fields of interaction-network -approach, social exchange theory and channel management have studied concepts closely related to the issue of relationship quality (e.g. satisfaction, outcomes, comparison level).

The interest in relationship quality has risen almost simultaneously in both among research in the area of service quality and in the network and interaction -approach. In network-interaction theories, relationship quality is viewed as a concept, which includes both satisfaction and trust (e.g. Kempeners 1995).[1] Defined as such relationship quality merely can be seen as a strength of the relationship rather than as the quality of it. Accordingly, relationship quality also can be easily confused with concepts like trust and commitment, because satisfaction is usually seen as an important antecedent of these constructs.

There might be some confusion about the concept of relationship quality even among researchers within the service quality tradition. The concept of relationship quality can be understood as service quality in relationships,

[1] Also researchers in other fields have seen relationship quality as including both satisfaction and trust (e.g. Crosby, Evans and Cowles 1990; Lagase, Dahlström and Gassenheimer 1991; Wray, Palmer and Bejou 1994).

(e.g. Szmigin 1993) or as the quality of the relationship, (e.g. Lehtinen and Järvelin 1995; Järvelin and Lehtinen 1996). The difference between these two definitions is that the first mentioned view concentrates on the quality of the service in the relationship context. The latter view in turn sees quality concerning all aspects of the relationship, i.e. product/service related aspects, financial/economic aspects, aspects related to interaction processes and other psycho-social aspects. In this study the latter view is taken, i.e. relationship quality concerns all the aspects of the relationship[2].

The evaluation in business relationships has been found in marketing literature as related to two different situations. In the first situation the evaluation is linked to the selection of the partner[3] (e.g. Möller and Laaksonen 1986; Spekman 1988; Turnbull 1990; Patton 1996). In the second situation, the evaluation is done in the existing relationship (e.g. Anderson and Narus 1984, 1990; Frazier 1983; Wilson and Mummalaneni 1986; Frazier, Spekman and O'Neil 1988; Mohr and Spekman 1994; Halinen 1997). Often these studies are related to the evaluation done in an existing business relationship and concern only the evaluation of the relationship. The evaluation of one single episode, together with the effect of episode evaluation to the relationship evaluation have been neglected. Consequently the evaluation is not seen as a process in which the experiences are compared against comparison standards (see for exception Kotsalo-Mustonen 1996).

1.2. Perspective of the study

In this study the view of evaluation process is taken in studying the relationship quality. There exist at least four alternative concepts to use in examining the evaluation process of the relationship. These are relationship strength, relationship value, relationship satisfaction and relationship quality. In the following these different perspectives are discussed together with the starting points for this study.

Relationship strength can be seen as the resistance to disruption of the relationship (Holmlund 1997, p. 242; see also Strobacka, Strandvik and Grönroos 1994). The relationship strength is developed partly on a basis of evaluations made, and partly as a result of bonding and commitment (Storbacka, Strandvik and Grönroos 1994; Holmlund 1997). Relationship strength as a concept also is linked to the outcome of the evaluation rather than to the actual evaluation process. Consequently, taking the view of the relationship evaluation process, the relationship strength as concept cannot

[2] See the definition of relationship quality in chapter 1.3.

[3] In different research traditions, different authors have used different terms for the parners involved in the relationship. For example, in channel research the term party has been used (e.g. Frazier 1983), and in interaction approach the term actor (Halinen 1997). In this study, however, the term partner is used together with the term actor.

be regarded as offering many valuable tools for analyzing the evaluation process.

Relationship value can be seen as a result of evaluation between gains and loses from the relationship, i.e. it is a comparison between what the firm gains from a relationship and what it has to contribute to it (see Werani 1996, p. 1425; Holmlund 1997, pp. 242, 334). Some researchers relate relationship value to the comparison made between relationship quality and firm's investments (e.g. Liljander and Strandvik 1993a, 1995a; Storbacka, Strandvik and Grönroos 1994; Holmlund 1997), while others see relationship quality as including the sacrifices made on the relationship (e.g. Wilson and Mummalaneni 1986, p. 51; see also Järvelin and Lehtinen 1996; Halinen 1997). It has be noticed that relationship quality does not necessarily include sacrifices (e.g. Holmlund 1997). By using relationship value, the sacrifices or investments are always included in the evaluation. The relationship quality concept can, however, offer the possibility to examine situations in which sacrifices are not present during the evaluation process.

Relationship satisfaction is a concept mainly used in interaction studies (e.g. Fiocca and Snehota 1994; Möller and Wilson 1995; Wilson and Möller 1995). In these studies, relationship satisfaction is seen as the outcome of the interaction within the business relationships (e.g. Möller and Wilson 1995, p. 35). Relationship satisfaction is thus a concept that is linked to the relationship, and only indirectly to the episodes. Consequently, the use of relationship satisfaction as a concept only would emphasize the outcomes of the evaluation, not the evaluation process itself.

Linking the evaluation to *relationship quality* -concept provides us tools for analyzing the evaluation process and not only the result, or results, of that process. In the following sections reasons for this argument are presented.

First, relationship quality as a concept has its roots in several research traditions (e.g. service quality, interaction -approach, social exchange theory and customer satisfaction research). This on one hand can *give opportunities for using different kinds of tools in analyzing the relationship quality evaluation process*, not only the result, but on the other hand it may lead to the confusion without a thorough conceptual analysis. As discussed earlier the use of the concepts of relationship strength or relationship satisfaction instead would not give opportunities in examining the actual evaluation process, but the result of it. It has to be noticed, however, that from the managerial perspective the result of the evaluation process is important as it effects the length of the relationship (see e.g. Strobacka, Strandvik and Grönroos 1994; Holmlund 1997). Also in the studies concerning the evaluation of business relationships (e.g. Frazier 1983; Andersson and Narus 1984, 1990; Wilson and Mummalaneni 1986; Halinen 1997) the result of the evaluation (which concern the relationship) is linked to the higher level concepts like trust, commitment and attraction (e.g. Liljander and Strandvik 1994; Lehtinen and Mittilä 1995; Halinen 1997). *In* *using relationship quality as a tool for analyzing the evaluation done in business relationships, relationship quality can be seen as a concept which can link these higher level concepts to the episode experiences*.[4] Taking the perspective of the evaluation process itself, also allows an analysis of the process, and thus the relationships between episode and relationship levels can be revealed in both empirical and theoretical research.

Second, in analyzing the evaluation of the relationship between two firms, the aspects linked to the individual evaluator, and the aspects linked to the firm, of which the individual evaluator is a part, are mixed. Thus, in order to understand the evaluation process, tools are needed to understand the cognitive processes the individuals use in evaluating the relationship and for the special perspectives that the focus of the evaluation, i.e. the relationship between two firms, brings along. *As the relationship quality has its roots in traditions linked to the evaluation process used by the individuals* (e.g. service quality, customer satisfaction, social exchange theory) *and in traditions linked to the relationships between firms* (e.g. interaction approach, channel management), *it offers necessary tools for understanding the evaluation of business relationships*.

As this study takes the view of evaluation process, in studying the relationship quality, the dynamic aspect is taken into account, by examining the evaluation process from the single episode level evaluation to more cumulative quality perception. Although, the recent service quality models (Parasuraman, Zeithaml and Berry 1994; Liljander and Strandvik 1995a) represent quality as being a two level concept, they do not show empirically the connection between these levels. The relationship quality model by Holmlund (1997) represent quality as being a multilevel concept.

In this study the evaluation process of relationship quality is done by looking at the relationship as a dyad, so the perspective of both partners involved in the relationships, is taken into account[5]. The examination of the opinions of the actors representing several organizational levels allows for a more extent picture of the evaluation process.

In examining the evaluation process in the relationship context, all the feasible aspects of the relationship are taken into account (i.e. product/service related aspects, financial/economic aspects, aspects related to interaction processes and other psycho-social aspects), and as a result as complete picture as possible about different evaluation processes is formed.

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[4] The links between relationship quality and higher level concept are not, however, within the scope of this study.

[5] The number of studies examining both partners in the relationship has increased in recent years and several studies has studied dyads empirically (see e.g. Liljegren 1988; Hovi 1995; Wilkinson and Young 1995; Alajoutsjärvi 1996; Järvinen 1996; Kotsalo-Mustonen 1996; Halinen 1997). The studies that can be regarded as examining relationship quality in dyad have also increased (e.g. Brown and Swartz 1989; Liljander and Strandvik 1995a; Holmlund and Kock 1995a, Lehtinen and Järvelin 1995; Järvelin and Lehtinen 1996; Holmlund 1997), but only three of these include empirical study (Brown and Swartz 1989; Holmlund and Kock 1995a; Holmlund 1997).

Also the results of different evaluation processes can be, taken into the perspective of relationship quality evaluation, drawing together into a single concept. Thus, by studying the different kinds of evaluation processes, and taking them together under the same concept, will help companies to see the whole picture of the quality evaluation, and on the basis of that, to develop their own evaluation procedures.

1.3. Nature of relationship quality and its evaluation

As relationship quality is a new concept it has to have some characteristics that differentiate it from other concepts that are closely related to it (i.e. service quality, satisfaction, outcomes and value). The aspects that characterize relationship quality and thus differentiate it from the other concepts are; separation into episodes and relationship, processual nature, and nature of relationship quality concept as perception. These same aspects can be regarded as the ones that define the unique nature of relationship quality evaluation.

For the relationship quality evaluation *separation into episodes and relationship*[6] means that the evaluation takes place on two levels: on episode level and relationship level. The episode level evaluation results in episode quality perception, which can in turn be used in relationship quality evaluation. Thus, there may exist a linkage between the evaluations done on two different levels, and the evaluation can also be regarded as being processual and on-going, as the relationship quality perception can have an effect on the comparison standards used in the future episode quality evaluation.

The separation into two levels has also been done in other studies concerning satisfaction and service quality (e.g. Oliver 1993; Parasuraman, Zeithaml and Berry 1994; Liljander and Strandvik 1995b), but the connection between these two levels has not been quite clear. In this study, however, the linkage between the evaluations done on these two levels is examined. This forms one of the key issues in conceptualizing relationship quality evaluation.

The *processual nature of relationship quality evaluation* is linked closely to the separation of the episodes and the relationship. The evaluation of relationship quality can be viewed as a process because: 1) it contains different phases (forming of comparison standards and actual evaluation), 2) these phases are in sequential order, 3) it involves several partners, 4) outcome of the evaluation can change during the evaluation process, 5) evaluation happens continuously (i.e. every time an episode

[6] See the definition of relationship and episode in chapter 2.

takes place), 6) the process contains feedback from the relationship quality perception to the next episode quality evaluation.[7] (Shostack 1988, p. 95).

The evaluation of relationship quality can be viewed as an on-going process. Satisfaction and service quality literature have treated satisfaction and service quality as a transaction specific phenomenon (see more e.g. Boulding, Kalra, Staehlin and Zeithaml 1993), although there also has been more dynamic views (e.g. Lehtinen and Lehtinen 1991). Customer satisfaction has been traditionally seen as related to the consumption experience and decaying into an overall attitude toward a product (Oliver 1980; La Barbera and Mazursky 1983; Dabholkar 1993). The service quality literature partly argues service quality as being a global, overall attitude, and thus not linked to a certain transaction (Bitner 1990; Bolton and Drew 1991; Parasuraman , Zeithaml and Berry 1988, 1994). The measurement of service quality has merely been transaction specific. This transaction specific view looks at every transaction as separate entity, which is not very tightly related to its past or future. Although in many service quality models (e.g. Grönroos 1982; Parasuraman, Zeithaml and Berry 1988) past experiences are presented as affecting expectations, and this effect in the both theoretical and empirical discussions is largely neglected. The two stage service quality models represent on additional step from transaction specific thinking (e.g. Parasuraman, Zeithaml and Berry 1994, Liljander and Strandvik 1994).

In social exchange -theory, satisfaction in relations have been treated as both global and specific, but the global view has been more natural (e.g. Molm 1991). Also, in interaction-network tradition and channel studies, satisfaction has been seen merely as a global measure of the relationship (e.g. Frazier 1983; Anderson and Narus 1984, 1990; Möller and Wilson 1995). The processual formation of perceived satisfaction or service quality has been largely neglected, also in the studies which see satisfaction or perceived quality as global measure (see for exception Boulding, Kalra, Staehlin and Zeithaml 1993; Halinen 1997). Relationship quality, however, is considered here as a processual construct, which involves the history and future of the relationship and to some extent the history and future of the actors involved as well.

Relationship quality is also seen as *perceived relationship quality*[8] (e.g. Holmlund 1997). Perceived relationship quality implies that the evaluation results into a perception and is executed by individuals using mental processes. Thus, relationship quality as a perception is formed as a result of the relationship quality evaluation.[9] Even though relationship quality

[7] See more about the characteristics of processes e.g. Shostack 1988, p. 95 and Järvinen 1998, p. 59, and more about evaluation process in chapter 4.2.

[8] For simplicity's sake in the following the term relationship quality is used instead of perceived relationship quality.

[9] Term perceived is here used in the sense that it is used in service quality literature i.e. perceived is something that has resulted from the evaluation, not something that leads to the evaluation (cf. perception in psychology).

evaluation is always subjective, it might be based on objective measures. The individuals' evaluation processes may differ, and thus the perceptions gained as a result, may differ between individuals (Holmlund 1997, p. 8; see also Håkansson and Johansson 1988). In organizations, the term official evaluations is often used. However, it can be argued that the perceptions formed as a result of the evaluations are official, if they are held by several individuals and expressed by the managers. But it has to be noticed that although the aim of the evaluations done in business organizations is as rational as possible, the resources are limited and the individuals performing the evaluations are not always rational, and as a result the perceptions gained are not rational. Either as the individuals are involved in the evaluation, the perceptions may also include affective ingredients.

In the following a working definition of relationship quality evaluation is presented:

> *Relationship quality evaluation refers to the on-going, two level evaluation process concerning all the feasible aspects of the relationship, and it is performed by the partners involved in the relationship.*

The relationship quality in turn can be defined as following:

> *Relationship quality 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.*

These definitions serve as a basis for our study on the evaluation of relationship quality.

1.4. Purpose of the study

The purpose of this study is to broaden our present understanding about the way by which the relationship quality is evaluated both on the episode level and on the relationship level. This is done mainly through conceptual analysis which aims at clarifying both the external and internal nature of relationship quality and its evaluation process, but also through empirical case research. On the basis of these the specification of the conceptualization of relationship quality evaluation is formed. Thus, the task is mainly to develop a conceptual system about the way by which relationship quality is evaluated.

The main research problem can be defined in the form of a question as follows:

* **In what way is the relationship quality evaluated?**

The research includes many sub-problems, which have to be elaborated in order to be able to answer the main research problem. They also serve as specifying the main research problem. As the studies concerning the relationship quality evaluation are few, there are many questions which need elucidation. The main research problem can be divided into the following sub-problems:

1 **What is an episode and what is a relationship; especially from the perspective of the evaluation?**
2 **What are the roles of the such closely-related concepts, as satisfaction, service quality and outcomes, in conceptualizing relationship quality evaluation?**
3 **In what way is the relationship quality evaluated on the different intra- and interorganizational levels?**
4 **What kinds of cognitive evaluation processes do actors use in the evaluation of relationship quality?**
5 **What are the comparison standards used in the relationship quality evaluation?**
6 **What are the dimensions used in the relationship quality evaluation?**
7 **What is the relationship between episode quality and relationship quality?**

The first sub-problem is related to the definitions of episode and relationship. In order to be able to discuss about episode and relationship quality, clear picture about the concepts of episode and relationship is needed. As this study takes the perspective of evaluation on episode and relationship quality, this perspective has also served as guiding principle when discussing episodes and relationships. However, the discussion in the theoretical part presents these concepts mainly on general level, so they do not take the evaluation perspective so heavily into account. Here, the evaluation perspective is mainly taken into account through the empirical analysis.

The second sub-problem mentioned is linked to the conceptual analysis of relationship quality and to the building of conceptual system for relationship quality evaluation. As there exists many concepts that are closely related to relationship quality evaluation (e.g. satisfaction, service quality, outcomes), and as these concepts originate from different theoretical backgrounds, one must have clear picture about the external nature[10] of these concepts. When analyzing external nature of the relationship quality evaluation, the aim is to find the linkages between relationship quality evaluation and concepts linked to it. In addition to this, the aim is to differentiate relationship quality evaluation from the concepts related to it (e.g. satisfaction, service quality and outcomes). This means that the concepts closely related to relationship quality evaluation are analyzed in order to find out their relation to the concept of relationship

[10] For external nature see more in chapter 1.6.

quality evaluation. When one has a clear picture of the external nature of these concepts, one can evaluate the contribution of these concepts to the relationship quality evaluation. Thus, this sub-problem is mainly theoretical.

The third sub-problem is related to the evaluators of relationship quality, and to the intra- and interorganizational levels on which the evaluation takes place. The evaluation in business relationships is always problematic as it raises the question who actually evaluates the relationship and whose evaluations are decisive from the perspective of the organization and the dyad (i.e. relationship). Are the evaluations, that the manager makes more decisive than the ones that the person who operates with the partner does on the daily basis? Is it possible to form a relationship quality perception on the intra- or interorganizational level, or is the perception dependent on the individual that makes the evaluation? How are the evaluations made on different intra- and interorganizational levels related to each other? These kind of questions are related to this sub-problem. This third sub-problem is mainly addressed by using both theoretical and empirical analysis.

The fourth sub-problem concentrates on the different cognitive evaluation processes that the actors use in evaluating relationship quality (i.e. disconfirmation and adjusting processes). The questions linked to this sub-problem concern the process of evaluation itself and the processes linked to this main evaluation process (i.e. adjusting processes). These issues will be examined both theoretically and empirically. In the theoretical part the disconfirmation and adjusting processes are discussed in different chapters because on the basis of the theory disconfimation was related to main evaluation process and adjusting processes being a separate process that can affect the main evaluation process. In the empirical part these cognitive processes were also addressed in two places: first when discussing episode quality evaluation and second, when discussing relationship quality evaluation.

Answering to *the fifth sub-problem* the nature and use of different kinds of comparison standards in the evaluation process also requires both theoretical and empirical analysis. The theoretical basis for the study of comparison standards used in evaluation of existing business relationships is so far fairly weak. In both theoretical and empirical part of the study comparison standards are discussed in two places: when addressing episode quality evaluation and when discussing relationship quality evaluation.

The sixth sub-problem concerns the dimensions of relationship quality evaluation and deals with the area that is quite widely discussed in recent research (e.g. Holmlund 1996, 1997), and thus not much attention to it is paid in this study. However, in order to get as an extensive picture as possible of the evaluation of relationship quality, the content or the matters according to which the evaluation is made (i.e. dimensions) has to be discussed. Thus, the sixth sub-problem is related to the question of what is being evaluated. This sub-problem is examined both in theoretical and empirical part in two different places: first, when discussing episode quality evaluation, and second, when addressing relationship quality evaluation.

From the sub-problems mentioned *the seventh* one deals with the evaluation process of relationship quality by examining the relationship between episode and relationship quality. The relationship between these concepts is not self-evident. First, the timing and order of these concepts needs elucidation. It is not clear whether the ordering of these concepts is sequential or not. Second, one crucial question in relationship evaluation process is the effect of episode quality perception on the relationship quality perception, and the effect of relationship quality perception on the episode quality perception. This question is closely related to the formation of relationship quality. The way which relationship quality is formed or developed, is affected by the way which relationship quality is evaluated, because without evaluation relationship quality does not exist. If we look at relationship quality from the formation process perspective the concept of relationship quality is examined merely from the point of view of the phenomenon of relationship quality itself (i.e. what are the ingredients of relationship quality and how they are formed). If the point of view of the evaluation process is taken, the examination concentrates on the evaluation made by the individual actors. But, in order to fully understand the evaluation process, and especially the order of events in that process, some kind of picture of the formation process of relationship quality is needed. This seventh sub-problem will be examined both theoretically and empirically.

1.5. Theoretical positioning of the study

This study draws from several research traditions: service quality, customer satisfaction, channel management, social exchange theory, interaction-network -approach and also to some extent quality management. The selected research traditions are numerous, because research in the area of relationship quality evaluation itself is still limited. The research traditions mentioned include aspects which are useful in studying relationship quality evaluation.[11] Several research traditions are used in order understand the complex phenomenom of relationship quality evaluation (see Stake 1994, p. 239).

The roles of different research traditions are presented in the following. *The social exchange theory based interaction approach* (see Möller 1994, pp. 360-361, Möller and Wilson 1995, pp. 603-604) forms a big part of the theoretical base of the study. This tradition can be regarded as being a mixture of two different traditions. The social exchange theory itself (Thibault and Kelley 1959) partly serves as a basis and source in theory

[11] The use of these different research tradition in this study is discussed in more detail in chapter 3.

building but the interaction-network approach brings along the perspective of business relationship to this study. In forming the theoretical basis the social exchange theory the concepts of equity, fairness, attribution and disconfirmation are widely discussed. Social exchange theory based interaction approach tradition (e.g. Andersson and Narus 1984, 1990; Frazier 1983) has discussed the evaluation at episode level by using concepts like satisfaction, attribution, equity and fairness. In this study, the perspective of evaluation is broadened to the relationship level by using the relationship quality concept.

Service quality tradition together with customer satisfaction studies in a way support to social exchange theory in forming the theoretical base of this study, as they deal with the individual level evaluations and have more widely, than the social exchange theory based interaction approach, discussed certain aspects of the evaluation process (e.g. comparison standards). *Channel management,* in turn, gives an insight about the way the evaluation process and especially the result of it have been handled in the business context, and thus in this tradition it also supports the theory building. *Quality management* has been added to this study as the empirical part of this study deals with an industrial relationship in which the quality management has a strong tradition. As the purpose of this tradition, in this study, is only to give an insight about the quality management, this tradition is dealt within Appendix 1.

This study aims at making a contribution to the study of perceived quality in general, and especially to the study of perceived relationship quality in business relationships. The contribution is in general aimed to the study of perceived quality, as the evaluation process of relationship quality is highlighted in this study, and perceived quality is always a result of the evaluation process. In addition contribution is especially aimed to the study of perceived relationship quality in business relationships as this study mainly deals with this area. It is probable that the service quality tradition and the interaction approach will benefit from ideas proposed in this study.

The Nordic School consists of researchers that originate from Nordic countries and have done research in the areas of service and relationship marketing and management. During recent years researchers have done studies that combine both service management tradition and interaction approach (e.g. Holmlund 1997; Järvinen 1996, 1998). This study follows the lines of the Nordic School as it deals within the area of relationship marketing and management and as it combines the service management tradition with the interaction approach.

In the following chapter 1.6. the selected research strategy is discussed. This chapter 1.6. includes discussions concerning the used conceptual analysis and abductive logic. At the end of the chapter the research path is presented.

1.6. Research strategy

1.6.1. Background of the selected research strategy

The selection for the research strategy was done on the basis of the nature of this study. This study aims to understand the phenomenom of relationship quality evaluation and consequently it does not seek to find universal laws, but both explicit and implicit rules which structure this phenomenon (see Pihlanto 1994, p. 372). In order to do this, *a conceptual analysis is used and facilitated with an empirical case study* (see Stake 1994, p. 237). Thus, it can be argued that the empirical study represents an instrumental case study (Stake 1994, p. 237; see also Creswell 1998, p. 85, 87, 250). According to Stake (1994, p. 237) in instrumental case study, the role of the case is to provide insight into an issue or refinement of a theory. In this study, the case can been seen as doing the both. It provides insight to the issue of relationship quality evaluation by reflecting on the theoretical concepts in empirical reality. But, it also brings refinement to the theory with the help of the empirical case the theoretical concepts are developed a little bit further.

The conceptual analysis, which has a central role in this study, can be used in both quantitative and qualitative studies (Näsi 1980, p. 8; see also Eskola and Suoranta 1998), although the conceptual analysis is often neglected in qualitative research (Yin 1989, p. 35). Creswell (1998, p. 85, 87) also points out that in case study the role of theory can vary a lot. In addition, Eskola and Suoranta (1998, p. 82-83) highlight the importance of theory in qualitative research. They distinguish two roles of theory in qualitative research: theory as a mean and theory as an aim. Theory as a mean helps in interpreting the empirical data, and if theory is treated as an aim, the whole study aims at theory development. (Eskola and Suoranta 1998, p.82). These two roles of theory are present also in this study: theory is used in interpreting the empirical data[12], and also through conceptual analysis the aim of the study is theory development.

The role of empirical research in this study, is in preliminary facilitating our understanding of the theoretical nature of the concept. The qualitative methodology was chosen partly because the concepts were not, according to my view, ready for the quantitative analysis. Also, it has been argued that in order to specify the meaning of the concept both theoretical and empirical analyses are needed (e.g. Cock and Campbell 1976). Accordingly, McKennell (1974) argues that the content of the concept (i.e. the elemental nature of the concept)[13] cannot be revealed solely by the theoretical

[12] See more in chapter 5.

[13] Näsi (1980, p. 13) uses the term internal analysis when referring to the analysis of the content. The term internal analysis is used in this study as the division used by Näsi into

analysis. In addition, he points out that in-depth interviews are needed in order to find the “common conceptual arena”, i.e. those elements which respondents connect to the phenomenon under study. According to McKennel (1974) this kind of empirical research is especially important in case of second-order concepts, i.e. concepts which represent researcher’s conceptualization about other person’s concept or outlook (see also Rajaniemi 1992, p. 24). Thus, it can be argued that the empirical study is needed in conceptualizing relationship quality evaluation as relationship quality is perception.

The theory concerning relationship quality is clearly in the beginning, or as Dumont and Wilson (1970) put it, in the implicit theory stage. This means that the concepts used lack the inter-subjective certificability and specified meanings, and they are understood differently by those who use them (see Rajaniemi 1992, p. 19). The theory concerning relationship quality is being developed by researchers that come from different research traditions, and thus they use the concepts differently by naming the same phenomena with different terms, or by giving the same term to a different phenomena. As the theory building and the concept building are closely related (e.g. Niiniluoto 1980, p. 154), the conceptual development in the area is the essential step toward more advanced theory. Thus, in order to take a step further in the theory development towards the next theory sketch stage (Dumont and Wilson 1970, p. 44), the conceptual analysis of the relationship quality and its evaluation is needed.

The research traditions from which this study benefits have different epistemological backgrounds. For example, most of the research conducted by the IMP-group[14] is inductive in nature and concentrates on few key concepts like bonding, adaptations and development of trust and mutuality (e.g. Ford 1980; Håkansson 1982; Johansson and Matsson 1985). The IMP-group subscribes to quite a subjective world view and uses idiographic data collection methods. The social exchange theory in turn uses nomothetic methodology, and is often explanatory and predictive in nature (Möller and Wilson 1995, pp. 604). The studies done in this tradition concentrate on explaining the development and dynamics of interorganizational relationships (e.g. Frazier 1983; Andersson and Narus 1984, 1990; Wilson and Mummalaneni 1986; Dwyer, Schurr and Oh 1987). Also, the service quality tradition together with channel management can be regarded as mainly using nomothetic methodology. The reason for not selecting the same research strategy used in most of the previous studies, is on the one

external and internal analysis fits better to this study than the division made by McKennel (1974, p. 9) into Content, Structure and Context.

[14] The area of interaction-network approach can be divided in two main parts: interaction approach and network approach. The interaction approach in turn can be discerned in two quite different groups: the IMP-group (International or Industrial Marketing and Purchasing Group) and social exchange theory. (Möller and Wilson 1995, pp. 603-604)

hand in the aim for understanding and on the other hand in the immature nature of theory.

Consequently, this study can be regarded as a qualitative study, in which the conceptual analysis has central role, and the empirical case study serves as facilitator of this analysis (e.g. Stake 1994, p. 237). The abductive logic is discussed in the following chapter 1.6.2. and the conceptual analysis used in this study is discussed in the chapter 1.6.3. The empirical case study is addressed in chapter 5.

1.6.2. Logic used in the study

The abductive logic (see Alvesson and Sköldberg 1994, pp. 43-45) sees the theory building as a discussion between the existing theory and the empirical data. Most of the qualitative studies, which aim at theory building have used this form of logic. Compared to the inductive logic (see e.g. Glaser and Strauss 1967; Strauss and Corbin 1990), the abductive logic can be regarded as being more productive in theory development, as it allows for a more dynamic interaction between data and theory (Alvesson and Sköldberg 1990, pp. 44-45). The figure 1 illustrates the three types of logic and their relationship to theory and phenomenon[15].

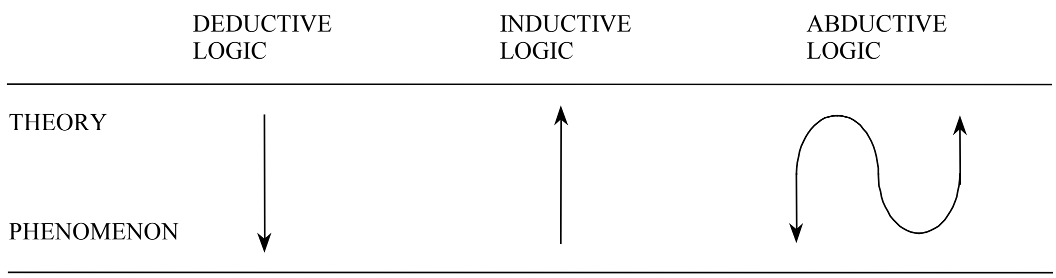

Figure 1: The deductive, inductive and abductive logic (modified from Alvesson and Skölberg 1990, p. 45).

As this study is heavily involved with conceptual analysis, and as mentioned earlier, the empirical research can have a important role in conceptual analysis, both the theory and phenomenon are involved in the study. The traditional starting point for the conceptual analysis has been theory (see e.g. Näsi 1980, p. 13), thus the deductive logic has been used. The aim in this conceptual analysis has not been theory testing, but theory generation. The other option in conceptual analysis has been the use of inductive logic. When the first step is to conceptualize the phenomenon

[15] It has to be noticed that the starting and ending points for the abductive logic can be found in theory or phenomenon or in both. Also the path between these two varies. The figure presents only an example.

under investigation and form a research problem, the second step then concerns clarification, analysis and development of the concept, and the third step involves the argumentation possible by using contradictionary examples. (Näsi 1980, p. 14; see also Niiniluoto 1980, p. 22)

The research strategy chosen for this study, i.e. the conceptual analysis with case as facilitating example, lead to decisions with regard to the conceptual system development in this study. Three different versions of the conceptual system concerning relationship quality evaluation are presented. The first one (i.e. preliminary framework) is developed on the basis of external and internal conceptual analysis. This conceptual system or framework forms the basis for the empirical case study. The second framework, called modified framework, is developed on the basis of the conceptual analysis and the results gained from the empirical study. The third framework, the refined framework, was developed in order to bring together the preliminary framework and the results of the empirical study, which are not regarded as being bound to that certain empirical case reality. The refined framework was developed in order to serve as a basis for future studies concerning the evaluation of relationship quality in business relationships.

Consequently, the logic used in this study can be regarded as being abductive logic, because the path to the refined framework has been a discussion between theory and empiria. Figure 2 (chapter 1.6.3.) depicts the path from preunderstanding to the refined conceptualization of relationship quality evaluation.

In the next chapter 1.6.3. the conceptual analysis used in this study together with the research path are further discussed.

1.6.3. Conceptual analysis and research path

Conceptual analysis always consists of different phases (e.g. Näsi 1980, p.13; see also McKennel 1974, p. 9). In figure 2 the different phases of this study are presented. These different can be regarded also as being the phases of the conceptual analysis (e.g. Näsi 1980, p.13; see also McKennel 1974, p. 9). *The first phase* (in figure 2) *in the research path concerns the preunderstanding*[16]. The preunderstanding was mainly gathered by extensive reading of the service marketing theory together with IMP-approach and by personal experiences from the phenomena. On the basis of studies related to the service quality tradition, I got familiar with the evaluation divided into episode and relationship levels, and the IMP-approach in turn brought an insight into the study of business relationships. I was also involved in writing papers related to relationship quality and its evaluation (Lehtinen and Järvelin 1995; Järvelin and Lehtinen 1996). In

[16] Preunderstanding is not included to the phases of conceptual analysis presented by Näsi (1980, p. 13) or McKennel (1974, p. 9). But it is included here as it is valuable in understanding the research process as whole.

these papers, frameworks for relationship quality evaluation were presented. Those frameworks have had a quite remarkable impact on developing the preliminary framework for this study. The experiences from the phenomena were gained through working experiences and discussions with colleagues. Also, the experiences gathered from the substance, were for the most part related to the services. The linkage between these personal experiences and the gathering and formation of the theory cannot be traced explicitly, but the fact remains, that those experiences are part of me, and thus affect the way I think as a researcher.

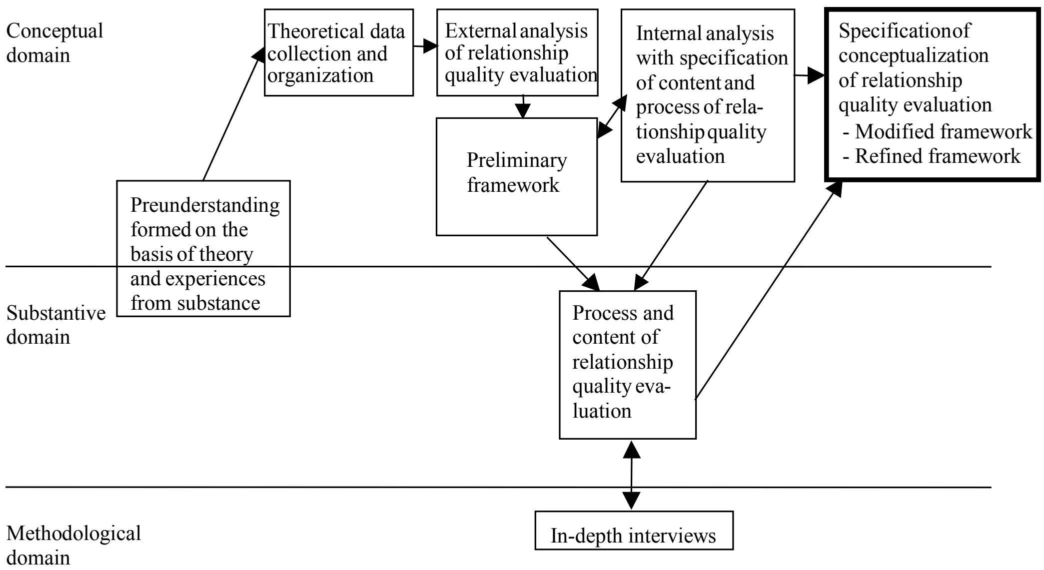

Figure 2: The research path between different domains.

Before getting into the research concerning relationship quality, I was mainly interested in the theory of services marketing and especially service quality. As the interest in the relationship was increasing also in service marketing in the beginning of 1990's, when I did most of the reading, I got used to the separation between episodes and relationships. Also, the experiences from the substance supported this separation. This separation between episodes and relationship clearly affected my thinking especially in the beginning of the research process, and thus this separation was at least for the most part taken for granted.

Also this presumption affected the way I treated episode and relationship quality evaluation in building the preliminary framework. The presumption was that episode and relationship quality levels are separate levels, episode and relationship quality evaluations also were seen as separate evaluations. These separate evaluations were seen as happening in sequential order. The empirical study, however, changed the way I thought in this respect, but the preliminary framework was built according to this presumption.

The second phase concerns the theoretical data collection and organization together with external analysis of the concepts[17]. All the possible material related to the relationship quality and its evaluation was gathered and organized. The guiding principle in the data collection was that the term of relationship quality was forgotten and the data was searched for and collected according to the phenomenon (the key words used were: satisfaction, quality, comparison level, comparison standards and expectations). The data was organized in order to be able to form a picture within each tradition and in order to be able to compare different concepts used within the different research traditions.

The objective of the second phase (external analysis) was to analyze and evaluate the presented conceptual approaches linked to the relationship quality evaluation. In this part, the external nature and basic properties of the concepts, as well as the nature of the embedding conceptual system are elaborated. Also, the relationships between these concepts and their relationships to other relevant concepts are evaluated to some extent. This part of the conceptual analysis is carried out by using "extended literature review", which consists of the traditional literature review with special emphasis on the concepts useful for this study (e.g. satisfaction, service quality, relationships and outcomes). It has to be noticed that the concept of relationship quality is looked at from the evaluation perspective. This limits the concepts which are studied in this phase and in the whole study. On the basis of this analysis, the preliminary conceptualization of relationship quality evaluation is formed and parts of it are analyzed in the following phase.

The goal of the third phase in the conceptual analysis was to specify the meaning and properties of the concepts involved. This part deals mainly with the internal nature of the concepts. Both cognitive basis and process of relationship quality evaluation and the concepts being part of it are being examined. On the basis of this phase and preliminary conceptualization (i.e. framework) of relationship quality evaluation, the empirical case study was performed[18].

In the case study the in-depth interviews form the core source of information (see McKennell 1974), but also additional sources are used (i.e. unofficial discussion and secondary data). The empirical case study consists of the relationship between the Avionics department of a high tech company and the Finnish army air force division. The relationship has lasted over 20 years, and it can be said that it is institutionalized, since the ways of working together are routinized, co-operation concerns common goals, and partners tend to know each other very well.[19]

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[17] Näsi (1980, p.13) separates data collection and external analysis to separate phases, but they are here treated as belonging to the same phase. This is because they actually happened simultaneously.

[18] For the case selection see more in chapter 5.2.

[19] See more about the case relationship in chapter 5.6.

Five persons from the Avionics department and three persons from the air force division were interviewed. The selected persons were from different organizational levels and were active in the relationship. Each interview lasted from 1 to 2,5 hours and interviews were recorded and transcribed. Interviews were based on a semi-structured questionnaire which was used only by the interviewer. As the organizational level and the occupation of interviewees varied, not all the questions were asked from all the interviewees. Interviews were carried out in the autumn of 1996.[20] Although the empirical case study was not extensive, it served well the purposes of this study as facilitating the concepts presented in theoretical part.

The fourth and final phase of the conceptual analysis is closely linked to the third phase and to the empirical analysis. *The aim of final phase is to develop a conceptual framework of the relationship quality evaluation.* In this study two different frameworks were formed in this phase. The first framework, the modified framework, was developed on the basis of the preliminary framework and the results gained from the empirical research. The second framework, the refined framework, was developed in order to bring together the preliminary framework and the results of the empirical study which are not regarded as being bound to the particular empirical case.

In the following some basic principles used in conceptual analysis of this study are discussed. First, the role of conceptual analysis is important in both qualitative and quantitative research, but it has to be noticed that the use of concepts is different. In quantitative research, the concepts (the method of description) are separated from the phenomenon (what is described). *In qualitative research the phenomenon and the concepts are linked together, and the concepts serve as the lenses through which the phenomenon is studied*. (Näsi 1980, p. 8; see also Eskola and Suoranta 1998). Following the lines of Rajaniemi (1992, p. 21) the conceptual analysis is not sufficient alone. In order to define the concept, the concept should be studied both in theory and in empiria. It can be said, however, that in this study the theoretical domain has a more central role than the substantive or the methodological domains (more on domains see Brindberg and McGrath 1982).

Second, in studying relationship quality evaluation the different *language games are present* (see more Näsi 1980, pp. 5-8). The researchers in this area use the same term (e.g. relationship quality) when talking about different phenomena. The practitioners use different terms (e.g. satisfaction and quality) when speaking about relationship quality (as it is understood in this study). In order to manage with these different language games the perspective of the phenomenom is taken. This means that the meanings behind different terms are aimed to be traced, and the analysis is done according to these meanings.

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[20] See more in chapter 5.3.

Since, research can be seen in a way as a means of developing scientific language (see Brunsson 1982). The scientific language in turn can be used as a tool for describing, analyzing and understanding different phenomena. The structure of scientific language is a hierarchical, and high-level concepts can be divided into lower level concepts. Often the purpose of scientific language is to build higher-level concepts. (See Normann 1976, p. 88) However, the aim should be in developing better language for describing the concepts and relationships between them. In this study we step closer to understand the evaluation of relationship quality by trying to develop language for describing the concepts related to the relationship quality evaluation and the relationships between these concepts.

Third, *the concepts used in scientific research have to fulfill certain requirements in order to be used as building blocks in theory development*. According to Niiniluoto (1980, p. 154) there exists four different aims of the process of concept development. The first aim is simplicity, which means both structural simplicity of the concepts and the usefulness of the concepts. The second aim is the clarity of the concepts, by which is referred to the uniqueness and exactness of the concepts. The third aim deals with universality, which means logical form of the sentences used in conceptual definition. The fourth aim is the truth by which is referred to the content of the sentences used. Normann (1976, p. 88) puts one essential requirement for the concept development; the new concept should be able to describe the phenomenom better than the previous one.

The current conceptualizations of relationship quality and its evaluation can be regarded as being complex in nature (e.g. Liljander and Strandvik 1995a,b; Lehtinen and Järvelin 1995; Järvelin and Lehtinen 1996; Holmlund 1997). The complexity of the conceptualizations can cause problems in using them for empirical research (see for exception Holmlund 1997). The complex nature of the concepts also can lead to a lack of clarity, which in turn can cause indistinction between researchers. Simplicity has been one of the guiding principles in building the frameworks for relationship quality evaluation in this study, but as the relationship quality evaluation is complex phenomenom the conceptualizations may not seem to be simple.

Fourth, the problem related to the use of conceptual analysis in this study is related to the problem setting presented in chapter 1.4. *As the research problem is related to the evaluation process of relationship quality, the requirements set to the conceptual analysis are even more demanding than the conceptual analysis of a single concept*. The process nature is, however, an inherent ingredient of the relationship quality evaluation, and in order to examine the nature and properties of the relationship quality evaluation as a concept the process nature cannot be excluded. The conceptual analysis which aims at answering the question of how, requires, in addition to developing definitions to concepts, the analysis of the relationships between these concepts. Thus, instead of only developing a definition for the concept of relationship quality evaluation, the task in this study is merely to develop a conceptual system to describe the way that the relationship quality is evaluated. The conceptual system also can be described by the words conceptual model, model or framework. The last one is used in this study.

1.7. Limitations

The relationship quality is examined from the point of view of both partners. Their perceptions of the relationship quality are crucial in this study. In the ideal form of relationship quality both partners together would form the perception of relationship quality and thus share this perception. It has to be taken into account that, in practice, the perception that both partners hold together is quite difficult to prove. It is very likely that the perception differs between partners, and thus the formation of one common perception is not likely to take place. Only in those matters where the perception, or the method of evaluation is shared, is the relationship quality discussed as being common.

This study concentrates on examining relationship quality evaluation in the focal relationship within the network context. The impact of factors outside the focal relationship on relationship quality evaluation are taken into account only to the extent when it is crucial for the actor's relationship quality evaluation. The discussion concerning the effects from outside of the focal relationship can only be regarded as indicative. In the frameworks of the relationship quality evaluation presented in this study, the evaluator is individual actor.

The empirical part will be limited to the one relationship between the service provider and its customer. The substantive domain will also be taken into account to some extent in the theoretical parts of this study. Substantive domain will be included in the discussion of such factors which are strongly affected by the nature of the relationship and episode. The general evaluation processes of relationship quality are, however, mainly discussed on a general level.

Although the evaluation in relationships is often discussed in the context of relationship development (e.g. Frazier 1983), the different aspects of relationship development which are clearly outside the scope of this study are examined only to the extent that is necessary in order to give a picture of the context in which the relationship quality evaluation takes place. This discussion is limited mainly to the empirical part of this study, in order to reveal the nature of the relationship where the evaluations take place.

Because the study includes only one case relationship, the empirical part mainly serves to facilitate theory, refinement and thus serves as basis of discussion, and not as a source for strong conclusions. The empirical results are also bound to the characteristics of the case relationship. Consequently, it is impossible with only one case illustrate all the aspects of the relationship quality since some of the aspects relate to the individual characteristics of the relationship in question. In this study the third comparison linked to termination/continuation decision, was known in advance not likely be revealed in the case relationship. Despite this, the case relationship was chosen as it included many other valuable aspects[21].

The case relationship can also be characterized as being quite an extreme relationship in some respects. Those extreme characteristics seem to facilitate the data collection and analysis, but they have to be taken in to account when reading this study. Those extreme characteristics concern the age of the relationship (over 20 years) and nature of the partners (the other partner being the Finnish army air force division).

1.8. Structure of the study

The structure of this study follows to a large extent the research path presented in figure 2 and described in chapter 1.6.3. The first chapter, discusses the theoretical background of the study together with the purpose, research strategy and both theoretical and empirical limitations of the study. The aim of the first chapter is to present the starting points for the study.

In chapter 2, the concepts of relationship and episode are discussed in order to clarify the context of relationship quality evaluation. Chapter 3 concentrates on service quality and satisfaction literature together with the satisfaction discussion in channel literature and interaction-network literature. This chapter forms the external conceptual analysis. This chapter combined with chapter 2 serve as a basis for the initial conceptualization of relationship quality evaluation.

Chapter 4 is devoted to the discussion about relationship quality evaluation and the role of episodes in this evaluation. This chapter serves as an internal conceptual analysis. The different concepts related to the relationship quality evaluation (e.g. comparison standards, disconfirmation, equity, fairness, attribution and balancing operations) are discussed in detail in this chapter. Also, the formation process of relationship quality in and between the organizations is discussed in this chapter. In the beginning of the chapter 4, a preliminary framework of relationship evaluation is presented.

In chapter 5 the empirical study is presented together with the methodological choices made. The case relationship is also described in this chapter. The chapter includes a discussion concerning the soundness of the empirical research.

Chapter 6 discusses the empirical results. At the end of this chapter the modified and refined frameworks of the relationship quality evaluation is presented. In chapter 7 summary of the result of the study is given by discussing the sub-problems presented in chapter 1.4. In chapter 8

[21] See more about case selection in chapter 5.

conclusions together with managerial implications and suggestions for future research are presented.

2. RELATIONSHIPS AND EPISODES

In this second chapter the division into episode and relationship is discussed. The definition and nature of both these concepts are discussed. The perspective in this chapter is the evaluation of relationship quality, and thus these concepts are discussed in a manner that serves in building the conceptualization of relationship quality evaluation.

2.1. Relationships

For decades the main emphasis of marketing domain has been on the exchange paradigm. Consequently, for decades, marketing has been seen as a discipline of exchange behavior and the exchange has been considered mainly as an exchange of product or service for money. Discrete transactions have been the main focus of the research, and the relationship perspective has been largely neglected. (e.g. Kotler 1972; Bagozzi 1974, 1975; Arndt 1979; Dwyer, Schurr and Oh 1987).

The interest in relationships has risen since the beginning of 1980's mainly by the research conducted by the IMP-group (see Håkansson 1982). Despite this growing interest, the research has not, until recently, been limited to Western Europe. In recent years, the interest in relationship marketing has increased the focus on long-term relationships (see e.g. Ballantyne 1994; Gummesson 1995) in other approaches than besides the IMP-group. At the same time, the research extended to include the consumer markets.

The concepts of relationship and exchange are not opposites; the exchange of products, information and technology together with social exchange takes place within the relationships (e.g. Håkansson 1982). Dwyer, Schurr and Oh (1987) make a distinction between discrete exchanges and relational exchanges (based on Macneil 1980). Discrete exchange relationships refer to the discrete transactions where the buyer often changes the supplier. Relational exchange, in turn, can be seen as exchange relationships where continuity and social aspects of relationship become important. (Dwyer, Schurr and Oh 1987, p. 11-12; see also Frazier, Spekman and O'Neal 1988; Lehtinen and Mittilä 1995; Halinen 1997)

Business relationships which are in the scope of this study can be regarded as being relational exchange relationships. Business relationships as relational exchange relationships are described in the IMP-literature (e.g.

Håkansson and Snehota 1995)[22]. The view on relationships held by the services marketing literature (also relationship marketing literature) is somewhat different, as the relationships are seen as repeated episodes. The differences between these approaches originate partly from the nature of partners in the relationships. The IMP-approach describes the partners in relationships as companies not individuals (e.g. Ford, Håkansson and Johansson 1986)[23]. In consumer markets the relationships exist between the companies and the individuals. In business relationships the partners can be regarded as being more equal than in consumer relationships where the individual customer is one of the partners. In business relationships the formation of commitment and trust can be seen as a different from the consumer relationships, for example, the investments made in the relationship can play a more important role in a business relationship as a means for building commitment than in a consumer relationship.

The business relationships can be further divided into relationships, in which the partners are the buyer and the seller (or customer and supplier) and also into relationships between company and it's different stakeholder groups, for instance investors and banks. Consequently, in addition to vertical relationships, i.e. buyer-seller relationships, and horizontal relationships also exist (e.g. Håkansson and Snehota 1995, p. 18-19; see also Håkansson 1982).

In the business relationships between the buyer and the seller, both competitive and cooperative elements can co-exist (e.g. Håkansson and Snehota 1995, p. 9; see also Andersson, Hosten and Latimore 1996, p 711), but in relationships with the partners from other stakeholder groups the cooperative elements can be regarded as being central (e.g. Gummesson 1998, p. 207; see also Grönroos 1997). In the IMP group the co-operative nature of business relationship has been widely discussed (e.g. Håkansson 1982, p. 38; Håkansson and Johansson 1988, p. 376; Håkansson and Snehota 1995, p. 9). In channel studies the co-operation is often seen as an opposite of the conflict behavior (Andersson, Hosten and Latimore 1996, p 711).

Despite the growing interest in relationships in marketing, there exists no uniform definition of relationships. Håkansson and Snehota (1995) have defined business relationship as "a mutually oriented interaction between two reciprocally committed companies". However, this definition limits the number of business relationships, because not all the partners are willing to or even need to be committed to the relationship. Many researchers see continuity of relationship to be an important characteristic of the relationship (e.g. Håkansson 1982; Dwyer, Schurr and Oh 1987; Frazier,

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[22] The view of interaction-network approach is taken in this study concerning relationships (see more chapter 1.6.).

[23] It has to be noticed, however, that although the business relationships exists between companies, the relationships are not completely independent of individuals as the individuals enact in the relationships (e.g. Håkansson 1982, p. 9; see more also e.g. Holmlund 1997, pp. 55-57).

Spekman and O'Neil 1988; see also Halinen 1997). This continuity usually concerns a long time period of the relationship, and is related to an anticipated future (see Halinen 1997; Heide and John 1990; see also Dwyer, Schurr and Oh 1987, Fiocca and Snehota 1994; Håkansson and Snehota 1995). Halinen (1997) argues that "if companies have expectations of future exchange, ..., they should be considered to have a relationship".

Taking the view presented by Halinen (1997) it can be said that *business relationships involve at least two partners, have a long term perspective with a common history and at least to some extent shared, expectations of future exchange*. (See also Mittilä 1995). From the evaluation perspective, it is important that the partners have some kind expectations concerning the relationship, and its future. Otherwise the evaluation could be more difficult to trace.

In the following, the characteristics of buyer-seller business relationship are discussed in order to a form picture about the nature of the relationships in which the evaluation of relationship quality takes place.

In the interaction and network approach there exists extensive research concerning the features of buyer-seller relationships in business markets. For example, Håkansson and Snehota (1995, p. 7-9) have divided relationship characteristics into structural and process characteristics. Structural characteristics include continuity, complexity, symmetry and informality. This means that relationships develop over a period of time and have a long-term time perspective, are complex in numerous ways (for example consisting numerous social relationships), have balanced amount of resource control and the possibility to influence, and have a low degree of formal control. (Håkansson and Snehota 1995; see also Håkansson and Johansson 1988; Fiocca and Snehota 1994)

The process characteristics include adaptations, co-operation, conflict, social interaction and routinization. Throughout the relationship continuos adaptations in products, logistics, administrative procedures, knowledge, attitudes and all ways of doing business take place. The mutual adaptations bind the partners together and generate and reflect mutual commitment. In every business relationship there is an inherent conflict about the division of benefits, and other conflicts that may arise as the relationship evolves. At the same time there exists co-operation between partners based on the previous commitment. Social interaction is an essential part of the business relationships. Behaviors, values, personal bonds and convictions are brought into every relationship. As relationships are developed they tend to become institutionalized. (Håkansson and Snehota 1995; see also Johanson and Matsson 1987; Hallén, Johanson and Sayed-Mohamed 1991; Fiocca and Snehota 1994) This institutionalization also can mean that the expectations that the partners have concerning the relationship become institutionalized as the relationship evolves. This means that the partners do not question the roles and responsibilities of the partners, they are in a way taken as given. (Ford 1993; Håkansson 1982), and it can also mean that the evaluation can loose its importance or become a routine procedure without an effect to the relationship.

The view of the IMP-group related research on relationships can be characterized as being more positive than other perspectives, as they do not tend to address issues that have negative connotations (like termination of relationship, competition and power) very much. The traditional channel research sees relationships merely as power structures and the essential part of the relationship relates to the distribution of power between channel members (e.g. Andersson, Hosten and Latimore 1996, p. 711; see also Hunt and Nevin 1974; Lusch 1976; Gaski 1984). Transaction cost approach in turn tries to explain the institutional form, i.e., the governance structure (market, hierarchy, or intermediate forms) of the transactions. The basic assumptions behind this approach are that the firms act under bounded rationality and tend to behave in an opportunistic manner (e.g. Williamsson 1981; Walker and Weber 1984). These research traditions start from the assumption that the actors involved in the relationship tend to take advantage of each other to the extent where it is possible, while the interaction-network approach sees relationships as involving mutual problem solving, commitment, adaptation and a long-term orientation. These different perspectives have, however, in recent years approached each other. For example, interaction and network literature has started discussing conflict (e.g. Håkansson and Snehota 1995), in channel research trust and co-operation, have to some extent, replaced the terms power and dependence (e.g. Young and Wilkinson 1989; Wortzel and Venkatraman 1991) and transaction cost approach has also been criticized for not taking into account trust between actors (e.g. Gulati 1995).

Business-to-business service relationships have gained relatively little attention in marketing literature (see for exception e.g. Halinen 1997). Relationships between buyer and seller, however, form a typical way for organizing the exchanges in business-to-business services (e.g. Szmigin 1993, Sharma 1994). Halinen (1997) has also argued for other reasons for the relationship view in researching business services. Among these other reasons was the opportunity for a dyadic view. This view is especially important in professional services, which usually are tailored according to customer's needs. (See more Halinen 1997)

2.2. Episodes

The division into relationship and episodes has been used frequently in interaction-network literature (e.g. Håkansson 1982; Johansson and Matsson 1987; Håkansson and Snehota 1995; Halinen 1997). Within this research tradition, it is important to distinguish between short-term (episodes) and long-term aspects of relationships (e.g. Ford 1993). Episodes are considered as affecting, and are affected by the whole relationship.

Episodes are also considered as consisting of four different kinds of exchanges: product and service exchange, information exchange, financial exchange and social exchange (e.g. Håkansson 1982). Episodes have been defined as referring to different acts that facilitate the exchange processes (Håkansson 1982; Ford 1993). This view of episodes neglects other interaction processes (i.e. adaptation and coordination) that take place within the relationship. Halinen (1997) has taken this into account, and defines episodes as referring to all the discrete acts that partners perform within the relationship.

Based on both interaction literature and service quality literature Liljander and Strandvik (1995b) have defined an episode as an event of interaction with a clear starting and ending points and representing a complete service exchange. Episode can consist of several interactions or acts. Halinen (1997), in turn, in her study concerning advertising agency-client relationships takes the view that every discrete act is considered as an episode of its own.

Stauss and Seidel (1995) have changed the division made by Liljander and Strandvik (1995b) in several respects. First, they replaced the word "acts" by the word "service encounter" which is merely used in service quality literature (e.g. Shostack 1985). Second, they added transaction level between relationships and episodes. Transactions are defined in a similar manner as Liljander and Strandvik (1995b) define episodes. Adding transaction to the model could have been a view adopted from industrial marketing where episodes are often seen as transactions (e.g. Webster 1992). Third, episodes are defined as having a clear beginning or end, but not forming a complete service in themselves. (Stauss and Seidel 1995; see also Neuhaus 1995). In this division between relationships, transactions, episodes and service encounters the difficulty in practice, at least from evaluation perspective, would probably be the differentiation between transaction and episode.

The same difficulty in differentiation also concerns the separation made by Holmlund (1997, pp. 94-98). She has differentiated five different aggregation levels namely partner base, relationships, sequences, episodes and actions. The partner base is defined as all the relationships that a particular firm has at a particular point of time. Action in turn is defined as the most detailed type of interaction, which may concern any kind of exchange element (i.e. money, product, information or social contacts). Episodes in turn represent several interconnected actions and are for example negotiation or a shipment process. Sequence is defined as a group of interrelated episodes and correspond with Halinen´s (1997) assignment. According to Holmlund (1997) sequence is related to a certain time period, and thus a project represents a good example of sequence. Relationship, in turn, represents an interaction level which is comprised of all sequences (ibid.). The definitions of the levels in between action and partner base are partly related to levels below and above them and partly presented in the form of practical example. In my opinion, this illustrates the boundness to practical reality of these divisions. It can be argued whether all of these levels of interactions can be found from each practical reality.

It can be argued that the implementation of this kind of construct as a tool for something else than identifying the levels of interactions in practice becomes more difficult when the number of different levels increases. Consequently, the usefulness of the division as a tool in studying relationship quality evaluation suffers. It can be argued that the evaluation happens in two different levels, episode and relationship levels (e.g. Liljander and Strandvik 1994; Halinen 1997; Lehtinen and Järvelin 1995; Järvelin and Lehtinen 1996).

The definition of episode by Liljander and Strandvik (1995b) can be used as a starting point for the definition of episode to be used in business relationships. The division they have made, also can be regarded as being suitable for business relationships. For example, in industrial maintenance and repair service the buyer and seller can have an on-going relationship, which is confirmed by a two-year contract. In this example every repair of a device forms a clear episode with several acts or interaction between the firms. Also, when the device has for example its yearly check-up, (i.e. maintenance service), it is an episode which consists of several acts between partners. However, the definition by Liljander and Strandvik (1995b) has some shortcomings, and thus some modifications are, according to my view, needed in order that the definition is usable also in business relationships.

First, it concentrates on the product/service exchange and the other exchange processes (e.g. exchange of information) are considered as being only acts in the product/service exchange episodes. In practice there can, however, exist episodes which do not involve any exchange of products/services, but can still have a clear starting and ending point and have a considerable affect to the whole relationship. An example of this can be negotiations about a new automation system, which are interrupted because of the financial crisis of the buying company or the different social exchange situations between the leaders of the firms which have no clear connection to any product/service exchange, but can be important for the whole relationship.

For episode to cover all the possible exchange processes it has to cover all the interaction processes including adaptations and coordination. It can be argued that adaptations and coordination do not in practice take place independently, but through the other exchange processes. For example, the adaptations in the form of investments made to the relationship actually take place as a product (investment product) and perhaps also as a financial exchange. Thus, the adaptations and coordination are included in this study as part of the exchange processes.

Second, the *clear* starting and ending point for the episodes might be sometimes difficult to trace. Thus as the differentiation of the episode from the other episodes is the key issue, the word “discernible” perhaps better illustrates this.

Taking these modifications into consideration, an episode can be defined as the following: *An episode is a discernible series of acts occurring in the business relationship, and it represents an exchange process of product/service, information, financial issues, social issues or a combination of these.*

In figure 3 the different levels used in this study, i.e. relationships, episodes and acts, and their interrelationships are presented. In has to kept in mind that the operationalization of these different levels varies according to the different empirical realities.

<table>
<tr><td colspan="9">RELATIONSHIP</td></tr>
<tr><td colspan="3">EPISODE</td><td colspan="3">EPISODE</td><td colspan="3">EPISODE</td></tr>
<tr><td>ACT</td><td>ACT</td><td>ACT</td><td>ACT</td><td>ACT</td><td>ACT</td><td>ACT</td><td>ACT</td><td>ACT</td></tr>
</table>

Figure 3: The different aggregation levels used in this study.

However, a word of caution must be mentioned here concerning the definition and division made. The implementation of this division in relationships, episodes and acts can, however, in practice be problematic in some respects. For example, the identification of episodes is quite easy afterwards, but can we say when an episode is starting or perhaps ending, when we are actually "living" in the middle of that episode. It has to be also noticed that naturally episodes consist of interaction between partners, and also actions inside the partner organizations. These minor entities here are called acts.

3. USE OF CONCEPTS RELATED TO EVALUATION OF RELATIONSHIP QUALITY IN DIFFERENT RESEARCH TRADITIONS[24]

3.1. Service quality

Since the beginning of the 1980´s both scientists and practitioners have shown a increasing interest in service quality. There has been a lot of discussion about the determinants and components of service quality and its managerial implications. Only recently, has the focus merely been on other conceptual issues like internal and processual nature of service quality. The development in the research concerning service quality has in recent years been affected by the relationship -thinking (e.g. Liljander and Strandvik 1995a,b; Holmlund 1996, 1997), and thus the service quality concept has gained aspects that can be directly used in relationship quality evaluation. Consequently, in order to reveal those aspects related to the relationship quality evaluation, the development and central issues of the service quality concept are discussed in this chapter 3.1.

3.1.1. Service quality as a concept

Grönroos defined service quality as the difference between expectations and performance of the service (Grönroos 1982), and named it as perceived service quality. This is also today the most common way to define service quality. This definition has its roots in disconfirmation paradigm used extensively in customer satisfaction literature (for disconfirmation paradigm see e.g. Uusitalo 1993). According to this definition the perceived service quality is satisfactory if performance equals or exceeds expectations, otherwise it is unsatisfactory.

The most popular area among service quality studies has been different service quality models. These studies have concentrated partly on finding dimensions and partly on developing measurement devices for service quality. Amongst the oldest service quality models is the one developed by Grönroos (1982). In the model he separates three quality dimensions: technical quality, functional quality and image (ibid.). Grönroos' model is commonly used for educative purposes, but it has shown to be very difficult to test empirically.

[24] The issues related to the product quality dealt in quality management are discussed in Appendix 1, because they do not directly contribute to the building up of the concepts related to relationship quality evaluation, but have an essential role in the case study.

The most tested of the service quality models is the so called SERVQUAL-model developed by Parasuraman, Zeithaml and Berry (1985, 1988 and 1991). In this model, there are five (originally ten) determinants for service quality: tangibles, reliability, responsiveness, assurance and empathy (ibid.). Although this model has been tested empirically by numerous researches, it is not found to be adjustable as such to all kinds of services (e.g. Brown and Swartz 1989; Carman 1990; Mangold and Babakus 1991).

SERVQUAL (together with most of the other service quality models) represents a static, cross-sectional way to measure service quality. In the beginning of 1990's the service quality research started to move in a new direction. Grönroos (1993, pp. 59-61) characterized this phase as proceeding from static models to more dynamic models. According to him the basic disconfirmation model is still useful as an approach, but the concept has to be looked at from a more dynamic perspective. The dynamic perspective concerns the role of expectations together with the changes in the different components of the disconfirmation model. (Ibid.)

One of the most important developments of the service quality model during recent years has been the separation into episode (or transaction) level and relationship level (e.g. Liljander and Strandvik 1993b, 1995b; Parasuraman, Zeithaml and Berry 1994). This development aims at one specific way of bringing the dynamic to the service quality models. In this study, this separation into two levels forms the basis for the development of relationship quality evaluation framework.[25]

3.1.2. Expectations and experiences

Since the beginning of 1990's, many service quality researchers started to find new ways to define and measure service quality. As a result of the battle around the concepts of service quality and satisfaction, some researchers, especially in the USA, began to get interested in the expectations component of service quality -models.

The discussion related to the expectations component started as an easy solution for service quality - satisfaction -discussion. In the first version of the SERVQUAL-model (Parasuraman, Zeithaml and Berry 1988) expectations were defined as what the service should be like. In 1991, the model was changed, by adding a zone of tolerance between adequate service and desired service -levels. Desired level consists of the "should" -expectations and adequate service level expectations were measured as what the service would be like. The relationship between service quality and satisfaction was described as satisfaction being the difference between

[25] It has to be noticed that the service quality literature has borrowed the separation into episodes and relationships from other disciplines (e.g. interaction approach, relationship marketing), but in service quality tradition this separation is for the first time linked to the evaluation.

predictive expectations and perceived service, and service quality being the difference between adequate or desired service and perceived service. The predictive expectations were mostly based on past experiences. (See more Zeithaml, Berry and Parasuraman 1991; 1993). This division did not make the picture any clearer, because the adequate service -expectations are almost the same as predictive expectations used in most customer satisfaction studies.

This discussion was followed by interest in both tolerance zones (Strandvik 1994) and comparison standards in service quality (e.g. Liljander and Strandvik 1993b; Liljander 1995). Strandvik (1994) has defined tolerance zone as an accepted variation in performance level. He also distinguishes between the perceptual and behavioral tolerance zones (ibid.). Comparison standard, according to Liljander (1995), may be any of the standards mentioned either in service quality (e.g. Liljander and Strandvik 1993b; Zeithaml, Berry and Parasuraman 1993) or customer satisfaction literature (e.g. Miller 1977; Woodruff, Cadotte and Jenkins 1983; Cadotte, Woodruff and Jenkins 1987).

Some studies in the field of service quality have also shown that the expectations do not, in all kinds of services, have so much impact on the perceived service quality, as the definition of service quality suggests. Bolton and Drew (1991) realized that users of a telephone service did not mention expectations in in-depth interview. Oliver (1989) suggested that for a continually consumed product, expectations will equate with perceptions. Johnson and Fornell (1991) suggested this also for products with which a consumer is familiar. Some researchers have also found that performance did explain better the service quality than the SERVQUAL score (e.g. Babakus and Boller 1992; Cronin and Taylor 1992, 1994; Liljander and Strandvik 1994, 1995a). In addition to these, Parasuraman, Zeithaml and Berry (1994) also found performance to be the best indicator of overall service quality.

These results call for several explanations. According to Liljander (1995, p. 88-89) one explanation could be that when the customer evaluates the performance, he implicitly uses in this evaluation, some form of comparison. Consequently, the customer can use different standards for every attribute he is asked to evaluate (ibid.). Another explanation could be that as the customer gets more accustomed to the service/product the expectations become equal with the actual service performance. In these kinds of situations, only those episodes/acts which remarkably deviate from what the customers are used to (i.e. performance is out of the tolerance zone), cause disconfirmation explicitly to exist. (See more Lehtinen and Järvelin 1995). It is true, however, that there is limited research on comparison standards and so far it is usually based on the predictive or desired standards (see for exception Liljander 1995). The use of different kinds of standards can give us different results about the role disconfirmation of in service quality evaluation.

The comparison standards used in the service quality research can be regarded as forming the basis for the examination of the comparison standards used in the relationship quality evaluation (see Holmlund 1997). Although the research concerning the comparison standards used in service quality evaluation is quite limited, the research is at the moment more intensive in service quality than in other traditions dealt in this study (e.g. customer satisfaction and channel management).

The comparison standards used in the service quality or customer satisfaction tradition cannot be transformed directly into relationship quality evaluation, as it takes place in business relationships. As the service quality and customer satisfaction literature are involved with the consumer markets, the nature and also the use of comparison standards in business relationship can be anticipated as being different. Thus, the comparison standards used in the service quality or customer satisfaction literature serve only as a basis in developing the comparison standards for the relationship quality evaluation. The specific characteristics of business relationships have to be also considered in developing the comparison standards used in relationship quality evaluation. The research traditions concerned with business relationship are valuable in this respect (i.e. interaction-network approach and channel management literature). Although they do not address comparison as extensively as the service quality or customer satisfaction literature, as they bring along the perspective of business relationships.

3.1.3. Service quality vs. relationship quality

The need for a more dynamic service quality models has been acknowledged, and some researchers have presented service quality models which divide the quality into an episode (or transaction) specific and relationship specific quality. (Halinen 1997, p. 322; Liljander and Strandvik 1994; Parasuraman, Zeithaml and Berry, p. 122; Strandvik 1994, p. 64; Lehtinen and Järvelin 1995; see also Halinen 1997). Also, several other divisions have been made by using different words to describe the episode/relationship -division (e.g. incident/specific/overall by Rust and Oliver 1994, and service encounter/overall by Bitner and Hubbert 1994).

Already before any relationship quality models were presented, service quality researches have, at least implicitly, acknowledged that service quality can be traced on two levels. A good example of this, is the basic service quality model by Grönroos (1982). In this model the image -dimension represents the whole perception the customer has about the organization and the other dimensions are episode specific. Also, Lehtinen and Lehtinen (1982, 1991) have found a corporate quality dimension, which relates to a longer time period than only one episode.

By enlarging the service quality concept, to concern both episodes and the whole relationship, researchers have in most cases only brought the same concepts and tools as used before to both levels (see for exception

Liljander and Strandvik 1995b; see also Venetis 1994; Lapierre and Deslandes 1996). By doing so they might have neglected the special different aspects that episodes and relationships have. Some important questions like the evaluation on both levels, role and nature of comparison standards, role and nature of disconfirmation, nature of perception, role of affective/rational reactions, have been for almost completely forgotten among service quality researchers.

Starting from the beginning of the 1990's there has also been a growing interest in studying the service quality in business relationships (Holmlund and Kock 1993, 1995a,b; Mangold and Faulds 1993; Halinen 1994; Venetis 1994; Clark 1995; Venetis and Ghauri 1996; see also Lapierre and Deslandes 1996). Some of these studies have concentrated on the different dimensions (e.g. Holmlund and Kock 1993; Venetis 1994; Clark 1995). But some of them also relate service quality to some higher level concept related to the relationship (e.g. trust, commitment) (e.g. Halinen 1994; Venetis 1994; Venetis and Ghauri 1996). The evaluation, however, is mainly episode specific, and the service quality concept is seen as affecting the higher level concepts.

From the point of view of this study the service quality studies have several shortcomings and advantages. In the following these shortcomings and advantages are discussed in a summary like fashion.

The first shortcoming of the service quality studies with respect to the relationship quality evaluation is the lack of dyadic evaluation. The service quality is seen almost completely as a concept of customer's perception (see for exception e.g. Clark 1995), and some valuable aspects of the quality evaluation are missing.

The second shortcoming from the point of view of this study relates to the research methods used in the service quality studies. In 1980´s and early 1990´s instead of examining the basic dynamics of service quality, extensive use of quantitative methods were used to develop models, and qualitative methods, conceptual analysis and longitudinal research methods were neglected. The problems and shortcomings that the service quality research face today especially with respect to the relationship perspective, might be according to my view, partly resolved by using different kinds of research methods.

Third, the service quality studies concern mainly consumer markets (see for exception e.g. Holmlund and Kock 1993, 1995; Halinen 1994; Venetis 1994; Clark 1995; Venetis and Ghauri 1996). Thus, the concepts used in most of the service quality studies are not as such applicable in the relationship quality evaluation in business relationships. The special nature of business relationships has to be taken into account when transforming these concepts into business relationships.

The *separation into episodes and relationships*, despite of the problems related to it, can be regarded as a advantage for the relationship quality evaluation. Although this separation has been discussed widely in other traditions (especially interaction approach), the service quality literature has limited this separation to the evaluation.

The second advantage concerns the different concepts related to the evaluation itself. These concepts include *comparison according to the disconfirmation paradigm, perceived quality, comparisons standards and dimensions* used in service quality studies, but to some extent also in customer satisfaction literature.

3.2. Satisfaction

Satisfaction is a concept that is widely used in different ways in different theoretical domains. However, many of the current conceptualizations of satisfaction have their roots in social exchange theory, and more specific in Thibault and Kelley 1959.

3.2.1. Service quality and customer satisfaction

As mentioned earlier there has been an on-going, largely conceptual debate among the service quality and partly also customer satisfaction researchers about the differences, similarities, linkages, temporal order and relationship between service quality and customer satisfaction. (see e.g. Bitner 1990; Bolton and Drew 1991; Cronin and Taylor 1992; Dabholkar 1993; Oliver 1993; Parasuraman, Zeithaml and Berry 1994; Bitner and Hubbert 1994; Liljander and Strandvik 1995a) Traditionally customer satisfaction has been defined according to the same disconfirmation paradigm as service quality.

Some researchers see satisfaction and service quality as different constructs, but satisfaction as a lower-order construct compared to service quality, and thus satisfaction precedes service quality (e.g. Parasuraman, Zeithaml and Berry 1988; Bitner 1990; Bolton and Drew 1994). According to this line of research, satisfaction is merely an emotion, arousing feeling from the usage of the product/service or interaction between seller and customer and service quality is an attitude towards the product, the service or the firm. The another line of research takes the view that quality precedes satisfaction and serves as a lower-level construct (e.g. Cronin and Taylor 1992; Oliver 1993; Liljander and Strandvik 1994, 1995a; Parasuraman, Zeithaml and Berry 1994; Rust and Oliver 1994; Lapierre and Deslandes 1996). The third line of research sees the concepts as somewhat overlapping. The fourth line of research considers the concepts as being inseparable and separation only leads to confusion. (See more Dabholkar 1993)

At the beginning of this discussion, most of the researchers saw service quality as an attitude and satisfaction as a lower level concept. Among the first critics of this assumption were Cronin and Taylor (1992) who found that service quality was a determinant of satisfaction, not the other way around. Liljander and Strandvik (1995a) came to same kind of conclusions. Oliver (1993) criticized the comparison standard used in service quality studies (ideal standard) and argued that a large number of other referents (for example needs and equity perceptions) are left out in service quality studies, but used in satisfaction research. He also argued that service quality can be evaluated without actually experiencing the service, but satisfaction can only be evaluated during or after the actual experience (ibid.).

Liljander and Strandvik (1995b) have based their view of service quality and satisfaction relationship largely on the same argument. According to them, service quality judgments can be made before the actual service is experienced based, for example, on prior knowledge about the service received through media or word-of-mouth. Satisfaction is linked to the service experience, and in addition to pre-knowledge –component, it includes an affective component. (ibid.). It is, however, hard to believe that the quality judgments could be based only on pre-knowledge, because the information the customer gets before the actual experience, for example, from advertisements probably causes some kind of affective responses. Furthermore, the situations where the quality judgments can be based only on the "second hand" information are, at least from the relationship perspective, very limited as they include only information prior to the actual first service experience. According to my perspective, this view of quality is a step closer to the objective product quality judgments. Service quality is now seen as extrinsic, more or less objective judgment about service, and it is at the same time losing the profound meaning as customer perceived service quality.

Liljander and Strandvik (1995b) also see that satisfaction is affected in addition to service quality by perceived sacrifices (see also Koelemeijer, Roest and Verhallen 1993; Liljander and Strandvik 1994; Parasuraman, Zeithaml and Berry 1994). According to their view the customer can consider the service to be of high quality, but at the same time he might not be satisfied with the service, because it is too expensive or it does not fit his preferences. (Liljander and Strandvik 1995b)

The discussion among researchers about relationship between service quality and satisfaction is according to my view a good example of the language game of the science. The phenomenon itself (i.e. the evaluation and the perception formed as a result of it) has been forgotten, and the terms have gained a central role.

However, the discussion concerning service quality and satisfaction brought certain aspects to the service quality research that can be useful in relationship quality evaluation. First, *the separation into two different concepts* (i.e. service quality and satisfaction) advanced the thinking about the two different evaluation levels. Second, *the discussion concerning sacrifices brought an important aspect to the evaluation that was in the service quality research largely neglected.* The role of sacrifices can be regarded as being even more important in the evaluation of quality in business relationships as the firms seem to be more capable of evaluating the economic gains and loses of certain operations than an individual consumer. As the sacrifices (investments) have also been discussed in interaction approach (e.g. Wilson and Mummalananeni 1986), the aspects that service quality literature involve in this respect is the level in which sacrifices are examined. In the service quality literature sacrifices are handled in the episode level, but in the interaction approach they are handled in the relationship level.

3.2.2. Satisfaction in channel research

Marketing channels are defined as sets of interdependent organizations involved in the process of making a product or service available for use or consumption (Stern and El-Ansary 1992). Inside the channel each member has its own goals and expectations, which it expects to be fulfilled by the help of other members within the channel (Buchanan 1992; see also e.g. Ford 1978). Thus, each member in the channel is concerned by the performance of other members, because it may affect the performance of another channel member (Haytko 1994). Although the channel members are part of a chain which includes many other members, the studies concerning channels usually concentrate on the dyadic relationship between two channel members from only one member’s perspective.

In the late 1970´s and early 1980´s, researchers involved in the distribution channels were interested in power-conflict issues in channel context. These power-conflict studies usually included a satisfaction measure. (See e.g. Rosenberg and Stern 1971; Lusch 1977; Dwyer 1980; Wilkinson 1981) As the research related to distribution channels evolved to other areas like power-dependency, control, co-operation and channel climate, satisfaction remained as one of the variables in these studies.

Satisfaction is often included in channel management studies as a measure of how successful a channel member has been in influencing others. (Stern and El-Ansary 1992, p. 453) Satisfaction has also been often measured in terms of satisfaction with financial performance, satisfaction with channel relationship, and/or with more global measures of overall performance. (Haytko 1994, p. 266) Satisfaction has usually been linked to performance as an outcome of performance i.e. increasing level of performance leads to a increasing level of satisfaction (e.g. Frazier 1983). Robicheaux and El-Ansary (1975) also have suggested a circularrelationship from increased satisfaction to increased performance. Some researchers have, however, pointed out that the link between satisfaction and performance can not be direct, because satisfaction can depend on the perceived contribution to member's performance outcomes (e.g. Frazier 1983; Ruekert and Churchill 1984; Lewis and Lambert 1991). For example, according to Lewis and Lambert (1991) the amount of blame or credit a franchisee attributes to the franchiser for its performance moderates the relationship between performance and satisfaction.

Channel member satisfaction has been defined as referring to a members' attitudes and feelings towards the internal environment of the channel organization and the relationships between that environment and other institutions in the channel. (Schul, Little and Pride 1985, p. 13) This view of channel member satisfaction has not, however, been largely used empirically. Most channel member satisfaction studies examine satisfaction as related to the overall relationship between channel members (e.g. Stern and El-Ansary 1992, p. 454, Schul, Little and Pride 1985 p. 10).

From the viewpoint of this study, the channel member satisfaction studies have three limitations. First, the operationalization and measurement of satisfaction varies and is in many studies based on one overall question. There are only a few studies which have well developed measurement tools for channel member satisfaction. (Ruekert and Churchill 1984; Schul, Little and Pride 1985) In channel studies, the use of direct disconfirmation measure (i.e. no separate expectation and performance measure used) is common. The measurement problem also relates to the dimensions of channel member satisfaction. No well-developed, generally agreed division of channel member satisfaction dimensions exists, although some researchers have managed to create reasonable division (Ruekert and Churchill 1984; Schul, Little and Pride 1985).

Second, many studies also measure satisfaction only from the perspective of one partner (see for exception Ruekert and Churchill 1984). This study looks the dyadic relationship from the perspective of both members included in the relationship. Also, the view of an end-customer can be very crucial for the satisfaction of a certain channel member, but the affect of the end customer has been excluded in most channel studies (see for exception Scheer and Stern 1992; Kumar, Stern and Achrol 1992). In this study, the affect of another member in the network, is taken into account, only if it is crucial for the relationship quality formation and/or perception.

Third, most of the channel studies look at the relationship between two channel members at a single point of time. Combined with a lack of a dynamic view in this sense, the separation of the episode specific and relationship specific satisfaction is lacking from this tradition. Usually satisfaction is measured by using very general level questions, and therefore channel member satisfaction can be seen more as a relationship specific construct.

The aspects of satisfaction, in channel studies, that can be used in this study, are related to the treatment of satisfaction as a relationship level construct, and to the cognitive processes that affect satisfaction. *The treatment of satisfaction as a relationship level construct, gives support to the idea that relationship can be evaluated. The cognitive processes* that affect (or are part of) the satisfaction has been studied by Frazier (1983)[26].

[26] The study conducted by Frazier (1983) can also be regarded as belonging to the social exchange theory based interaction approach as it uses concepts used traditionally in

These processes include *equity, fairness and balancing operations*[27]. The other traditions discussed in this study, almost totally neglect these processes although they are heavily studied in social exchange theory concerning interpersonal relationships. As Frazier (1983) found support for these processes in business relationships, they then should be taken into account in the relationship quality evaluation. The concepts of equity and fairness are also closely related to the sacrifices used in service quality studies, as they include both gains and loses received from the relationship. The fairness concept, is linked to deserved service used as a comparison standard in service quality evaluation (see more in chapter 4.3.2.; and also Liljander 1995). The concept of balancing operations in turn is related to the service recovery concept used in some service quality studies (e.g. Bitner, Booms and Tetrault 1990; Jonhston 1994; Armistead, Clark and Stanley 1995; Lewis 1996).

3.2.3. Satisfaction and outcomes in interaction-network studies

It is quite difficult to draw a line between channel studies and social exchange theory based interaction studies. The assumption behind channel studies is that the whole system of relationships in the channel could be explained through dyadic relationships. Although channel studies has an aim of examining the whole channel, most studies have examined only the dyadic relationships from the point of view of one of the partners. Social exchange theory based interaction studies has positioned itself as being interorganizational with a clear emphasis on buyer-seller or supplier-manufacturer relationships (e.g. Andersson and Narus 1984, 1990; Wilson and Mummalaneni 1986). It is noteworthy that within the interaction-network approach there are quite many different views to look at the relationships between two firms. (See more e.g. Möller 1994; Möller and Wilson 1995)

Satisfaction has, in most studies, in the interaction-network approach related outcomes to the different kinds of processes between two firms. Outcomes are usually divided into psycho social and financial outcomes. Satisfaction is, in most studies, either seen as one of the outcomes (e.g. Dabholkar, Johnston and Cathey 1994; Möller and Wilson 1995), or as a measure of outcomes (e.g. Halinen 1994, 1997) or as a result of outcomes (e.g. Anderson and Narus 1984, 1990; Wilson and Mummalaneni 1986). Satisfaction is, also, one factor that affects (or is affected by), often crucially, the constructs (for example trust and commitment) which tie the firms more firmly together (e.g. Anderson and Narus 1984, 1990; Wilson and Mummalaneni 1986; Anderson and Weitz 1992; Ganesan 1994; Halinen 1997).

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social exchange theory. But as the study is linked to the substance of channels it is here included to channel studies.

[27] These concepts are defined in chapter 4.5.

In studies carried out by the IMP-group, the concept of quality has been addressed in quite numerous recent studies (see the Appendix A in Holmlund 1997). The studies presented by Holmlund (1997 in Appendix A) come from different research traditions, as in the IMP-group conferences attend researchers from several traditions. Part of the studies come clearly from the service quality tradition (e.g. Holmlund and Kock 1993, 1995b; Venetis 1994; Clark 1995; Lehtinen and Järvelin 1995; Lapierre and Deslandes 1996; Venetis and Ghauri 1996), some of them can be regarded as customer satisfaction studies (e.g. Günter and Platzek 1994; Mathieu 1994) and some as product quality studies (e.g. Sjöberg 1994; Simintiras and Lancaster 1994).

The other studies mentioned by Holmlund (1997 in Appendix A) can be divided into three groups. The first group consists of studies that use the quality (or satisfaction) as outcomes (Fiaocca and Snehota 1994; Skjerstad 1994) as usually in the IMP tradition. In the second group (Volsky and Wilson 1994; Werani 1996) the quality is treated in the same manner as the Wilson and Mummalaneni (1986), i.e. as rewards minus costs. Instead of using the term satisfaction, used by Wilson and Mummalaneni (1986), these studies use the term value. Both of the studies, in this group have gained influences from other traditions like service quality and social exchange theory. The third group of studies (Kempeners 1995; Söllner 1996) is based on the studies (e.g. Crosby, Evans and Cowles 1990; Lagase and Gassenheimer and Dahlström 1991; Wray, Palmer and Bejou 1994) that can be regarded as partly based on the social exchange theory, but partly also on the service quality studies. This group treats relationship quality as consisting of satisfaction, trust and commitment.

The concepts like trust and commitment are gaining more interest among network and interaction researches, but the base on which they are building is not very thoroughly researched (see for exception Halinen 1997). The studies have focused on the constructs which explain what constitutes a relationship and why firms engage in the relationship or why firms stay in the relationships. In the later context, satisfaction has been seen as a sub-construct for other constructs, or as a bond itself. The study of the internal structure and dimensions together with the measurement of satisfaction has not been very thorough. The other concepts which are related to the long-term aspects of the relationship, might have been more appealing than the familiar concept of satisfaction, as the aim of the studies has merely been a conceptualization of the relationship itself.

The problems this perspective has from the point of view of this study in question remains largely those problems presented in the previous chapter concerning channel studies. First, the measurement and the use of the concept of satisfaction are very diverse in interaction studies. For example, Anderson and Narus (1984, 1990) have partly based their study on the social exchange theory (Thibault and Kelley 1959), and adopted the concept of comparison level (CL) from this theory. They use the term outcomes given CL and define it as a firm's assessment of the results (reward-cost) from the relationship compared with expectations based on present and past experience with similar relationships, and knowledge of other firms' relationships (Anderson and Narus 1984, p. 63). This in fact, is already a satisfaction measure, at least according to customer satisfaction literature. This outcomes given comparison level include a comparison between actual experience and predictive expectations. In addition to this, however, Anderson and Narus (1984, 1990) have a separate satisfaction concept. Thus, satisfaction is in their model measured twice. They see satisfaction merely as affective reaction and outcomes given CL as a rational summary assessment (ibid.).

In my opinion, this reflects the way satisfaction is usually measured and treated in this area (and also in channel context). The problems with this interpretation are related to the measurement of satisfaction and to the one-sided view about the satisfaction concept. The problems concerning the satisfaction measurement are linked to several methods of measuring satisfaction (i.e. separate satisfaction measure, CL given outcomes, reward-costs), and thus no unified measure exists. The one-sided view of satisfaction concerns the view of satisfaction only as an affective, not as a rational, reaction. The ambiguity concerning the satisfaction measure and the content of measures related to satisfaction, together, have probably also at least partly affected, the lack of use of a satisfaction construct in interaction studies.

Second, as in channel research, most empirical studies conducted in the area of interaction approach also examine the relationship at one point of time (see for exception e.g. Liljegren 1988; Halinen 1997; Gulati 1995). However, the need for longditunial studies has been acknowledged (Anderson and Narus 1990; Anderson and Weitz 1992). It is quite a commonly accepted view, that relationships evolve through episodes, and the current state of the relationship affects the episodes. The satisfaction concept has not, however, been related to this division, because satisfaction is usually related to concepts which concern the whole relationship.

Despite the limitations related to the interaction research, it has (together with channel research) in many areas examined relationships and concepts related to relationships in way that support this study. First*, it provides a framework for the relationships and episodes* (see chapter 2). Second, *it brings the relationship quality research perspective that takes into account constructs which affect, and are affected by, relationship evaluation*. These constructs include power and dependency, conflicts and conflict resolution, performance, and governance structures. Third, *the satisfaction concept used in interaction studies gives*, despite of its many weaknesses, *aspects which are not, at least to a large extent handled in service quality research*. For example, reward-cost -thinking is implicitly part of the satisfaction concept in many interaction studies (e.g. Wilson and Mummalaneni 1986; Anderson and Narus 1990; Halinen 1994, 1997). In addition, satisfaction is not treated as a separate concept, it is always related to other concepts that are important for the future of the relationships, and consequently for financial performance of the partners involved in the relationship. Furthermore, the linkage between satisfaction and the behavior related concepts (i.e. commitment) is not seen as a direct. For example, Wilson and Mummalaneni (1986) have investments as mediating variable and Gulati (1995) attribution.

Taken together, the different views of satisfaction, it can be argued that the satisfaction concept is supported by many different usable aspects that can be used in this study. First of all the concept of customer satisfaction has often been measured by using the *disconfirmation paradigm*. The disconfimation paradigm is also used in this study as a starting point for the discussion about the evaluation of relationship quality. Second, the debate between service quality and customer satisfaction raised the importance of *sacrifices*, and sacrifices also have a central role in relationship quality evaluation. The satisfaction concept used in the interaction approach also deals with sacrifices. Third, the satisfaction concept in channel context and the interaction studies gives perspective for *higher level* i.e. relationship level *evaluation*. Fourth, the satisfaction concept used in channel studies also links satisfaction to several *cognitive processes* (e.g. balancing operations, equity and fairness) that have an essential role in relationship quality evaluation. Fifth, the satisfaction in interaction studies *relates the evaluation process to the higher level concepts* (like conflict, commitment, trust) and also gives a model for the *dyadic perspective*.

It has to be added that the interaction approach, together with channel studies, provides valuable perspective for business relationships to the concepts developed in the service quality and customer satisfaction literature. Without this foundation the use of service quality and customer satisfaction literature would not be justified for this study.

4. FRAMEWORK OF RELATIONSHIP QUALITY EVALUATION

In this chapter 4, a preliminary framework of the relationship quality evaluation is presented and the concepts of that framework are discussed. Before presenting the framework and discussing the concepts, the formation of relationship quality within and between organizations is addressed. After presenting the preliminary framework, it is first discussed generally in order to give a picture about it as a whole. This general overview is followed by more detailed discussion about the evaluation of both the episode quality and the relationship quality together with the adjusting processes. This chapter serves as the basis for the empirical case study.

4.1. Formation of relationship quality perception within and between organizations

The evaluation of relationship quality, especially in the business context*, is an on-going and complex process*. Numerous actors can be involved in continually evaluating relationship quality and all of them using different criteria (see e.g. Halinen 1997; Kotsalo-Mustonen 1996; Holmlund 1997). *Although the actor can be either an individual or an unit* (i.e. firm, department, purchasing unit etc.), *the evaluation of relationship quality first and foremost happens on the individual level* (see e.g. Kotsalo-Mustonen 1996, p. 64). The relationship quality is seen in this study as perceived relationship quality resulting from the evaluation process, and this perception can be held by a group of individuals (Holmlund 1997, p. 76-77). Thus, it can be argued that the individuals make the evaluations, but these evaluations and the results of them (perceived quality) can be shared between individuals. Persons having same kind of background (e.g. working in the same department) are exposed to same kinds of stimuli, and accordingly their evaluations result in same kind of perceptions. The perceptions can be also discussed, and thus they may remind each other. The perception (i.e. perceived quality) held by several individuals is merely a collection of perceptions or a jointly accepted perception (Kotsalo-Mustonen 1996, p. 47). This means that if we want to analyze the relationship quality formation of a manufacturer-client relationship at corporate level we have to take into account relationship quality perceptions of all those people who are actively involved (and/or have been actively involved) in that relationship.

The analysis of relationship quality evaluation can be executed on different levels of the relationship. Wilson and Mummalaneni (1986) have suggested that at least three different levels can be identified. The levels are corporate, department and individual. In the evaluation of relationship quality a fourth level, relationship level can be added. The three first levels can be regarded as intraorganizational levels, and the fourth one as an interorganizational one. Depending on the relationship the role and content of these levels will, however, differ. On relationship and corporate level, the official relationship is developed, i.e. commercial and legal contracts are made. On individual level personal relationships are developed and information is exchanged. The department level co-ordinates the functions of the two other levels. By using this separation, the fact that evaluation first and foremost happens on the individual level can be forgotten. It is natural that the departments or the organizations themselves do not *make* any evaluations which lead to perceptions. But it can be argued that the group of individuals in the organization, share a common view concerning the result of the evaluation.[28]

Of course, although the individuals have a key role in evaluating the relationship, evaluation can be discussed together with e.g. peers, superiors, actors from the other side of the relationship. Thus, *the individual evaluation is affected by the evaluation made by others who are also involved in the relationship* (see figures 4 and 5). This process also leads to the relationship quality perception on the department, corporate and relationship levels. It has to be noticed, however, that the frameworks developed in this study describe the evaluation from the perspective of the one individual.

Figure 4 illustrates the way from individual evaluations to the relationship quality perception on higher levels of organization (for the sake of simplicity department level is excluded). *In order to form a relationship quality perception at corporate* (i.e. intraorganizational*), or relationship* (interorganizational) *level, evaluations made at an individual level have to be discussed with, or otherwise informed to, others involved in the relationship*. In figure 4, by the influence is meant these discussions and information between individuals involved in the relationship.

[28] The separation into four levels (i.e. individual, department, corporate and relationship) can be confusing also in the sense that the borders between the levels, especially between corporate and department level, are not in reality so clear (e.g. Järvinen 1996; Alajoutsjärvi 1996; see also Kotsalo-Mustonen 1996). If we also take into consideration the different organizational levels (Järvinen 1996), in which the interaction in reality happens, levels can be numerous and complicated.

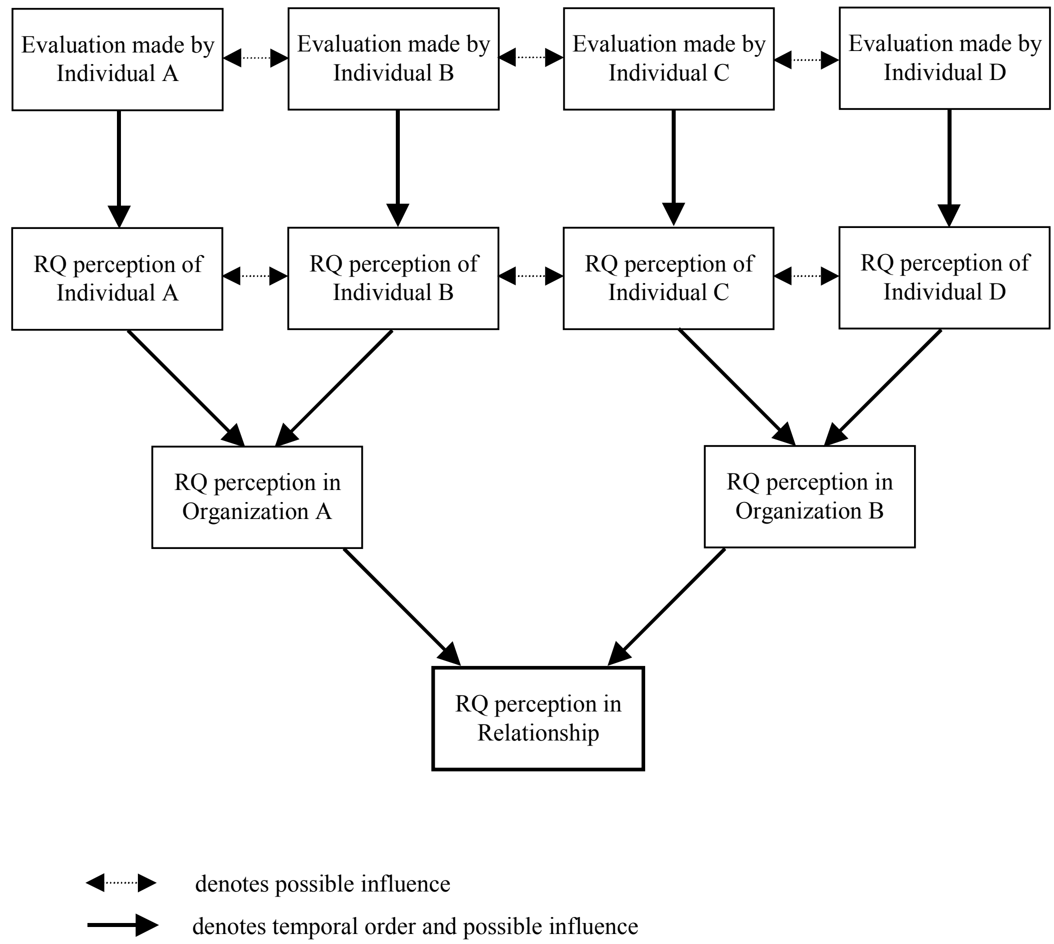

Figure 4: The formation of organization/relationship level relationship quality perception.[29]

Figure 5 shows the effect of others on the relationship quality perception. Two actors of the relationship (A and B) are evaluating relationship quality. They both have made their own evaluations concerning a particular episode, and have formed their episode and relationship quality perceptions. These *perceptions are affected, in addition, by their own evaluations based on their own experiences, the image they have about the perception that the other actors hold concerning episode and relationship quality*.

Additionally, both episode and relationship quality perceptions are affected by the perception of the actors from outside the relationship which are perceived as important, i.e. the important others in the figure 5 (see more Holmlund and Kock 1995a,b; Järvelin and Lehtinen 1996; Holmlund 1997). These actors may include, for example, in channel context, those

[29] It has to be noticed that also the Individuals A and D, A and C, and B and D discuss the evaluations they have made, and thus affect each others perceptions. For simplicity's sake the arrows describing this were not included in figure 4.

actors that are perceived to be the most powerful inside a certain channel (i.e. the important others in figure 5). The effect of these actors can be considered as a network effect on the relationship quality. Thus, it can be said that relationship quality is an evaluation which is embedded in a social system.

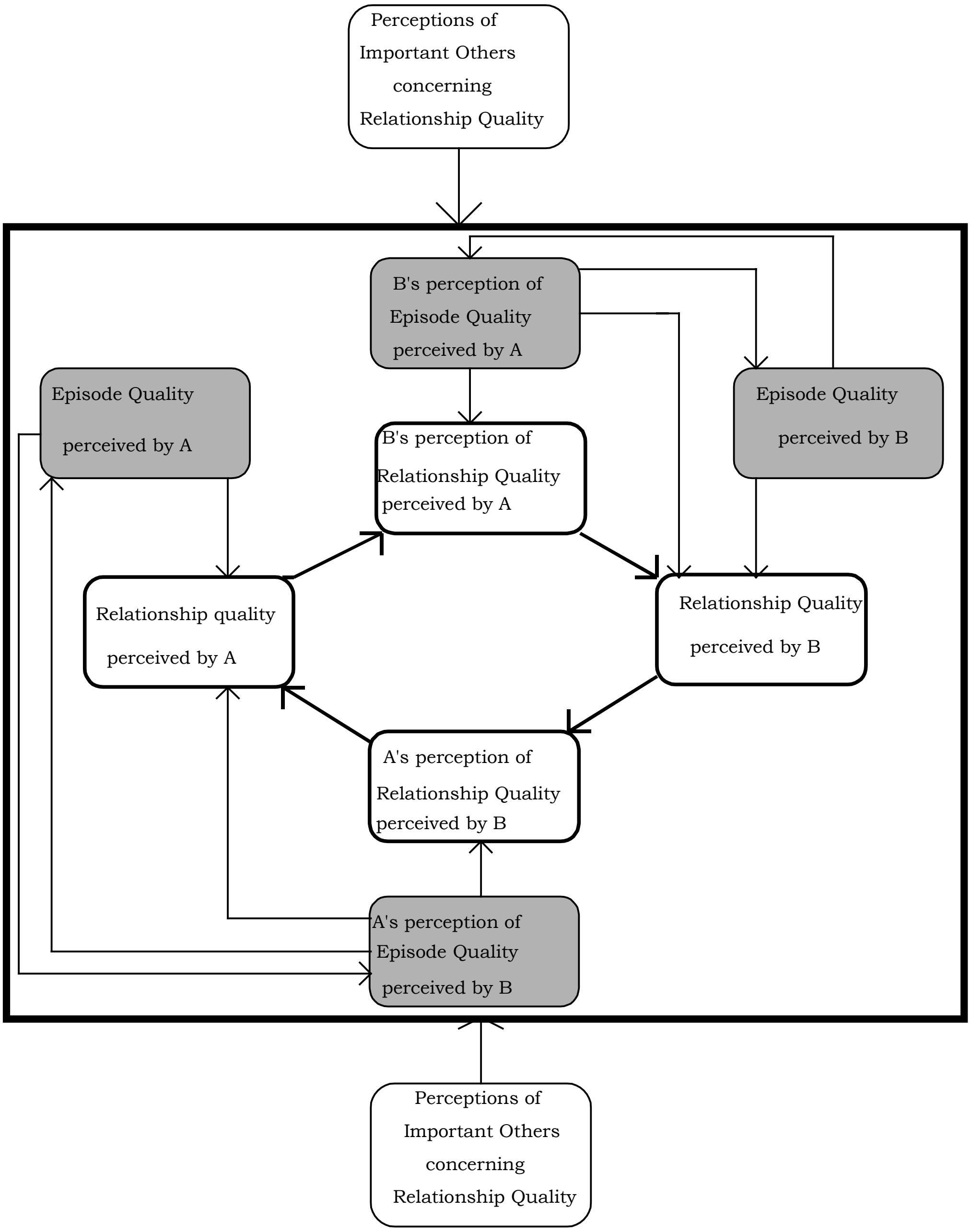

Figure 5: Effects of others on relationship quality perception. (See Järvelin and Lehtinen 1996).

The way that the relationship quality evaluation is presented in figures 4 and 5 represents an ideal form of relationship quality evaluation, as both *partners evaluate the relationship together and form a shared perception of relationship quality*. The minimum requirement for the relationship quality evaluation is, however, that one of the partners evaluate the relationship between the partners. Thus, in between these two situations there exist numerous different ways by which relationship quality perception can be formed. *Relationship quality is, in the sense, dyadic phenomenon as it always concerns something between two partners, i.e. the target of the evaluation is the relationship or part of it*. *But evaluation does not have to be done together, nor the relationship perceptions the partners hold, have to be similar* (Holmlund and Strandvik 1997; Mittilä 2000). Evaluation can be performed by only one of the partners, but often evaluation requires interaction between partners, and consideration of the other partner's perceptions (see figure 4 and 5).The figures 4 and 5 describe the evaluation process inside and between organizations. Holmlund and Strandvik (1997) proposed, that the level of different perceptions that the individual evaluators hold, can be negative, neutral or positive. This idea was further developed by Mittilä (2000). She claimed that *perceptions hold by two evaluators can be harmonious, when evaluators hold similar perception; they can disharmonious, in case the perceptions are slightly different; or they can be dissonant if the evaluators have totally adverse perceptions* (ibid., p. 103-104).

4.2. Introduction to framework of relationship quality evaluation

The interest in relationship quality among service quality researchers lead to the separation of episodes and relationship. The relationship quality models presented by Liljander and Strandvik (1995b) and Lehtinen and Järvelin (1995, 1996) presented both how relationship quality is developed through episodes. These models have not been, and it is doubtful whether they ever can be as a whole, empirically tested. The relationship quality model presented by Holmlund (1997) has been empirically tested, but it does not concentrate on the evaluation process. The framework presented in figure 6, differs in this respect. Also, this framework is built so that it allows for empirical research.

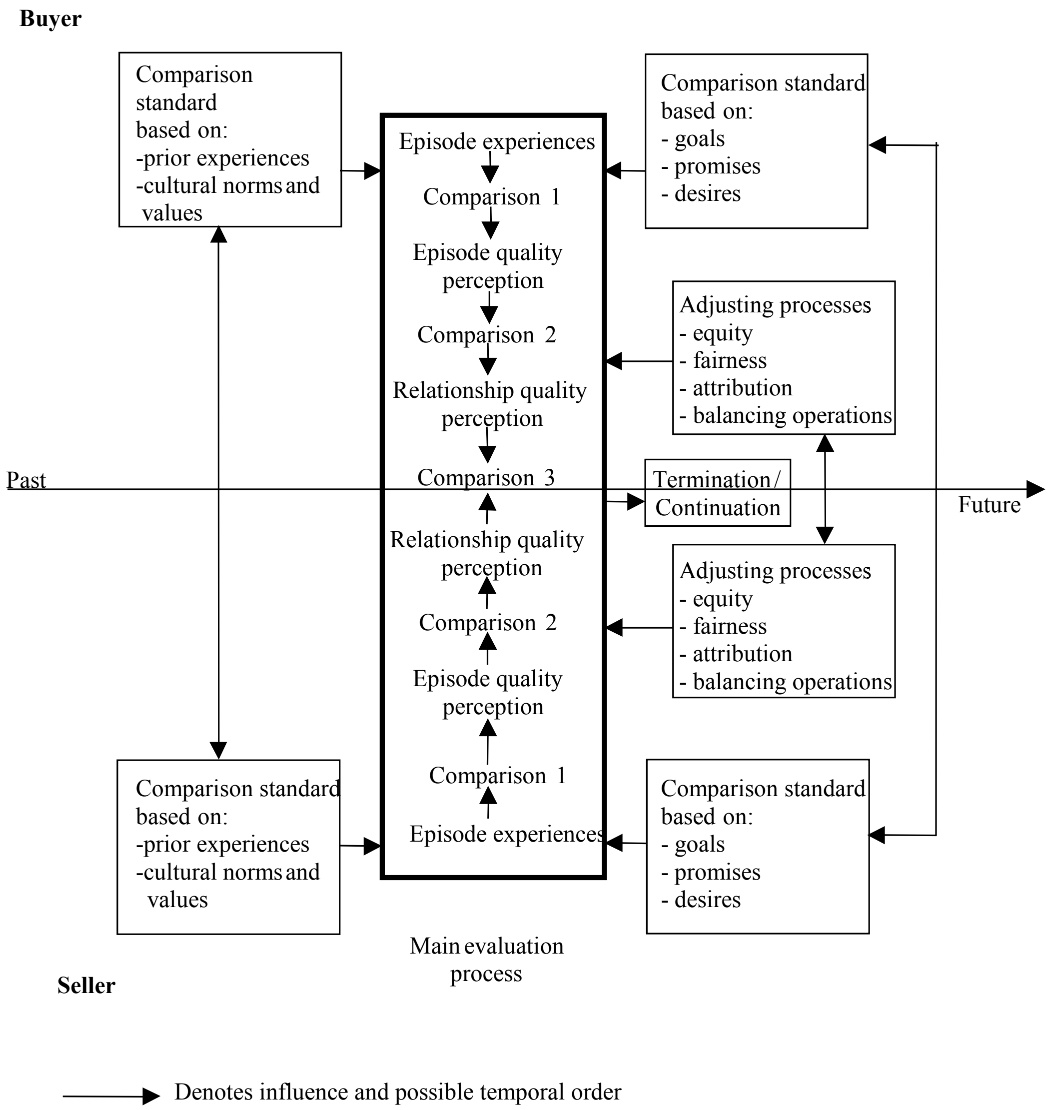

Figure 6: Preliminary framework of relationship quality evaluation.

In developing the preliminary framework, the research traditions discussed in chapter 3, have been used. The basic idea of comparison (or disconfirmation) has its roots in service quality, customer satisfaction and social exchange theory based interaction approach. The comparison standards have been formed on the basis of the ideas from service quality (and customer satisfaction) literature, social exchange theory based interaction approach, and to some extent also the IMP-group. The adjusting processes are mainly based on the satisfaction concept used in channel research (mainly done by Frazier 1983), but are also affected by the ideas gained from service quality literature, and interaction approach. The framework presented in figure 6, serves as a preliminary framework and as a basis for the internal analysis discussion in chapter 4 and for the empirical analysis.

In the following sections each part of the framework is discussed in detail, in order to create an understanding about the process of relationship quality evaluation. First, a general discussion concerning the evaluation of relationship quality is presented (chapter 4.2.1.). After that, the crucial issue of comparison in the evaluation process is discussed in chapter 4.2.2.. In chapters 4.3. – 4.5., the specific issues of the framework are discussed in more detailed than in chapter 4.2. These specific issues include the evaluation of the episode and the relationship quality together with the adjusting processes.

4.2.1. Evaluation process

In the preliminary framework (figure 6), *the evaluation process is presented from the point of view of both buyer and seller*. The preliminary framework *the evaluation is performed by individual evaluator*[30]. The effects of each others are, however, presented here as only taking place through comparison standards (cf. figure 5) and to some extent also through adjusting processes. In the preliminary framework (figure 6) time also plays a significant role. Comparison standards are divided into two groups consisting of those based on the past and those which are based on future actions. Adjusting processes also have their emphasis in the future. Main evaluation process is described in present time.

In the main evaluation process (see figure 6), *the comparison between the actual performance and the criteria or comparison standard is made*. This kind of view about the evaluation process follows the lines of the disconfirmation paradigm. In some cases, however, the evaluation can be performed without any comparison or comparison standard. (see more in chapter 4.2.2.). The use of comparison or comparison standard is depended on the situation and the individual making the evaluation. (E.g. Oliver 1989; Johnson and Fornell 1991; see also Mittilä and Lehtinen 1995) In the relationship quality evaluation, the comparison takes place on both the episode and the relationship levels.

The main evaluation process, starts as the episode starts. The comparison standard used in the evaluation of that episode is, however, *usually formed prior to the evaluation process*. In the framework (figure 6), the first comparison is related to this evaluation. In this comparison, the gained episode experiences[31] are compared against the comparison

[30] Mittilä (2000) defines evaluation as “an activity or a series of activities that comprise the formal and informal perceptions by the partners involved, and the assessment of the impact perceived object(s) on the focal issue”. In this study, however, the evaluation is seen as being performed by individual evaluator. The comprising process is here included to the adjusting processes, and it is discussed from the point of view of individual evaluator.

[31] The terms experiences and performance are used here as the same, because the performance in the business relationships can often be regarded as being the same as gained experiences (for example in the evaluation of financial aspects or product performance). (See e.g. Frazier 1983; Haytko 1994).

standard, and *as a result, the episode quality perception is formed*. That comparison can, however, be modified by the adjusting processes.

After the episode quality perception is formed, the second comparison takes place. In that comparison, the episode quality perception is mainly compared against the existing relationship quality perception that is formed on the basis of prior experiences. The adjusting processes can also modify the process. As a result, a new relationship quality perception is formed. Actually, *the actor decides in this second comparison, whether the episode quality perception gained, changes the existing relationship quality perception or not, and if it changes, how it changes*. The new relationship quality perception, effects new comparison standards used in the subsequent comparisons (both 1 and 2).

After the relationship quality perception is formed, *the third comparison sometimes follows*. If the episode quality perception radically changes the existing relationship quality perception, and if the adjusting processes fail to recover the situation, *the actor decides whether to terminate the relationship, or not*. In this decision, the comparison standard used varies highly depending on the situation. However, the role of possible other alternatives, is usually decisive.

Consequently *the main evaluation process refers the evaluation which results in relationship quality perception, and it is sometimes followed by a termination/continuation decision.*

The evaluation always concerns a matter upon which the actual evaluation is made, and it is usually executed by using a criteria. In the service quality literature, *the matter upon which the evaluation is made, is called dimension*[32] (e.g. Grönroos 1982; Lehtinen 1983; Lehtinen and Lehtinen 1991). *The criteria,* in turn *is called comparison standards*. (e.g. Liljander 1995; see more in chapter 3.1.2.) In interaction approach and channel studies, criteria in turn are the CLalt and CL concepts (e.g. Frazier 1983; Anderson and Narus 1984, 1990; see more in chapter 4.3.). In this study, the term comparison standard is used (see Liljander 1995).
Depending on the comparison, both the content and nature of the comparison standard used differs. In episode quality evaluation (comparison 1) the content of comparison standard used, is very much related to the nature of episode in question. For example, if there exists clear, well defined goals for the episode, these goals are naturally used as comparison standards. In the relationship quality evaluation (comparison 2) in turn, the prior experiences in the form relationship quality perception formed before the evaluation in question, have usually a central role. In making the termination/continuation decision, the prior experiences from other relationships can have a major role as the CLalt -concept[33] implies,

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[32] The dimensions are presented in a framework because of difficulties related to the presentation as they are present in all of the different boxes (i.e. comparison standards, main evaluation process and adjusting processes).
[33] It presents a lowest acceptable level of performance (e.g. Andersson and Narus 1984).

but also other determinants of comparison standards can be used. Consequently, the following definition of comparison standard is used: *comparison standards refer to the standards against which the issue under comparison is evaluated. The nature and content varies depending on the comparison and the actor.* As mentioned earlier, comparison standards can be divided to those which are based on past (prior experiences, cultural norms and values) and to those which are based on future actions (goals, promises, desires).

From the adjusting processes, that modify the comparisons, *the equity and fairness are input/output ratios*. They sometimes follow the comparisons and sometimes are at least partly overlapping (e.g. Frazier 1983; Frazier, Speckman and O'Neil 1988; Uusitalo 1993; Liljander 1995). Equity is a process, in which the actor decides whether the all the actors involved gain the same results from their input/output ratios. Fairness, in turn, is a process in which the actor asks himself "have I gained what I deserve?" (e.g. Frazier 1983, p. 74). In customer satisfaction and service quality literature, these kinds of comparisons are usually treated as being present in the evaluation done (see e.g. Uusitalo 1993; Liljander 1995). In channel studies, both equity and fairness are treated as separate concepts from the main evaluation (Frazier 1983; Frazier, Spekman and O´Neil 1988). However, in reality, it can sometimes be difficult to differentiate between these adjusting processes and the main evaluation. But, in order to highlight the nature and role of these processes, they are treated separately from the main evaluation process.

Attribution mainly seeks answer for the question "whom to blame". Attribution is often linked to the main evaluation in cases, when deviation, from comparison standards, is perceived as large. *Balancing operations,* in turn, *concern the operations that are directed in reducing the perceived deviation*. Thus, attribution and balancing operations are in many cases linked to each other, and they follow comparison.

Taken together, the *evaluation can be defined as a process in which the actor first forms the comparison standards and after that evaluates whether a certain performance fulfills the comparison standard or not. This evaluation process can sometimes be modified by the different adjusting processes. The evaluation process consists of episode and relationship quality evaluation and can be sometimes followed by termination/continuation decision. As a result of the evaluation process relationship quality perception is formed.* The definition of relationship quality evaluation presented in chapter 1.3. can consequently be completed as following: *Relationship quality evaluation refers to the on-going, two level evaluation process concerning all the feasible aspects of the relationship, and it is performed by the partners involved in the relationship*[34]*. The relationship quality evaluation is done by using comparison standards, and it is affected by the adjusting processes.*

[34] See also the definition by Holmlund about relationship quality (1997, p. 9).

As the comparison is the key concept in the evaluation process it is discussed in the following chapter 4.2.2. before discussing the framework in more detail.

4.2.2. Disconfirmation or not?

The issue of disconfirmation is related to the comparisons (1-3) presented in figure 6. Although the disconfirmation paradigm has been used mainly in marketing related to studies concerning consumer markets (i.e.. service quality and customer satisfaction), the same kind of comparison between comparison standards and performance has also been used in some studies which concern business markets (e.g. Frazier 1983; Andersson and Narus 1984, 1990; Frazier, Spekman and O'Neil 1988; Hart 1993; Kotsalo-Mustonen 1996). In the service quality and satisfaction literature, the comparison between experiences and comparison standard follows the lines of the disconfirmation paradigm (e.g. Thibault and Kelley 1959; Oliver and DeSarbo 1988; Bolton and Drew 1991; Liljander 1995). In the social exchange theory based interaction approach, the comparison is done between outcomes (rewards and losses) and comparison standard (CL) (Andersson and Narus 1984, p. 66; Frazier, Spekman and O'Neil 1988, p. 62; Andersson and Narus 1990, p. 46). Presented as such, the comparison inherently includes two comparisons, i.e. the comparison between rewards and losses, and the comparison between outcomes and the comparison standard. However, the result of this comparison is not discussed in this theory, in the same manner as in the disconfirmation paradigm (i.e. what if comparison level is met, not met or exceeded). Thus, these comparisons cannot be regarded as strictly following the disconfirmation paradigm.

In studies concerning business relationships, the comparison is not the major approach when studying the outcomes of relationships. The more extensively used ones are: 1) outcomes as disadvantages or advantages (strategic alliance literature), 2) outcomes defined as performance[35] or success[36] (joint venture literature and partly marketing channel literature), and 3) outcomes as a part of the co-operation process (IMP-literature and partly marketing channel literature) (see Hovi 1995, p. 25). Consequently, the following discussion concerning the usefulness of disconfirmation paradigm in relationship quality evaluation is mainly based on the service quality and customer satisfaction literature.

The disconfirmation paradigm actually consists of two processes, which are linked together. *The first process includes the formation of expectations, and the second process the disconfirmation of those expectations* (Oliver and DeSarbo 1988, p. 495). In customer satisfaction tradition (based on the disconfirmation paradigm) customers are assumed to form their expectations by using product characteristics which can be evaluated prior

[35] See more about performance in joint ventures in e.g. Geringer and Hebert 1989.
[36] Success can be evaluated as comparison (e.g. Kotsalo-Mustonen 1996, p. 57).

to purchase (e.g. Oliver 1980; Oliver and DeSarbo 1988). After the purchase and use, the actual performance level is compared against the expectations. Negative disconfirmation results if the performance is less than expected, and accordingly positive disconfirmation results if the performance is better than expected. This traditional form of disconfirmation has its roots in Helson's (1964) adaptation level theory (see also Blau 1964; Thibault and Kelley 1959).

Although the disconfirmation paradigm presents the main stream of customer satisfaction research, and is often also used in service quality research, it has also been criticized. The criticisms mainly concerns the expectations component. *The both the need for, and nature of the expectations, are questioned*. For example, Churchill and Surprenant (1982) have found that performance alone was the only predictor of customer satisfaction. Some service quality researchers have found same kind of results (e.g. Bolton and Drew 1991; Grönroos 1993). It seems to be, *for consumer products and services, which are continually used, performance alone is the best predictor of satisfaction* (or service quality).

Traditionally, expectations in customer satisfaction research have been predictive expectations, and in service quality research normative expectations. However, expectations in customer satisfaction literature have been measured by using numerous different standards like ideal and experience based norms (e.g. Swan and Trawick 1980; Woodruff, Cadotte and Jenkins 1983; Cadotte, Woodruff and Jenkins 1987; Olshavsky and Spreng 1989). The need for different kinds of standards also has been acknowledged in service quality research (Zeithaml, Berry and Parasuraman 1991; Liljander 1995). In both traditions, it has been suggested that consumers may use numerous different standards in evaluating products and services (LaTour and Peat 1978; Cadotte, Woodruff and Jenkins 1987; Zeithaml, Berry and Parasuraman 1991; Uusitalo 1993; Boulding, Kalra, Staehlin and Zeithaml 1993; Liljander 1995).[37] In social exchange theory based interaction approach, the comparison standard used, is solely based on prior experiences (CL) (Andersson and Narus 1984, 1990; Frazier, Spekman and O'Neil 1988). Thus, the need for developing other kinds of comparison standards is obvious in this tradition.

In addition, to need for and nature of, expectations, *the basic logic of disconfirmation paradigm has been challenged*. LaTour and Peat (1978) question disconfirmation because it is unlikely that people who have low expectations would be satisfied if the expectations are met. This seems to be logical if we consider the way we evaluate things in every day life. For example, if we have low expectations concerning public health care services, and these expectations are met, we will not be satisfied, but dissatisfied and next time our expectations can be even lower.

Boulding, Kalra, Staehlin and Zeithaml (1993) present the same kind of thoughts when developing a process model of service quality evaluation.

[37] See more on comparison standards in chapters 4.3.2. and 4.4.2.

They argue that people have two kinds of expectations: ‘will’ and ‘should’ expectations. The logic behind the will expectations is if one has high will expectations, and the other low will expectations, the first one is more satisfied, ceteris paribus. Controversially, they argue that should expectations have a negative influence on perceptions. Therefor, the higher the person's should expectations, the less favorable are the person’s perceptions, ceteris paribus (ibid., pp. 9-10).

This kind of thinking is close to the assimilation-contrast theory (Sherif and Hovland 1961) and to some extent also to psychological consistency theories and theory of generalized negativity (see Uusitalo 1993, p 18; Liljander 1995, p. 43). *Assimilation-contrast theory argues that if customer’s experiences fall into the zone of acceptance, the assimilation effect will occur*. This means that the customer will assimilate the performance towards expectations. However, *if the performance falls out of the zone of acceptance, the contrast effect will occur, and enlarge the difference between performance and expectations*.

The psychological consistency theories argue that inconsistency between expectations and perceived performance causes tension, and in order to avoid that tension customers evaluate performance closely according to their expectations. *The theory of generalized negativity, in turn, states that if customer’s expectations are not confirmed, he will judge the performance as worse than if he had no previous expectations.* (Uusitalo 1993, p. 18; Liljander 1995, p. 43).

Although assimilation-contrast theory and psychological consistency theory are quite contradictionary, they both can be used in analyzing the relationship quality evaluation process. It can be argued that in case the discrepancy exists in evaluation, the assimilation, and also consistency, will be used so, that quality perception gained as a result of evaluation, will be good. In case of large inconsistency, evaluators might be unable to use the consistency theory, and thus a contrast effect will occur and enlarge the difference.

Assimilation-contrast -theory is linked also to the acceptance zones and to the relative importance of expectations and performance in satisfaction judgments. If the perceptions about performance are within the zone of acceptance, the customer will be satisfied and if the perceptions are outside the zone, the difference will be exaggerated. (See more Liljander 1995). Assimilation-contrast -theory has also been linked to the relative importance of expectations and performance in a way that if the performance is in-between the zone of acceptance, expectations are used in satisfaction judgments, and if the performance exceeds the zone of acceptance, performance alone determines satisfaction (Uusitalo 1993, p. 18).

In my opinion, assimilation-contrast -theory can also be used in analyzing the processual development of perceived quality. As the relationship between the buyer and seller evolves, the individuals involved in the relationship also get used to a certain level of performance.

Expectations are to a large extent determined by this normal level, and thus the role of expectations in perceived quality judgments is central. However, if something goes wrong and performance exceeds the zone of acceptance, the role of performance becomes crucial for perceived quality.

The essence of criticism towards the traditional disconfirmation paradigm concerns relation between perceived quality and performance. Disconfirmation paradigm assumes that relationship is linear, but taking into account the discussion presented above, one can ask if this really is the case. Strandvik (1994) argues that the quality function for service does not have to be linear (see also Ojasalo 1999). It is also true that most of the measurement devices used are not able to prevail the possible asymmetric shape of quality function. It is thus important to use also the "soft" measurement devices in order to get the true picture about the quality function.

The traditional disconfirmation paradigm also neglects to large extent the existence of affective reactions by only relaying on evaluative disconfirmation. The reaction caused by a certain episode can be either affective, cognitive or both. Thus, in order to take into account also the purely affective reactions, that free it from conscious evaluation, one should not only concentrate on disconfirmation paradigm, in both the episode and the relationship quality evaluation (see more e.g. Uusitalo 1993). In social exchange theory based interaction approach, the comparison between outcomes and comparison standards is seen as rational. These rational comparisons then affect the satisfaction, which is seen as an affective reaction (e.g. Frazier, Spekman and O'Neil 1988, p. 60). The ordering of these reactions does not seem to be quite rational, and consequently it can be argued that both reactions co-exist.

In business-to-business context, it is logical that a in episode quality evaluation comparison is present in most episodes. In some episodes, however, the performance alone can become a determinant of episode quality. An example of this could be the use of the theory of generalized negativity (Liljander 1995, p. 43), which would mean that if the comparison standard is not met, and the episode quality is based on the experiences. In addition in some episodes the results cannot be perceived during or immediately after the episode. This can also lead to performance based evaluation, and/or to delayed comparison (see Lehtinen and Mittilä 1995; see also Halinen 1997) between goals and results, at the time the results are perceived.

As the goals have a central role in business relationships it can be argued that the evaluation of relationship quality in business relationship is in many cases linked to the disconfirmation of these goals. Consequently, it can be argued that in most episodes, some kind of comparison takes place between comparison standard and episode performance. The nature or form of this comparison can differ from the traditional disconfirmation. This is also the case in the second and especially in the third comparison (see figure 6). In the second comparison, time can fade the importance of the traditional form of comparison. The evaluator gets used to certain performance, and thus the episode quality perceptions formed also remind to a large extent each other. In this case, only those episode quality perceptions which deviate considerably from the normal, may lead to the comparison in the form of discomfirmation. In the third comparison, the actor decides whether to continue or terminate the relationship. This kind of decision can be regarded as being more complicated than the traditional comparison, although it can include comparison.

4.3. Episode quality evaluation

In this chapter 4.3. the evaluation of episode quality is discussed. From figure 7 the issues which are in bold are addressed.

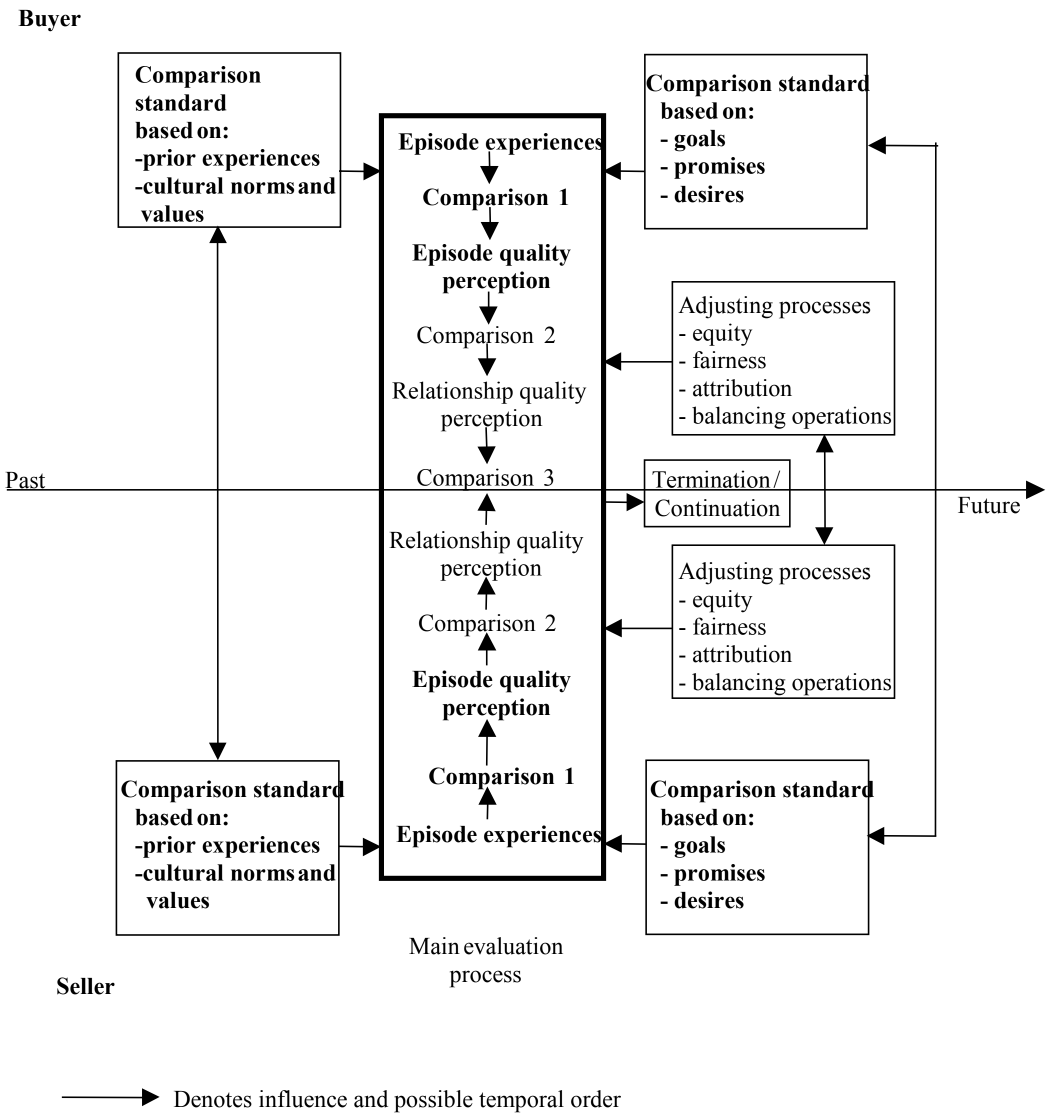

Figure 7: Episode quality evaluation (related to the issues, which are in bold).

The discussion in this chapter 4.3. includes the main evaluation process of episode quality together with the comparison standard and dimensions used in the evaluation. The discussion starts with addressing the definition and nature of episode quality. This discussion is followed with discussion of comparison standards used in episode quality evaluation.

4.3.1. Definition of episode quality

In the preliminary framework (figure 6), the formation of relationship quality is separated into two main constructs: episode quality and relationship quality. Episode quality represents a quality perception which is linked to a certain episode, and relationship quality is in turn a quality perception which concerns the whole relationship. This separation is done mainly on the basis of interaction literature, which has largely acknowledged the separation into episodes and relationship (e.g. Ford 1980; Håkansson 1982; Håkansson and Snehota 1995; Halinen 1997; Möller and Wilson 1996).

Episode quality refers to the actor's perceptions of how well the episode experiences, that are received during or after a certain episode, correspond with a comparison standard. This means that the outcomes from a certain episode are during and/or after the episode compared against a comparison standard. Thus, the evaluation of episode quality is regarded as a comparison between the outcomes (or experiences) gained and the comparison standard used in the evaluation.

Episode quality is here considered as both affective and cognitive reaction. Satisfaction literature has long seen satisfaction as merely an affective reaction towards product (performance) (e.g. Oliver 1980; LaBarbera and Mazursky 1983; Dabholkar 1993; see also Frazier 1983, Andersson and Narus 1984, 1990; Frazier, Spekman and O'Neil 1988). Oliver (1980) relates a surprise or excitement element into satisfaction, and sees this surprise or excitement as being finite and decaying soon into attitude. Thus, the ordering of different kinds of reactions is affect first and cognition proceeds. Service quality researchers have, in turn, treated service quality as more cognitive than affective based reaction (e.g. Zeithaml 1988; Dabholkar 1993). In both channel research and social exchange theory based interaction approach, satisfaction is usually related to the whole relationship (e.g. Frazier 1983, Andersson and Narus 1984, 1990; Frazier, Spekman and O'Neil 1988). The way by which these traditions treat different reactions is discussed in the relationship quality evaluation.

The role and relative importance of different kinds of reactions depends on the nature of the episode, situation and actor (see more Dabholkar 1993). In business-to-business context the episodes which are evaluated concern mostly cognitive components, but there exists also episodes which are loaded with affective components. If the cognitive components form the majority, the reaction can be argued to be merely cognitive. If in turn, affective components form the majority, the affective reaction also can be anticipated. In measuring or analyzing episode quality the different kinds of episodes have to be considered. Individuals also have different tendencies (e.g. Oliver and DeSarbo 1988) in making evaluations. Some might concentrate on using more cognitive ways to react, and others use more affective reactions.

4.3.2. Comparison standards used in episode quality evaluation

In this chapter 4.3.2. the comparison standard used in episode quality evaluation is discussed in detail. In chapter 4.4.2. the comparison standards in relationship quality evaluation is addressed.

Comparison standards, that are used in the episode quality evaluation, can be determined by prior experiences, goals, promises, cultural norms and values, and/or desires (see figure 6). The foundation of these lies to a large extent in the perceived needs of the partners in the relationship. Part of the needs can be traced to the organizational level, i.e. they are expressed in official material or are individual perceptions based on that material. And part of the needs, however, are needs of individuals who are involved in the relationship. Thus, comparison standards used in episode quality evaluation are based on both "official" and personal needs. In evaluating the episode, the evaluator can use one of the comparison standards or mixture of them.

T*he comparison standard used concerns both the level and content of the evaluation*[38]. The level of comparison standard refers to the level of expected performance from the episode. The content of comparison standard refers to the issues that are expected from the episode (i.e. in the service quality literature dimensions and in interaction-network approach different outcomes). The content of the comparison standard is an issue which is largely neglected in both service quality and customer satisfaction literature. The content of comparison standard is, however, tied with the level of comparison standard, and thus both these factors are addressed in following chapters.

With respect to time comparison standards can be divided into two groups. The first group consists of prior experiences and cultural norms and values. These comparison standards have their basis in the past. They have developed in the past and are thus bound to the past. The second group of comparison standards consists of goals, promises and desires. These, in turn, have their basis in the future. They are bound to the future actions, and often concern expectations of the future actions of the other partner.

In the business relationships the level of comparison standards can be defined in quite an exact manner (i.e. revenues during certain time period)

[38] See Kotsalo-Mustonen 1996, p. 62 for concepts criteria and reference point. By criteria she refers to the content of the comparison standards, and by reference point she refers to the level which is expressed in numeric form.

or in a quite loose manner (i.e. the performance is expected to be better than in previous time). The exactness of the level of comparison standard naturally depends on the nature of the comparison standard used.

In the selecting the comparison standards two main principals have been used. First, determinants should be important in industrial business-to-business setting. Prior experiences have been used as a comparison standard in business-to-business setting (eg. Anderson and Narus 1984, 1990 CL and CLalt -concepts). Cultural norms and values represent cultural setting are bound to a certain organization or relationship, and thus can be regarded as important in evaluations which take place in business relationships. Goals and promises have naturally role as comparison standards in business relationships. Desires have been included as they might be of importance for certain individuals making their evaluations. Personal and shared wants and needs could also have been chosen for the comparison standards. The individual needs and wants which are present in relationship quality evaluations in business-to-business context can be regarded partly as forming the base for the goals (e.g. Holmlund and Kock 1995a) and partly being present in desires. Thus, they were not selected as a separate comparison standard in this study. The shared needs and wants in turn can be regarded as being expressed in goals, promises and cultural norms and values, and thus they were not included as such in this study. Also, expectations could have been a choice for the comparison standards. They were, however, excluded as expectations are often seen as predictive expectations (e.g. Liljander 1995), and thus based on the prior experiences.

Second, the comparison standards which do not include comparison in itself were selected. This was done because it would be difficult to trace two evaluation processes that happen almost at the same time. The comparison standard which include some kind of comparison in themselves are here studied as separate processes (equity and fairness from adjusting processes), although they might have occurred at the same time as the other comparisons. For example, the deserved level used in service quality studies (e.g. Liljander 1995) could have been a justified selection as a comparison standard in business relationships, but as it includes a comparison in itself, it was not selected in this study.

In the following the determinants of comparison standards that can be used in episode quality evaluation are discussed.

Prior experiences

Prior experiences *are found to be an important determinant of perceived quality or satisfaction* (e.g. LaTour and Peat 1978; Woodruff, Cadotte and Jenkins 1983; Cadotte, Woodruff and Jenkins 1987; Johnson and Fornell 1991; Boulding, Kalra, Staehlin and Zeithaml 1993). In service quality literature, the past experiences have been included in some models (Grönroos 1982; Parasuraman, Zeithaml and Berry 1988) as one of the factors which determine expectations, but they have not been treated as a individual comparison standard. The effect of prior experiences, on service quality is perhaps best presented by Boulding, Kalra, Staehlin and Zeithaml (1993). They have in their dynamic process model of service quality, used comparison standards, which are affected heavily by prior experiences together with prior comparison standards and information.

The customer satisfaction literature has more extensively used prior experiences as a separate comparison standard. Experience-based norms were presented by Cadotte, Woodruff and Jenkins (1983), these norms included a best brand norm, a product type norm and brand norm. It was supposed that the experiences of other brands, other than the focal brand, can be used as comparison standard. The expectations concerning the best performing brand, form the best brand norm, the expectations concerning the typical performance of competing brands form the product type norm and expectations concerning typical performance of the focal brand form the brand norm. Models with the best brand norm and the product type norm were better in explaining the variation in satisfaction than the brand norm. Their empirical study was conducted in restaurants. (Ibid.) The usual way of presenting expectations is as predictive expectations in customer satisfaction literature, and is not very far from the experience based norms. If the customer has experienced the focal brand and similar brands before, predictive expectations can be seen as a mix up of experience based norms. Cadotte, Woodruff and Jenkins (1983) were, however, among the first ones, who actually studied the roots of predictive expectations, and they emphasized also the role of experiences gained from other sources than focal brand.

Holmlund (1997; p. 88) has linked the best brand norm to the best relationship, product type norm to a competing relationship and brand norm to the relationship that is believed to be typical of the particular relationship. To this list it can be added the CLalt -concept which represents the lowest acceptable level of experience (e.g. Anderson and Narus 1984, p. 63). Thus, Holmlund (1997; p. 88) relates the comparison to other relationships from which the evaluator has experiences. In the evaluation of episode quality this kind of comparison standards can be used, if the particular episodes gained from those relationships are considered.

The role of other experiences than experiences related to focal relationships, has also been noticed in social exchange theory and social exchange theory based interaction approach (Thibault and Kelley 1959; Anderson and Narus 1984, 1990; Wilson and Mummalaneni 1986; Frazier, Speakman and O'Neil 1988; see also Håkansson 1982, p. 19). For example, Anderson and Narus (1990, p. 44) in their study of distributor-manufacturer working relationships have defined CL (comparison level) "as expectations based on present and past experience with similar relationships, and knowledge of other firm's relationships". CL is thus extended to concern the knowledge of other firms' experiences (see also Halinen 1997, p. 72). Although social exchange theory based interaction approach mainly concerns itself with evaluation of relationships, and not episodes, the role of experiences of other similar type of episodes as the focal episode together with the knowledge of others' experiences from similar type episodes, can have a great role also for the evaluation of episodes. For example, if the client firm has purchased a new type of product or service from the seller with which the client has a long term relationship, the comparison standard used in evaluation of this particular product or service (i.e. episode) can be mainly determined by experiences from the other episodes with the manufacturer together with the knowledge of experiences the other clients have gained from similar episodes.

In the beginning of the relationship, the actor uses his experiences and knowledge of others' experiences more or less on a random basis. As the relationship evolves, and the number of episodes increases, the cumulative experiences of prior episodes can form a comparison standard which represents the evaluator's perception of a normal episode. Also, if most of the episodes and this standard become more and more to supportive of each other, then the perception of normal is confirmed. In this development process, both level and content of comparison standard, are changing. At the beginning the level of comparison standard may be set on either a higher or lower level, than the actual performance. The in content of comparison standard, issues, which are not at all relevant in the actual performance, may be emphasized. As the partners get to know each other better, both the level and content of a "normal" episode become clearer, and the level and content of comparison standard used, start to support more and more of the actual performance. It has to be kept in mind, however, that episodes can contain elements of surprise, which can not be anticipated, in long term relationships.

As mentioned earlier, relationships have something from all three elements of time: past, present and future[39]. In episode quality evaluation, prior experiences together with the knowledge of others' prior experiences represent the past. When the actor in question is evaluating a certain episode, it is natural that he uses all the experience he remembers, in this evaluation. It has to be noticed, that part of this use of prior experiences can be unconscious. The actual moment of evaluation of episode represents the present. When the episode quality perception is gained, it affects the future evaluation as a past experiences in the comparison standard used in subsequent evaluations, and it therefor affects the future expectations.

Cultural norms and values

Cultural norms and values *(or normative deficit) can also be seen as a comparison standard used in the episode quality evaluation*. In the customer satisfaction field Morris (1977) suggested that customers use cultural norms when evaluating product performance. In the context of organizations, values can act in a similar manner. According to Morris

[39] See more about time in Halinen and Törnroos 1995.

(1977) if the performance is below social norms normative deficit will follow and the customer will be dissatisfied. Liljander (1995) has also suggested that *cultural norms will act as dissatisfiers*. This means that if the product performance falls below the norm, the customer will be dissatisfied, but if the product exceeds the norm, the customer will not be much more satisfied then when the norm is met.

In business-to-business context, the cultural norms and values are usually expressed in the form of the *organizational culture*. The organizational culture determines the accepted behavior within the organization by different values and social norms. In addition, to the official organizational culture, there usually prevails unofficial organizational culture, which can also affect the evaluation. In official evaluations, the official organization culture can be a major determinant of the comparison standard used, but in the unofficial evaluations, concerning perhaps the same episode, the unofficial culture can be the major determinant. The separation into the official and unofficial culture also concerns the culture in relationship level.

In the business-to-business relationship context cultural norms and values can be related either to one of the organizations, to both of the organizations or to the relationship. For example, certain manners of behaving can be accepted in one organization, or in both organizations, but not in the interaction between organizations, or in both organizations and also in the interaction. Naturally, both organizational and relationship related norms and values, have their roots in higher level norms and values (i.e. cultural norms and values of the country, region, business etc.).

Taking the relationship perspective, it can be argued that in the beginning of the relationship, the cultural norms and values of the organizations involved are often different. At this stage, the evaluators of the episodes use the cultural norms and values of their own organization when assessing the episode quality. This is natural, because the experience and knowledge of the other partner is, at this stage, very limited. As the relationship evolves, the routinization of episodes leads to a clearer picture about the ways the other actor behaves. *In institutionalized relationships, the considerable amount of experience of working together leads to the establishment of common cultural norms* (e.g. Håkansson 1982, p. 17; see also Ford 1993). If the two companies have formed a very close relationship, this relationship can even have a value structure of its own. In institutionalized relationships the evaluators of episodes can use either the cultural norms and values of their own company, of the relationship or both in episode quality evaluation.

The common cultural norms and values of institutionalized relationship can have a negative effect on episode quality evaluation by preventing to see the other actor's real requirements (e.g. Håkansson 1982, p. 17; see also Ford 1993). These norms and values may lead to the decreased interest on competitive relationships, and thus affect the level of comparison standard. The level of comparison standard, one actor uses, can be stabilized in a certain level, although the requirement levels in competitive relationships are much higher or lower. The other partner can naturally take advantage of this kind of stabile situation. The stabilization of comparison standard can also concern the content of comparison standard. As the relationship has cultural norms and values of its own, these norms and values may determine the content of comparison standard used in episode quality evaluation. This, in turn, may lead to the neglecting of such an issue, which has become important for other (competing) firms in the sector.

Cultural norms and values, as a comparison standard, remind to a large extent prior experiences if we think about the processual development. But these two also have considerable differences. Prior experiences act merely on personal level, but cultural norms and values, although they naturally have an effect on personal level evaluation, have their starting point in organizational or department/group level. Prior experiences are mainly a cumulation of individual's experiences and knowledge of other's experiences. *Cultural norms and values, in turn, develop on organizational or relationship level, and an individual uses a personal translation of these norms and values in evaluation* (e.g. Kotsalo-Mustonen 1996, p. 77). Thus, the distinction made between official and unofficial norms and values is not decisive from the perspective of the evaluation. More important than the source (i.e. official or unofficial) are the personal translation and implementation of these norms and values.

Cultural norms and values, as a comparison standard, affect both the level and content of the comparison standard. As mentioned the role of norms and values can be mainly a role of dissatisfier, i.e. they set the basic level which has to met in order to avoid dissatisfaction (see Liljander 1995, p. 64). Usually, in service quality literature, quality dimensions in general, are seen as satisfiers (see Silvestro and Johnston 1992). Cultural norms and values affect the content of comparison standard by addressing the issues which are perceived to be important in organization or in the relationship.

Goals

Goals are not used as a comparison standard in service quality and customer satisfaction literature. This is natural when thinking about customers as evaluators; they very seldom have set explicit goals for the product or service they are going to buy. In business-to-business relationships the role of goals in the evaluation is, however, much more important (see Kotsalo-Mustonen 1996, p. 64). *Goal can be defined as the objective which is to be reached with regard to a certain issue* (Kotsalo-Mustonen 1996, p. 49). Although the social exchange theory based interaction approach, has addressed business relationships, the use of other comparison standards than CL and CLalt in evaluation[40] has been non-existent. The reason for

[40] The existence of goals/promises in business relationships is, however, acknowledged by this approach. For example in their definition of co-operation Anderson and Narus

this, may lie in the social exchange theory base, as this theory is concentrated on personal relationships, where other comparison standards may have a minor role.

Holmlund and Kock (1995a) make a clear distinction between expectations and goals in business relationships. According to their view, expectations exist in the personal level, and goals, although set by group of individuals, exist on the organizational level (ibid., p. 117). This distinction does not, however, exclude the use of goals as a determinant of comparison standard in evaluation of episode quality. *Although the basic evaluation of episode quality takes place on the individual level, goals can have a considerable impact on the individual level evaluation* (see Kotsalo-Mustonen 1996, p. 64). If we take the view, of the whole evaluation process, inside the organization or the relationship, the importance of organizational or relationship level goals becomes even more evident.

In business-to-business context, *in the beginning of the relationship the goals set for the episodes by both partners are usually well defined*, and as the actors may be a bit unsure about what to expect, from the episode they may rely more on explicit goals set for that episode in their evaluation. As the relationship evolves, and gradually becomes institutionalized, partners get used to a certain level of performance. Despite this, *it can be argued that in institutionalized relationships either explicit or implicit goals exist*. In institutionalized relationships, the role of goals and other forms of comparison standard, determinants can become highly important when something goes wrong. For example, in situations when episode performance is considerably lower than it used to be, or when competitors have a considerably lower price, the role of goals in episode quality evaluation becomes highly important again.

Storbacka (1994) has divided episodes into routine and critical ones (see also Roos and Strandvik 1996; Holmlund 1997; Halinen 1997). In institutionalized relationships, which concern continually used services or goods, the role of comparison standard can be important only in critical episodes, as in the routine episodes, because the comparison standards are routinized. In the case something extraordinary happens, the role of goals as comparison standard may become important again. But, in institutionalized relationships, that concern highly intangible services, the role of goals, and thus comparison standard, in episode quality evaluation can be important throughout the relationship. This is because the intangibility can cause problems for evaluation (e.g. Levitt 1981; George and Berry 1981; Grönroos 1990), and thus the routinization of evaluation is not very likely. (See more Järvelin and Lehtinen 1996).

Holmlund and Kock (1995a, p. 117) have pointed out that *goals mainly concern economic and technical issues, but can also include social issues* (see also Holmlund 1997). In order to achieve a relationship based on

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(1990, p. 45) point out ”....achieve mutual outcomes or singular with expected reprociation over time”.

mutuality and trust, social issues can not be excluded from the evaluation. It has to be kept in mind, however, that the majority of goals usually concern the "hard facts". Thus, goals as a comparison standard, if used alone, limit the content of the standard used. Concerning the level for the comparison, goals are the most accurate ones of comparison standards. It is difficult to change the hard facts on the paper, while changing the norms or other standards, which mainly exist only in the minds of the evaluators, is much easier. Thus, the evaluation based on the explicit goals, in this respect, differs quite a lot from the evaluation based on other comparison standards.

Besides explicit, often written goals, goals can also be more implicit in nature (see Kotsalo-Mustonen 1996, p. 50). Implicit goals remind to a large extent cultural norms and values, and also may include more social aspects than explicit goals. Goals also can be set for the episode (or the whole relationship) by both partners of the relationship.

Promises

Promises are included in service quality models (Grönroos 1982; Parasuraman, Zeithaml and Berry 1988, Parasuraman, Berry and Zeithaml 1991) as a factor affecting the expectations. These promises the seller has made mainly through advertising and other media. In customer satisfaction literature, some studies (e.g. LaTour and Peat 1978; Gardial, Woodruff, Schumann and Burns 1994) *have included promises as a comparison standard*. The effect of promises on satisfaction (LaTour and Peat 1978) and post-purchase evaluation (Gardial, Woodruff, Schumann and Burns 1994) was either non-existent or minimal.

Another quite new aspect to promises in service quality research, is the use *of promises as guarantees.* Many service providers make promises and/or offer guarantees concerning service delivery and aspects of its performance (Lewis 1996, p. 183). If the expectations raised by these kind of promises or guarantees are not fulfilled, service failure will result (e.g. Hart, Heskett and Sasser 1990; Lewis 1996). Thus, these kinds of promises are closely related to service recovery (term balancing operations used in this study). In case of a service failure a break in explicit promises or guaranties expressed by the service provider can be regarded as more significant than a break in a more implicit promise.

Taking the view of Lewis (1996), different *quality standards, used in firms, can be regarded as being some kind of promise of a certain level of performance*. If the producer has a certain quality standard, the customer knows to expect a certain level of performance. Thus, the quality standard serves as a promise or guarantee of a certain level of performance. But, as the promised level is usually obtained, *the role of quality standards in episode quality evaluation may be mainly as a basic dissatisfier*, i.e. they are expected to be met and if they are not met, perceived quality will decrease.

Zeithaml, Berry and Parasuraman (1993) have divided promises into implicit and explicit ones. The separation of implicit and explicit promises is used in this study. *Explicit promises* are those which customers also perceive as promises made by a seller for example through advertising, personal selling and different contracts (Zeithaml, Berry and Parasuraman1993). In business-to-business context, the role of explicit promises, especially contracts, is even more evident in the evaluation than in customer markets. At least in the beginning of the relationship, contracts are made between partners. In order to understand the nature of working rules, it is necessary to make clear the mutual obligations and rights of the partners involved in the relationship. A written contract is usually the best way of avoiding the uncertainty concerning obligations and rights. (See e.g. Hyvönen 1990, p. 67-68) Thus, as a comparison standard these kind of promises merely concern the content of an episode, not so much its level. Of course contracts can give a hint about what level to expect, but in this respect goals can be more accurate as a determinant. Contracts are made usually for a certain episode (i.e. installation of new paper machine) or for certain period of time (i.e. for one year).

Over time the relationship gradually becomes institutionalized and written contracts may not be needed anymore (e.g. IMP-group 1993, p. 14), or their role can be important only if something goes wrong (cf. goals). In a relationship where one partner is a public organization, the contracts are a necessary condition for the relationship, but in practice their role can be very minimal, both in every day operation and also in episode and relationship evaluation.

In the evaluation of a certain episode, goals and explicit promises are very closely linked to each other as comparison standard. In many episodes, written contracts serve as a starting point in determining the comparison standard, and form a basis for the content of the standard used. In determining the roles and responsibilities of the partners, contracts as a comparison standard are also linked to attribution processes (see more chapter 4.5.). Goals in turn go more deeply in determining the content and also the level of comparison standard used in evaluation.

Implicit promises act as a cue of what to expect for the customer, and are not perceived as a promise made by the seller. Implicit promises in the service context may concern, for example, the price level and the service environment (Zeithaml, Berry and Parasuraman 1993; Liljander 1995). In a business-to-business context quality standards, price level, reputation and references are good examples of implicit promises (see Holmlund 1997, p. 89). Although the role of implicit promises, in customer markets, has not been largely taken into account by sellers (Liljander 1995), in business markets their role have been largely acknowledged especially in selecting the possible partners (see Salminen 1997, p. 152-153). However, in the evaluation that happens after the actor has been selected, the role of both implicit and explicit promises, is not very thoroughly studied.

In a long term institutionalized type of relationships, the role of explicit promises may only have a minor role as a determinant of comparison standard, as the relationship at that stage can be regarded as being filled with implicit promises (see e.g. Ford 1980; also Halinen 1997, p. 139-144). A long period of time, working together, can in away be an implicit promise to continue the same way also in the future (see e.g. Ford 1993). Thus, implicit promises are very closely linked, to all the other comparison standards that can be used in institutionalized relationships. Actors, gradually become so used to each others' way of working, that this familiarity is perceived as a promise for the future. In case something changes, this familiar pattern , other comparison standards may emerge. (See e.g. Johanson and Mattson 1987; Ford 1993).

It has to be noticed that *both partners are always involved in promises*. In consumer markets, the promise is often made by the one partner to the other (e.g. through media), but in business relationship both partners are usually actively involved in making promises (implicit promises form an exception). In cooperation actors engage in mutually preagreed activities that require resources (Anderson, Håkansson and Johansson 1994, p. 10). In a cooperative relationship the comparison standard used in both episode and relationship level evaluation is based on something that is mutually agreed beforehand. Consequently, *the role of promises made to each other, in a mutual manner, can be regarded as having a central role in the relationship.*

Desires

Desires are related more to pleasure than to satisfaction in consumer behavior, and thus also customer satisfaction literature (Campbell 1987; see also Uusitalo 1993). Campbell (1987) argues that satisfaction is a result of the usage or engagement with an object, but in order to experience pleasure one should "expose oneself to certain stimuli" and "employ one's senses" (p. 61). (See also Uusitalo 1993 pp. 45-47). In this study, however, no distinction is made between pleasure and satisfaction (or quality). The notion of comparison free "evaluation" process, however, brings along aspects that might also be important in business-to-business context. It has to be noticed, however, that not all of the comparison free, irrational evaluation made in business relationships are linked to desires.

Campbell (1987) defines desires as referring to a motivational disposition to experience certain patterns of sensation (p. 61). Desires are thus linked to an affective reaction. Business relationships also may include aspects which are not evaluated by using rational thinking processes, but are mostly only experienced through senses. This view of desires, as a comparison standard, is used also in this study. Examples of such episodes can be a social get together, a theater evening or a sport event offered by the other partner. The purpose of these kind of episodes is usually the strengthening of the relationship; in long-term business relationships such episodes are seldom used as a direct mean of getting a deal.

Naturally, the desires are linked to the individuals. The desires function from the individual level to the upper levels. The desires can also have a role as comparison standard in business relationship. For example, in the case where a partner manages to create something extraordinary, the reaction might be linked to the positive feelings (like happiness), or sense of being proud of themselves and a increase in self-esteem.

4.3.3. Dimensions of episode quality

In this chapter 4.3.3. dimensions used in episode quality evaluation are discussed.

The evaluation of episode (and relationship) quality always concern a dimension upon which the evaluation is made.[41] In service quality literature. there exists extensive research concerning the dimensions of service quality (e.g. Lehtinen and Lehtinen 1982, 1991; Grönroos 1982; Parasuraman, Zeithaml and Berry 1985, 1988). In channel literature, satisfaction is sometimes empirically studied by using some dimensions (Ruekert and Churchill 1984; Schul, Little and Pride 1985). Some channel studies also have discussed outcomes in relationship level (e.g. Frazier 1983; Frazier, Spekman and O'Neal 1988; Hyvönen 1990; Järvinen 1996), which leads the division of higher level outcomes than, for example, in service quality studies. In the interaction-network approach several studies have dealt with outcomes of the overall relationship (e.g. Möller and Wilson 1995; Hovi 1995). Although Ford (1993, p. 14) has argued that an episode should be the preliminary unit of analysis in interaction-network studies, the outcomes are dealt with to a large extent only on the relationship level. In order to be able to study the evaluation connected, to both episodes and relationship, the division of dimensions (or outcomes) should be made on a more concrete level than it has been done in most interaction-network studies (see for exception Halinen 1997). Consequently, in this study the division into dimensions has followed the lines of service quality literature, although the special aspects of business relationships have been taken into account.

In this study, the word "dimension" is used instead of the word "outcome". This also highlights the evaluation process perspective taken here. Outcomes, as such, can be seen as a result of an exchange process or, as usually, as a result of the relationship. Outcomes are very seldom linked directly to the evaluation process (see for exception Halinen 1997). Dimensions, in turn, can be seen as factors upon which the evaluation is made. This perspective of dimensions is also taken in this study.

[41] It has to be noticed that the dimensions and comparison standards are linked to each other in a way that the dimensions are present in comparison standards. For example, if the manager evaluates the financial situation of the firm, he makes an evaluation that can be regarded as belonging to the economic dimension. He also uses a certain comparison standard in making the evaluation (e.g. the financial situation last year, the financial situation of the competitors etc.).

The same division into dimensions is used for both the episode and relationship levels. The sub-dimensions can be, however, to some extent different in episode and relationship levels. Hence, the episode quality sub-dimensions, may be more concrete and practical in nature, compared to relationship quality sub-dimensions. Also, some sub-dimensions can be highly relevant in the episode context, but have very little importance in the relationship context.

It also has to be noticed, that because of the concrete nature of dimensions, and especially sub-dimensions, I have tried to select dimensions which are relevant in an industrial service relationship context. Also the industrial service context defends the use of service quality dimensions as a starting point for the division of dimensions. As the dimensions, and especially the sub-dimensions, are always heavily connected to the substance, only an overall description about the nature of the dimensions is given.

The study done by Holmlund (1997) is extensively focused on dimensions, *the basic division done by Holmlund (1997, 1996) into technical, social and economic dimensions is used* also *in this study*[42] . In addition, *a fourth dimension, namely the ultimate dimension* (Szmigin 1993; Halinen 1997; Venetis and Kasper 1996; see also outcome domain by Holmlund 1997), is used.

The division into four dimensions mentioned is mainly based on the studies done by Holmlund (1997; see also Holmlund and Kock 1995a; Holmlund 1996) and Halinen (1997). Other studies done concerning the service quality also have affected this division (e.g. Lehtinen and Lehtinen 1991; Grönross 1982) together with studies in marketing channel literature (Ruekert and Churchill 1984, Schul and Little and Pride 1985).

Holmlund and Kock (1995a) and Holmlund (1996,1997) have defined the *technical quality dimension as following "covers many issues related to the offering although these may not primarily be characterized as technical or technological matters"* (Holmlund 1996, p. 96). *The social dimension "refers to the human interactions"* (ibid., p. 88), *and the economic dimension refers to the economic issues related to the interactions in business relationships* (ibid., p. 89). The economic dimension also is included in the relationship quality frameworks presented by Lehtinen and Järvelin (1995, 1996) and in studies done in channel context (Ruekert and Churchill 1984, Schul, Little and Pride 1985).

The *technical dimension* can be described as belonging to different technical issues related either the production process, or processes closely related to it, or to the outcome of that process. As the definition mentioned above, gives an impression that almost anything can be included into the technical dimension, some clarification is needed. Holmlund (1997, p. 117)

[42] The division into two domains (process and outcome) done by Holmlund is not used in this study, because it calls for more extensive analysis than it is possible in the scope of this study.

names the different sub-dimensions connected to the different processes which are considered as belonging to the technical dimension. These processes include design, production, inventory handling, delivery, maintenance and recovery. The sub-dimensions related to these processes include reliability, innovativeness, use of competence, speed, use of physical resources, flexibility and security. The sub-dimensions linked to the technical outcome, in turn, are reliability, innovation, conformance, aesthetics and endurability. (Ibid.) From the sub-dimensions mentioned the conformance can be regarded as consisting an evaluation process in itself[43] , and cannot, thus, according to my view, be used as a sub-dimension. Also, from the processes the recovery can be seen as an evaluation process (adjusting process), and the dimensions used in this process, may differ from those used in the main evaluation process.

The physical dimension used by Lehtinen and Lehtinen (1991, p. 289) is quite closely related to the technical dimension as it refers to the physical elements (i.e. physical products and physical support) used in service production process (see also the ”service outcome” presented by Halinen (1996). The product dimension presented by Ruekert and Churchill (1984, p. 227) can be regarded as belonging to the technical dimension. Taking the perspective presented by Holmlund (1996; 1997) and Lehtinen and Lehtinen (1991) together, *the technical dimension can be defined as referring to the immediate, tangible outcome of service production process together with the physical and technical elements needed in the service production process.*

In this study, the social dimension refers to the interaction process between actors (i.e. human interactions) and it thus includes the soft side of the episode. The social dimension concerns such things as empathy, communication skills, openness, reliability, mutuality and honesty (e.g. Halinen 1997; Holmlund and Kock 1995a; Holmlund 1996). This definition is closely related to the interactive dimension presented by Lehtinen and Lehtinen (1991, p. 289). According to them, the interactive dimension refers to interaction between customer and interactive elements of the service organization during the service production process (ibid.). Also, the study conducted by Ruekert and Churchill (1984, p. 227) includes a social dimension (see also Schul, Little and Pride 1985). The social dimension also is closely related to the process performance outcome, which refers to the interactive service production process, used by Halinen (1997).

The *economic dimension* in turn *refers to profitability, effectiveness, efficiency etc. that the actor perceives the operations of the other actor, during and immediately after, a certain episode*. Also, the time aspect can to some extent, be included to this dimension, because time heavily relates to the economic aspects (i.e. “time is money”). The time dimension, should be

[43] By conformance is referred to conformance on requirements (see e.g. Juran 1992). Garvin (1988) has defined it as the degree to which product’s design and operating characteristics meet the requirements and are inside the tolerance zone.

important in the context of the case relationship, because time usually means considerable costs for the buyer. The evaluation of the economic performance is mainly done through reward-cost -thinking, and consequently these two concepts (economic dimension and fairness) overlap to some extent. Halinen (1997) and Holmlund (1996) have included the deserviness aspect or reward-cost -thinking into dimensions. In this study, this comparison between inputs and outcomes is included in the fairness -concept in order to prevent the confusion between two coexistent comparison processes.

The ultimate episode dimension, gathers together the impressions of the other dimensions, and the perceptions of indirect results, or effects the episode brings along (Halinen 1996; see also Venetis and Kasper 1996). These indirect results, or effects, could be, for example, perceptions of important others concerning the physical outcome of the episode, or the performance of the device over time. According to Halinen, (1994) different outcomes cannot be evaluated at the same time, because they do not materialize, especially in the service context, at the same time. It can be, however, argued that the ultimate dimension, would be more applicable in the relationship quality evaluation, as the ultimate dimension is used in order to gather the combined impressions.

The different dimensions are not easily separable. In many episodes, there exists a strong linkage between social and technical dimensions (i.e. between intangible and tangible elements of the episode), but the economic dimension is also linked to the other dimensions in some episodes. The division of dimensions has been made at an abstract level, and thus it offers an opportunity to adjust them to different situations, different episodes and different relationships. The sub-dimensions are then more situation, episode and relationship specific.

4.4. Relationship quality evaluation

In the chapter 4.3. the crucial components were discussed for the evaluation of episode quality. The same, or at least the same kind of components, determine to large extent the evaluation of relationship quality (in bold in figure 8). Hence in this chapter 4.4. the basics of these components are not discussed, but merely *the emphasis is placed on the unique aspects of the relationship quality evaluation.* The discussion in this chapter is concluded by addressing the third comparison and termination/continuation decision (not in bold in the figure 8).

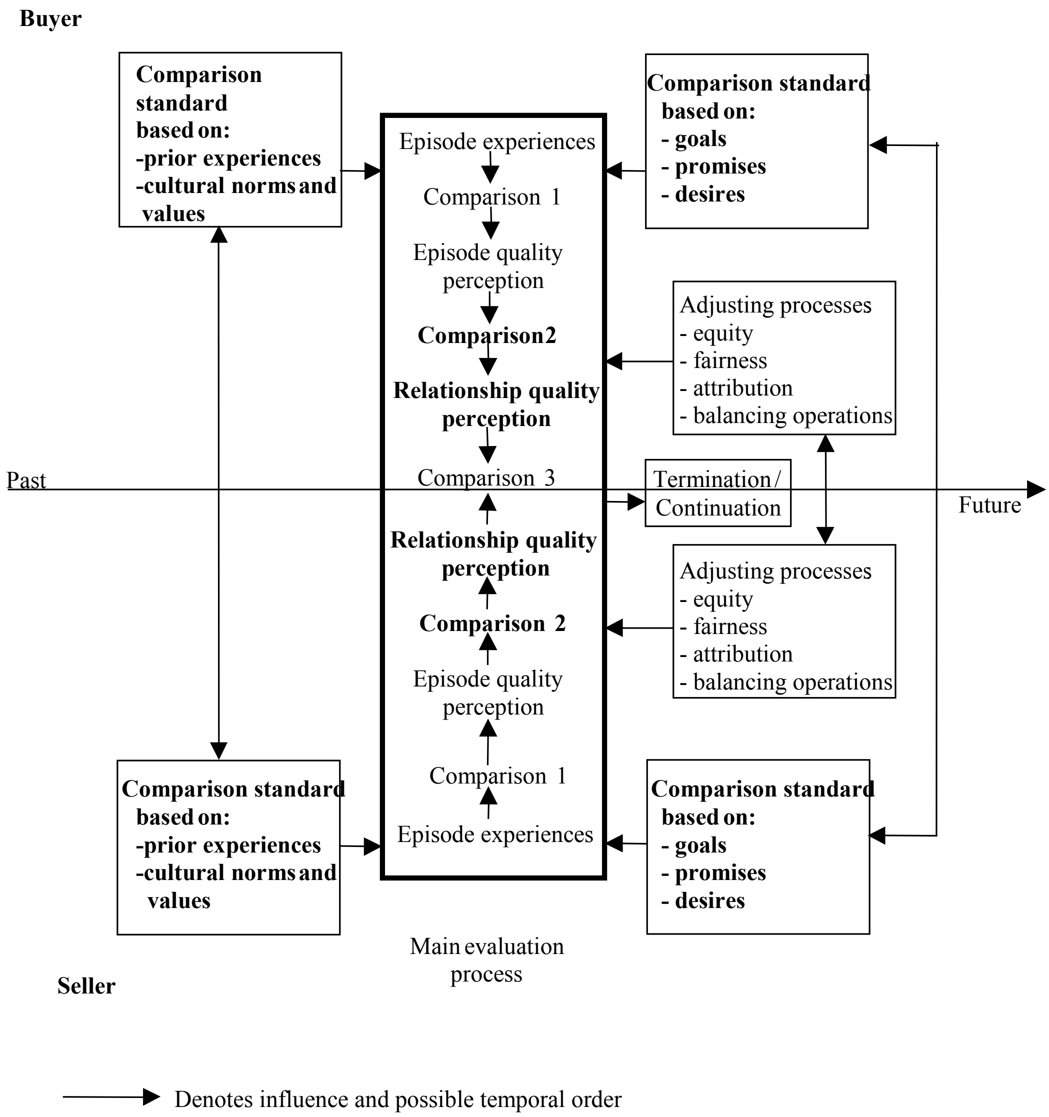

Figure 8: Relationship quality evaluation (related to the issues, which are in bold).

4.4.1. From episode quality perception to relationship quality perception

As mentioned in chapter 1.3. relationship quality refers to the perception formed as a result of two level evaluation process concerning all the feasible aspects of relationship. The levels are episode and relationship levels, and are separate, but connected in the evaluation process, which takes place as presented in figure 8. In this chapter, the relationship quality evaluation itself is discussed first, and after that the important matters linked to it, are addressed. These matters include the nature of relationship quality (affective/cognitive), the change caused by episode quality perception in relationship quality perception, and the effect of time on relationship quality evaluation.

Relationship quality evaluation on relationship level is mainly based on comparison between perceived episode quality resulting from a certain episode, and the comparison standard used in relationship quality evaluation (Lehtinen and Järvelin 1995; Järvelin and Lehtinen 1996). *In this comparison the actor evaluates the impact of a certain episode quality perception to the existing or current level (i.e. level before the episode concerned) of perceived relationship quality*[44]. In other words, the perceived level of episode quality is compared against the existing level of perceived relationship quality in the context of "expectations" (e.g. goals set for the relationship) placed on the whole relationship. For example, after evaluating an advertising campaign designed by an advertising agency both the client and the agency form an episode quality perception concerning this particular advertising campaign. This episode quality perception, is then compared against the existing relationship quality perception. In the comparison, a decision is made whether the formed episode quality perception about the advertising campaign changes the existing relationship quality perception concerning the whole relationship between the advertising agency and its client. The goals set for the relationship can affect this comparison. For example, if the existing relationship quality perception is not in accordance with the goals and the formed episode quality perception, the episode quality perception is likely to change the existing relationship quality perception to the direction of set goals. Also, in the beginning of the relationship the goals set for the relationship may be the most important comparison standard (together with promises). When relationship quality perception is stabilized, the role of goals can become important in situations where the border is crossed or stressed.

Consequently, *the existing relationship quality perception can be regarded as being formed by prior experiences gained during the relationship*. *The other comparison standards used in relationship quality evaluation serve mainly as boundary setters*. The role of border setter relates very closely to the tolerance zone concept (e.g. Zeithaml, Berry and Parasuraman 1991; Liljander and Strandvik 1994; Strandvik 1994). If we take the advertising campaign example, the goals set for the relationship between an advertising agency and its client served as boundary setter for the comparison standard used in the relationship quality evaluation.

One question related to the relationship quality evaluation is whether it is an *affective reaction or purely cognitive reasoning*. Channel research and interaction approach have taken the same view as customer satisfaction researchers, and they treat satisfaction as an affective reaction (e.g. Anderson and Narus 1984, 1990; Schul, Little and Pride 1985; Ganesan 1994; see for exception Frazier 1983; Frazie, Spekman and O'Neil 1988).

[44] Liljander and Strandvik (1995b) have indirectly treated the relation between episode quality and relationship quality in the same manner when discussing the measurement problems linked to the perception of a service episode versus perceptions of a relationship.

Anderson and Narus (1984; 1990), however, also have included cognitive aspects in their models of distributor firm and manufacturer firm working relationships. In their models, the antecedent of satisfaction is a construct called outcomes given comparison level (CL). (See also Thibault and Kelley 1959). According to Anderson and Narus, "outcomes given CL is defined as a firm's assessment of the results (rewards obtained minus costs incurred) from a given working relationship, in comparison with expectations, based on present and past experience, with similar relationships, and knowledge of other firms' relationships" (1990, p. 44; see also 1984, p. 63).

Anderson and Narus (1990) gained different results concerning the relationship between outcomes given CL and satisfaction. In their distributor model, satisfaction was not included at all (because of measurement problems), in manufacturer model outcomes given CL was found to be antecedent of satisfaction together with conflict (negative effect) and trust. According to them, the order of different reactions is that cognition comes first and affect follows. (Ibid.) This conflicts with the view presented by Oliver (1980) in customer satisfaction literature. But, it can be argued in the context; in business situations, rational evaluation often precedes affective reactions. Halinen (1997), also sees satisfaction (both toward exchanges and the whole relationship) as *including both affective and cognitive aspects*. This view also can be followed in this study. The ordering of different reactions also can be regarded as being highly depended on the situation and the actor.

Also, an interesting question is also *how a certain episode affects the level of perceived relationship quality* (Liljander and Strandvik 1995b). This effect of episode quality perception on relationship quality perception concerns both the level and content of those perceptions. First, the level is discussed.

If the level of relationship quality perception changes, the perceived relationship quality improves or falls off. The different episode quality perceptions varies in their effect on the relationship quality, and, thus, also on the comparison standard used. The relative importance of different episode quality perceptions in formation of perceived relationship quality is still unclear. *We may assume that the most recent episodes are more easily activated from the memory, and thus have a greater impact on comparison and formation of relationship quality*[45]*. Also, the episodes which stress the borders of tolerance zones* (Strandvik 1994; Woodruff, Cadotte and Jenkins 1983; Zeithaml, Berry and Parasuraman 1991; Halinen 1997), *can have a greater importance in comparison than episodes which fit neatly between the zones*. These episodes can be either negative or positive in nature (cf. critical events by Halinen 1997). It can be argued that the magnitude of the effect of these kinds of episodes on relationship quality perception is related to the uniqueness of these episodes. Thus, if the negative episodes which

[45] This naturally relates also to the content of the relationship quality perception.

stress the borders of the tolerance zone occur often, the relationship quality perception is likely to change permanently toward a negative direction. On the other hand, if the episode is perceived as positive, the change in the relationship quality perception can be impressive for a certain period of time, but then fade away if the positive episode is not repeated.

It can also be argued, that relationship quality is a cumulation of a series of episodes. The nature of business service naturally is affecting the relationship between episode quality and relationship quality. In continually used services, the episodes are not easily separable, and the relationship quality perception thus can be based on episodes which are easily memorable. In services which have clear episodes, the cumulative episode quality perceptions can form the relationship quality perception (see e.g. Boulding, Kalra, Staehlin and Zeithaml 1993). But, as mentioned earlier, we can only speculate about the ways the episodes affect the relationship quality perception.

In addition to the level of perceived relationship quality also the content of perceived relationship quality can change. This means that the dimensions or the relative importance of the dimensions changes. In this respect, the presentations concerning the effect of episode quality perception, on relationship quality perception, have been limited (e.g. Liljander and Strandvik 1995b; Järvelin and Mittilä 1998). The changes in the content of relationship quality perception are related to the relative importance of the dimensions (Järvelin and Mittilä 1998). *Certain critical episodes can*, for example, *change the relative importance of the dimensions*. For example, if the advertising agency heavily exceeds the budget set for the advertising campaign, the economic aspects are likely to increase their importance in relationship quality perception formed after the campaign. Of course the change in level and the content are linked together.

In addition to critical episodes*, if the perceived episode quality includes aspects that are perceived as new and important for the whole relationship, the content of relationship quality perception may change* (i.e. the dimensions perceived as important in relationship quality perception may change). However, it is not likely that one episode quality perception, which includes new and important aspects, change the content of relationship quality perception. It is more likely that numerous such episode quality perceptions, are needed in order to change the content of relationship quality perception.

The content of relationship quality perception also can be seen as a cumulation of episode quality perceptions. In this process the sub-dimensions according to which the episode quality perception is made are cumulated in the relationship quality evaluation and formed to an upper level concept (see Holmlund 1996). For example, the sub-dimension of communication skill is cumulation to the relationship quality level as improved communication. It has to be noticed, that although some kind of cumulation might take place with respect to the content of relationship quality perception, the basis of the upper level concepts, on the relationship quality level can always be found from the episode quality level.

In the evaluation of relationship quality, *time is an important factor*.[46] Time is here linked to the age and duration of relationship. The age and duration of the relationship are closely related to the relation between episode quality and relationship quality. Perceived episode quality has a strong affect on relationship quality after the first episode(s) when these two constructs are actually the same. Thus, the first episode quality perception determines both the level and content of relationship quality perception. As time goes by, the episodes become familiar for the actors, and both the perceived episode quality and the comparison standard alone can have a central role in the relationship quality evaluation. In familiar episodes the perceived episode quality and comparison standard used in relationship quality evaluation remind to a large extent, each other, so the effect of comparison (disconfirmation) fades away, and in the end does not exist anymore.

In a way, the whole evaluation process from the episode experiences, to the relationship quality perception, has its crucial point in the connection between episode quality perception and relationship quality evaluation (see also Liljander and Strandvik 1995b). As this point of the evaluation process is the one that has not been studied, the relationship between episode quality perception and the relationship quality evaluation is based mainly on assumptions.

4.4.2. Comparison standards used in relationship quality evaluation

In this chapter 4.4.2. the use of different comparison standards in relationship quality evaluation is addressed. As the different comparison standards used in episode quality evaluation were discussed quite extensively in chapter 4.3.2., the comparison standards are only discussed in this chapter to the extent in which they are characteristic for the relationship quality evaluation.

The comparison standard used in relationship quality evaluation can be determined by the existing perception of relationship quality, and to some extent, also by prior experiences, cultural norms and values, goals, promises and/or desires. The existing perception of relationship quality is in turn based on the prior experiences gained from that particular relationship. Prior experiences gained from the other sources are discussed here separately. Prior experiences in the form of existing relationship quality perception, as the most important comparison standard, makes it different in nature from comparison standard used in episode quality evaluation.

[46] See more about time in Halinen and Törnroos 1995.

The role of **existing relationship quality perception**[47] is especially important in a long term relationships. At the beginning of the relationship, other comparison standards can be more important. In long term institutionalized type relationships, the others in a way only form the context or borders within which the actual comparison between existing perception of relationship quality and episode quality perception happens. If these borders are crossed (i.e. if the episode quality perception crosses these borders) other comparison standards, than the existing level of relationship quality, may affect the comparison standard used. Taking the example of the relationship between the advertising agency and its client, the existing relationship quality perception was the most important comparison standard. The goals set for the whole relationship had a boundary setting role when the existing relationship quality perception was not according to the goals and the gained episode quality perception was. In this case, the episode quality is likely to change the relationship quality perception in the direction of the set goals.

Prior experiences

Prior experiences and the existing level of relationship quality remind to a large extent, each other. It can be argued that most of the relevant prior experiences are formed during the relationship in question[48], and if the existing perception of relationship quality is seen as a cumulation of prior episode quality perceptions, then these two concepts are closely related to each other. Prior experiences can, however, include experiences from other relationships, and experiences of others, from their (other) relationships.

The best brand norm, product type norm and brand norm presented by Holmlund (1997, p. 88) together with CLalt -concept (e.g. Andersson and Narus 1984, p. 63) related the comparison to the other relationships from which the evaluator has experiences. Reputation can also be seen as one of the issues that can determine the comparison standard (Holmlund 1997, p. 89). The comparison standards that are linked to the other relationships, may have more of a central role in the relationship quality evaluation, than in the episode quality evaluation.

Cultural norms and values

Cultural norms and values *can be an important "border" determinant of comparison standard used in relationship quality evaluation, because the*

[47] As existing relationship quality perception is based on prior experiences it is not included to the framework as a separate determinant in order to avoid overlapping in concepts.

[48] The CL concept used by Andersson and Narus (1984, 1990) concerns all the prior experiences, also from the other relationships, and thus CL and the existing level of relationship quality cannot be regarded as being the same as the determinant of comparison standard.

accepted way of behaving, can determine to a large extent the borders within which the existing relationship quality perception can act as a comparison standard. Hence, the border definition of other comparison standards than existing relationship quality perception relates very closely to the tolerance zone concept (e.g. Zeithaml, Berry and Parasuraman 1991; Liljander and Strandvik 1994; Strandvik 1995). In situations were the border is crossed cultural norms and values can have a central role in the formation of relationship quality perception.

Goals

Goals *can be regarded as having a central role in evaluations done in business relationships*. Used as the solely comparison standard during the evaluation, valuable aspects linked to the social issues might be lost, as goals mainly concern economic and technical issues (Holmlund and Kock 1995a, p. 117). *In relationship quality evaluation, the goals also can be regarded as being more implicit than explicit in nature*. As the goals set for the relationship concern usually long period of time, they often are not expressed explicitly, but they are commonly shared within the organization or even within the relationship. (See about goals Halinen 1997; Kotsalo-Mustonen 1996)

Goals can be regarded as having a primiary role in two situations. First, when the certain border is crossed or stressed, and second, in the beginning of the relationship. For example, if the existing relationship quality perception is not in accordance with the goals and the formed episode quality perception is in accordance with the goals, then the episode quality perception is likely to change the existing relationship quality perception in the direction of the set goals. This example can be considered as an example of border stressing. Also, in the beginning of the relationship the goals set for the relationship may be the major determinant (together with promises) of comparison standard against which the episode quality perception is compared. When relationship quality perception is stabilized, the role of goals can become important in situations where the border is crossed or stressed.

Promises

Promises as a comparison standard, *can in the beginning of the relationship have a central role in addition to current relationship quality perception and goals*. When actors are beginning to know each other and each other's way of behaving, promises made may act as a comparison standard against which each episode quality perception is compared. As a relationship evolves, the relationship quality perception will be stabilized, and only those episode quality perceptions which do not fit to the current perception, may change it (see more Lehtinen and Järvelin 1995). However, the changes, for example, in a competitive environment can again raise the role of promises made to each other, as a determinant of comparison standard used in relationship quality evaluation.

Implicit promises also can be regarded as being more unusual in relationship quality evaluation than in episode quality evaluation as it is more difficult to give promises concerning the whole relationship than it is for an episode. Implicit promises have their base in experiences from the focal relationship or from other similar relationships. The crossing of borders set by the implicit promises, however, can significanlty affect the relationship quality perception (Halinen 1997, 139-144).

Desires

Desires *can be regarded as having only a minor role in the evaluation of relationship quality*.[49] It can be argued, that the rational aspects are dominating the relationship quality evaluation. Because, before comparing the comparison standard and episode quality perception, it is likely that the episode quality perception has been discussed at least inside the organization (and perhaps also inside the relationship), and this evaluation process has had an impact on the evaluation of episode quality. Thus, the rational aspects of episode quality perception may have been emphasized. However, on the other hand as the relationship as a whole may be hard to understand, the irrational aspects might have some role as a comparison standard used in the relationship quality evaluation on relationship level.

4.4.3. Dimensions of relationship quality

As mentioned in the chapter concerning the episode quality dimensions, the same division of dimensions is used here than in episode quality evaluation. The sub-dimensions can be somewhat different from those used on episode quality evaluation as the relative importance of certain aspects may be different in relationship quality evaluation.

The nature and content of relationship quality dimensions are by no means easy to comprehend. As the process from the episode quality perception to the relationship quality perception is unresearched, the content of dimensions can also be regarded as the same. Although there exists literature concerning dimensions used in relationship level evaluation (Frazier 1983; Frazier, Spekman and O'Neil 1988; Hyvönen 1990; Järvinen 1996; Hovi 1995, Möller and Wilson 1995), it seems to be that they offer little help for this study as the relationship evaluation here is linked to the episode evaluation, and not seen as a separate evaluation. Consequently, the evaluation made in the relationship level cannot be based on completely something else than on, what the evaluation on episode level, is based.

[49] As the role of desires has not been discussed in evaluation of business relationships, this discussion is mainly based on speculation and the researcher's own experiences.

Thus, the relationship quality dimensions are based on the same division as on the episode level, and only minor changes exist.

The technical dimension in relationship level also to reminds a large extent, of the dimension used on episode level. Those sub-dimensions mentioned in episode quality level, i.e. physical elements needed in production process and physical outcome of production process, also are used in relationship level. In the context of industrial repair and maintenance services, the role of production elements may be so important both for the producer and buyer that they are evaluated also on relationship level. It is natural, in this context, that the physical result is always evaluated on relationship level, because of its central role in the whole relationship.

The *social dimension* on relationship level can include such sub-dimensions as improved communication, empathy, respect, responsiveness and rules (see Holmlund 1996, p. 114). Thus, it reminds to a large extent the dimension used on the episode level, and here the cumulative effect is at least in most sub-dimensions, obvious (for example respect, rule development and improved communication). The intangible, soft side of the relationship may not be so important on relationship level evaluation as it is on the episode level evaluation. The technical and economic, i.e. more rational dimensions, can have a greater impact on relationship level than on episode level (cf. desires in chapter 4.3.2.; see also Järvelin and Mittilä 1998). Halinen (1997), however, has gained contradictionary results, as she found that the evaluation of a relationship is linked to the more irrational, soft aspects, than the evaluation of the episodes.

The meaning of the *economic dimensions* is often more important in relationship quality evaluation than in episode quality evaluation. This is because all episodes do not directly include economic aspects and even if they do, all individual actors are not able to evaluated economic performance after each episode. However, economic dimension of certain episodes can be crucial for the perceived episode quality, perceived relationship quality and even for the whole relationship. Although the actors involved in the relationship do not have explicit written economic goals for the relationship, the budget (firm or department level) usually contains some kind of monetary goals for each relationship. Against these goals, the results are compared each year. Many of the professional business services consist of projects, and majority of these projects have monetary (and sometimes also other kinds of) explicit goals against which the results of the project are compared.

The sub-dimensions of relationship quality can to some extent differ from those used on the episode level. Although the role of cumulative results are important on relationship level (e.g. productivity improvement), improved economic performance also can lead for example to changes in company image.

Halinen (1997) has used the term "perceived outcome of an exchange relationship". This term refers to both social and economic outcomes (and inputs) gained from the relationship. Hence, Halinen (1997) has used only a one dimension in relationship level description of the cumulative results gained from the other dimensions used on the episode level. Here the ultimate dimension in relationship level can be compared to the dimensions used by Halinen (1997). In this study, the word ultimate does not the ultimate result of the relationship, when it is terminated. Rather ultimate refers to the final, cumulative evaluation of all dimensions at the certain point of time. Thus, it is a summary evaluation concerning the content of the relationship quality (see also the corporate quality by Lehtinen and Lehtinen 1982, 1991).

4.4.4. The third comparison

The comparison between perceived episode quality and comparison standard (i.e. the second comparison) is in certain critical episodes followed by a comparison between perceived relationship quality and the third comparison standard. *This third comparison, takes place in most cases, after episodes which bear the possibility of terminating the relationship*. The third comparison is naturally closely linked to the second comparison, as critical episodes tend to change the existing relationship quality and that can increase the need for the third comparison.

The third comparison functionally reminds to a large extent the comparison in the formation of episode quality, with the exception, that the comparison standard used now is determined by prior experiences, cultural norms and values, goals promises and desires concerning the whole relationship not only one single episode. The comparison standard used in this third comparison, is also to some extent, determined by an existing perception of relationship quality. *During this* latter *comparison the actor decides whether to terminate or continue the relationship*. Numerous other factors also affect this decision. Among the other factors, are the attribution made on critical episodes, possible other alternatives, perceived switching costs etc. (see more Lehtinen and Mittilä 1995).

The definition of critical episode used in this study is based on the definitions by Halinen (1997), Storbacka (1994), and Bitner, Booms and Tetrault (1990). Halinen (1997; p. 83) defined a critical event as an event "that is decisive for the relationship and function either as a driving or checking force for its development". In a similar manner as Halinen (1997) Storbacka (1994, p. 127) has defined critical interactions "as an interaction that is of great importance for the relationship". In service quality research Bitner, Booms and Tetrault (1990, p. 74) in turn, have defined a critical incident "as a one that contributes to or detracts from the general of the activity in a significant way". Similarly, it can be argued that episodes as a unit of a perception, may be more or less critical. In this study the *critical* *episode*[50] *is defined as an episode which is perceived as decisive for the relationship and function only as a checking force for development of the relationship*.

In business-to-business services, this third comparison also can take place regularly after a certain described period (for example once a year)[51]. The future of the relationship can in these situations, be considered, against the possible futures of competing relationships. Thus, these futures of the competing relationships can be regarded a comparison standards used in this third evaluation. This comparison standard, is to the large extent, based on the prior experiences. The anticipated economic result is often compared against the interactive side of each possible relationship. This means that the social relationships in a way, have in these comparisons, a monetary value. For example an institutionalized relationship with deep mutual understanding, especially on the "people" level, can in most cases be more costly than a relationship with no established social relationships.

This third comparison reminds to a considerable extent, the outcomes given comparison level for the alternatives comparison (CLalt) presented by Anderson and Narus (1984, 1990) with respect to the alternatives present in the evaluation. In the evaluation, that is linked to the normal episode, the alternatives may not be considered at all. Implicitly, however, the alternatives can be present in every relationship quality evaluation. In the third comparison, the role of alternatives can be regarded as being important, as the current relationship is being compared against other possibilities.

4.5. Adjusting Processes

Adjusting processes in relationship quality evaluation are processes which can moderate the evaluations made in the main evaluation process. Mainly these adjusting processes follow the evaluation done in the main evaluation process, in some cases the evaluation and adjusting process also can be overlapping. In the preliminary framework (figure 6) adjusting processes were presented as being future oriented. This is because, these processes work as moderating, or repairing the evaluation and its results, and these moderations have their effects in the operation of the relationship in the future. It is true, however, that the basis of the adjusting processes, can in some cases also be in the past. In the following chapters 4.5.1. - 4.5.4, the different adjusting processes i.e. equity, fairness, attribution and balancing operations are discussed.

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[50] The word episode is used here instead of incident or event, because the word episode is used also in case of normal or routine episodes. It has to be noticed, however, that the matter or incident perceived as critical can be linked to the whole as episode or to the certain act during that episode.

[51] In this case a year can be perceived as an evaluation episode.

4.5.1. Equity

In studies by Frazier (1983) and Frazier, Spekman and O'Neil (1988) the concept of equity[52] was presented as having a role in business relationship evaluations. In this chapter, this concept of equity is discussed in more detail together with a discussion concerning the possible relationships between equity evaluations and main evaluation process of relationship quality.

The roots of social equity paradigm can be found in an article by Adams (1963). Although inequity had been studied in studies concerning work situations, Adams' (1963) concept development lies as a ground for the equity paradigm. In social exchange theory, equity has been defined in following way "*the ratio of one's outcomes to inputs is assumed to be constant across participants if equity prevails*" (ibid.). This definition is also used as a starting point in this study.

In customer satisfaction literature there exist studies concerning equity (e.g. Hubbertz 1979; Swan 1983; Swan and Oliver 1985; Oliver and Swan 1989; see also Fisk and Conney 1982; Mowen and Grove 1983), but in service quality literature this concept is almost completely neglected (see for exception Liljander 1995). Reasons for this can be found in both the difficulties to operationalize the concept and in the lack of belief that the concept, which has its roots in social exchange theory, also is applicable in market exchanges. Problems related to operationalization concern mainly the ways to calculate input/output ratios and ways to relate the two ratios with each other (e.g. Harris 1976, 1983; Moschetti 1979; Alessio 1980; Harris and Joyce 1980;). Market exchanges are perceived to be more complicated than purely social exchanges involving multiple, heterogeneous resources (e.g. Hirschman 1987; Oliver and Swan 1989). Market exchanges also include actors whose roles are not the same (compared e.g. to co-workers). And, it is not at all sure that customers compare their own ratio with the seller's ratio! (Oliver and Swan 1989, pp. 23-24)

According to social exchange theory, the referent in equity comparisons can be any individual or group relevant, to the person making an equity judgment (Adams 1963). Bagozzi (1986, p. 87) in his marketing exchange theory suggests that buyers may compare themselves with 1) the seller in an interaction, 2) others who interact with their actor at the same level (e.g. other buyers) or 3) some agency such as a commercial enterprise. Taking the view of business relationships the picture can be more complicated. If an individual person taking part in interaction is considered, the individual often compares his ratio with the ratio of 1) actor in interaction, 2) group in interaction (e.g. department) or 3) the whole actor organization. (Ibid.) If we consider a group of people (e.g. sales group, department and a group of managers) involved in relationship as the evaluators, the picture gets even

[52] They use, however, the term equity as including both equity and fairness.

more complicated. However, *the application of equity into business relationship should be easier than into consumer relationships, because although business relationships usually include multiple resources, responsibilities and to some extent also rewards, these are often defined in advance*. Also, the roles of actors, although they are diverse, are often defined in advance. Of course, we cannot ever be sure if the actors really compare their input/output ratios with each other, but the comparison is more likely to exist in situation in which inputs and outcomes are, at least to some extent, defined in advance than in situation in which no mutual agreement upon inputs or outcomes is ever made.

Frazier (1983, p. 74) argues that in most cases, actors perceive themselves as not receiving more rewards than what is equitable. In situations when both partners' responsibilities are clearly defined, it is quite easy to notice, if the other partner is not fulfilling its responsibilities, and it thus gets more in respect to investments made than the evaluator (ibid.). On the other hand actors are very likely to see the rewards gained from the episode or relationship as a result of their own efforts, not as a result of other partner's efforts (e.g. Ganesan 1994). *In institutionalized relationships, the responsibilities of partners are not usually defined by contract, and thus, the possibility for inequitable episodes exists*. In these kinds of relationships, actor may behave in a way they are used to, and if for some reason a certain episode is perceived as a inequitable, by the other partner, it may be difficult to resolve the situation if no mutual understanding of responsibilities and anticipated rewards of partners exist.

Adams (1963) suggested two distinct properties for inputs and outcomes: recognition and relevance. *In order to be perceived as an input or an outcome, an attribute should be both recognized by the evaluator and have some relevance for the evaluator* (ibid.). In business relationships the responsibilities and to some extent also the rewards of the partners may be determined by explicit or implicit promises or mutual goals. Even though an explicit contract may determine some part of the rewards related to some episodes, rewards may go below or exceed the predetermined level. The contract, however, makes the inputs and outcomes recognized already in advance.

In institutionalized relationships, (or in case of no explicit promises or mutual goals) the common way of working together may make some extraordinary inputs or outcomes more easily recognized than the inputs and outcomes that are perceived as ordinary. The existence of explicit promises, or mutual goals does not, however, make the inputs and outcomes necessarily relevant for the partners involved in the relationship. Some of the responsibilities or rewards may be taken for granted, not worthy of evaluation. *As the inputs and outputs has to be both recognized and relevant, also equity can be regarded as being perceived equity.*

The essential question concerning equity in the context of relationship quality evaluation is the relationships between episode quality and equity and relationship quality and equity. The relationship between equity and satisfaction is discussed in social exchange theory, in marketing, and to some extent also in channel literature, and after the conclusions concerning relationship quality evaluation is made.

In social exchange theory, two different processes have been proposed by which individual actors evaluate outcomes relative to some internal standard: 1) cognitive evaluation in which actors compare actual to expected outcomes (i.e. satisfaction or perceived quality) (e.g. Blau 1964, Thibault and Kelley 1959), and 2) normative or moral evaluation in which actors compare actual to just outcomes, with justice based on some normative principle like equity, equality, or need (e.g. Homans 1974; see also Molm 1991).These two processes can be either dependent or independent. When expectations are formed at the same time usually the perceptions of what is just is formed. *Being either dependent or independent these two processes, are not, according to the social exchange theory equivalent.* (e.g. Molm 1991) *This view to the relationship between quality evaluations and equity also is taken in this study.* Consequently*, the equity evaluation is separate process which only affects the main evaluation process.*

In customer satisfaction literature, *there exists two general views about the linkages between input/outcome ratios and satisfaction. The nonintervening framework suggest that there is a direct path from input/outcome ratios to satisfaction.* Accordingly, input/output ratios are directly translated into satisfaction judgments. (Oliver and Swan 1989, p. 24) Kelley and Thibault (1978) have proposed five different nonintervening strategies which can be used in explaining the interpersonal satisfaction. By using these strategies actors apply transformation to the outcome combinations in order to receive mutually satisfactory outcome (or payoff) combinations. The input/outcome ratios themselves are seen as representing satisfaction, the strategies relate to the individual tendencies to translate the ratios into satisfaction. The strategies that can be used in this respect are maximizing one's own outcome, maximizing other's outcomes, maximizing both your own and the other's outcomes, maximizing one's own relative advantage and minimizing this advantage. (Ibid.)

In this study, the equity evaluations and quality evaluations are seen as separate process, and thus the nonintervening framework is not applicaple. However, in business relationships, it possible to use most of these nonintervening strategies as tendencies to react to the equity. In customer satisfaction literature, these strategies are related to the individual tendencies to translate the input/output ratios. In business relationships, these strategies can be seen as working on both individual and organizational levels. For example, the individual may have a tendency of maximizing one's advantage, but the organization may have a tendency to maximize its own relative advantage.

Another approach, the intervening approach, takes the view that different interpretations of equity intervene between input/outcome ratios and satisfaction. This means that evaluators interpret input/outcome ratios in a different manner, and give "equity" different meanings. These interpretations are not the same as satisfaction, but affect satisfaction (cf. Molm 1991). Oliver and Swan (1989) suggest two alternative interpretations for equity: equity fairness and equity preference. Equity fairness has its roots in distributive justice. In distributive justice, fairness is defined as "what is right" or "what is deserved". Defined as such equity reminds fairness. (Ibid., p. 25). However, the equity takes the other actor into account in determining what is right or deserved (i.e. input/output ratio of actor A compared to the input/output ratio of actor B), and fairness in turn, takes the view of only one actor. Equity preference, in turn, reminds of the "maximizing one's relative advantage" strategy proposed by Kelley and Thibault (1978). Preference equity means that the one actor feels less distress, than the other actor, when inequity is in the first actor's favor (Oliver and Swan 1989, p. 25). The preference equity can in business relationships, be related to relative dependence of the partners, and it is thus, not directly related to the relationship quality evaluation.

The traditional view of equity sees the relationship between equity and satisfaction as the following: if the individual actor feels that his inputs and outcomes are not in balance compared to other actor's inputs and outcomes, he will feel distressed (Swan and Oliver 1985). The concepts of distress and dissatisfaction have been considered as complementary (ibid.). Although this is not the view used in this study, concerning the relationship between equity and quality, the following can enlighten us with respect to the way that equity affects episode/relationship quality evaluation. In customer satisfaction literature the traditional view that only perceived equity (balance) will lead to satisfaction was not found to be relevant (Oliver and Swan 1989). Thus, *if the indvidual actor perceives his gains and loses with respect to the other's involved in episode/relationship are in balance, this then does not affect the episode/relationship quality evaluation*. In addition it can be argued that in this case no conscious equity evaluation takes place.

Oliver and Swan (1989) also found that the most extreme negative inequity leads to dissatisfaction, moderate negative inequity to moderate satisfaction, and equity and positive inequity increasing levels of satisfaction. Oliver and Swan (1989) explain this phenomena by arguing that some social norms can determine that some commercial exchanges do not necessarily have to be equitable to be fair (cf. nonintervening strategies by Kelley and Thibault 1978). *Consequently, it can be argued that the equity affects the main evaluation process by changing the gained episode/relationship quality perception to the direction of perceived equity.* The open question remains in what kind of situations equity judgements are made, and in what kind of situations, they are not made.

Although, in some customer satisfaction studies, the relevance of the equity concept is suspected and the fairness concept is preferred, in business relationship the partners are so familiar with the input/outcomes of the other partner that the equity concept is in my view usable together with fairness. In order to avoid the problems related to the measurement of equity, by using different formulas, overall measures are used in this study.

As equity is a concept, that is quite difficult to comprehend, a short summary of equity as used in this study is given. First, equity is defined as *the ratio of one's outcomes to inputs, and is assumed to be constant across participants, if equity prevails*. Thus, in order to be perceived as equitable the input/output ratios compared to other partners input/output ratios has to be in balance. *The demand for inputs and outcomes to be both recognized and relevant also leads us in equity evaluation to the concept of perceived equity. In this study the equity is seen as only affecting the main evaluation process, not as the main evaluation***.** *Consequently, it can be argued that the equity affects the main evaluation process by changing the gained episode/relationship quality perception to the direction of perceived equity.* Different nonintervening strategies can be used in transforming the ratios into quality judgments. These strategies are related to the individual tendencies to translate the input/output ratios into quality judgments. *In business relationships these strategies can be seen as working on both the individual and the organizational levels.*

4.5.2. Fairness

As mentioned in the previous chapter, the concept equity and fairness remind, to large extent, each other. *Fairness relates to "what is right" or "what is deserved", and can be measured as ratio of one's own perceived inputs and outcomes*. The narrow interpretation of fairness, sees it as a judgment of one individual or group, but if the deserviness aspect is taken into account, fairness can be concerned and is affected by all the perceptions of "what is deserved" of all the actors included in the relationship. (See more e.g. Oliver and Swan 1989)

In order to shed light onto the concept of fairness in a business context, it is useful to examine other concepts used in service, satisfaction and channel literature. These concepts are closely related to the idea of what is deserved. At least the concepts of sacrifices, value, deserved service, utility and reward and cost outcome are relevant here.

The deserviness aspect of fairness relates, also it to the other concept used in customer satisfaction studies (e.g. Miller 1977; Gilly 1980; Liljander 1995) and in some service quality studies (Zeithaml 1988; Bolton and Drew 1991; Liljander and Strandvik 1993a, 1995a; Ostrom and Iacobucci 1995; see also Lehtinen and Järvelin 1995; Järvelin and Lehtinen 1996) as a comparison standard, namely deserved product/service or value. Liljander (1995) has defined deserved service as "a comparison between all the outcomes connected to a service that the customer is perceived to get, and all the sacrifices which he made to get them" (p. 66). Defined as such deserved service(/product) is the ratio between individual's inputs and outcomes.

Liljander (1995) found eleven different comparison standards used either in consumer satisfaction or service quality literature. In the comparison, between these different standards, in a restaurant setting, she found that deserved service as comparison standard used in disconfirmation best explained the episode satisfaction. Second best, was the performance alone. (Ibid.) Deserved service (or value) is according to Liljander (1995), different from the other comparison standards in the sense that it already contains a comparison itself, and it is not compared to service performance. Thus, it can be argued that deserved service is not a comparison standard at all, as it in itself, consists of a comparison. Consequently, in this study *fairness, like equity, is treated as a separate process from the main evaluation process, but it is seen as affecting the main evaluation process*.

In service quality literature, the concept of value and its importance in service quality evaluations was noticed only recently (e.g. Zeithaml 1988; Bolton and Drew 1991; Liljander and Strandvik 1993a, 1995a; Ostrom and Iacobucci 1995). Zeithaml (1988, p. 14) has defined value as "a consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given". This definition gets close to cognitive evaluation, and can not be as such, considered as a social evaluation. The utility of product here is seen as a comparison between inputs and outcomes, and thus it can be considered as an individual's own evaluation of "what is deserved".

The other view of value in service quality literature sees it as a function between perceived service quality and perceived sacrifices (e.g. Liljander 1995; Liljander and Strandvik 1993a, 1995a; Bolton and Drew 1991). This view, however, relates two comparisons, which are not necessarily dependent on each other (Molm 1991, p. 477 - 478). The belief of what is fair, can be formed at the same time as the expectations concerning service, product or episode. Thus, *it is impossible to say what is the ordering of fairness and quality evaluations in which they may be to some extent, dependent on each other.*

In some studies, sacrifices are treated as a part of the satisfaction evaluation itself (e.g. Howarth and Sheth 1969) in a way that satisfaction itself reminds value. In interaction - network studies, sacrifices are included to the satisfaction evaluation as a part of outcomes gained (e.g. Andersson and Narus 1984, 1990; see also Andesson and Håkansson and Johansson 1994; Wilson and Mummalaneni 1986), and in some studies the fairness concept also is affecting (together with equity) satisfaction (e.g. Frazier 1983; Frazier, Spekman and O'Neil 1988). The latter view is in accordance with the view used in this study.

Consequently, fairness is included in the preliminary framework (see figure 6) as affecting both episode quality and the relationship quality evaluation. *Fairness includes not only economic, but also social, behavioral, physical and psychological factors* (see more e.g. Mills 1990). Fairness is in this study seen as a separate, but to some extent dependent process, with the basic comparison between experiences and a comparison standard. As the concept of fairness includes a comparison in itself, it is treated as a separate process which can affect the quality judgments made in main evaluation process. *The fairness process includes a comparison between input the partner has made on certain episode or on the whole relationship and the outcomes the partner has gained from that episode or relationship*. The result of this process can change the quality perception formed in main the evaluation process. For example, if the evaluator perceives that the experiences gained form a certain episode, are according to the goals set for that episode the episode quality perception should be good. However, if the inputs made to the episode considerably exceed the outcomes gained, the episode quality perception may decrease.

Fairness, can to some extent, be affected by the social notion of what is fair or what is deserved. This social notion can consist of the social norm formed inside an organization, inside a relationship or inside a larger network of relationships. Social norm formed inside the relationship can be based on a contract or long term institutionalized relationship.

Fairness or perception of what is deserved must be to some extent also present in the formation process of comparison standard against which the actual performance is compared. The ordering of different processes, may depend on the relationship, episode evaluation situation, evaluator and numerous other factors. The ordering of different processes, is not, according to my view, the most important issue. Much more important, is the notion than both fairness and equity have an important role in episode and relationship quality evaluation.

In conclusion it can be said that the *fairness process includes a comparison between the input that the partner has made on certain episode or on the whole relationship and the outcomes partner has gained from that episode or relationship*. In this study, like equity, *fairness also is seen only affecting the main evaluation process, not as a main evaluation. It is impossible to say what is the ordering of fairness and quality evaluations which may be to some extent dependent on each other. Fairness can be to some extent also be affected by the social notion of what is fair or what is deserved.*

4.5.3. Attribution

In addition to equity and fairness attribution is a third partly independent process affecting episode and relationship quality evaluation (see also Frazier 1983). Attribution theory has its roots in social psychology, but is has been applied to numerous other fields too (see more e.g. Hewstone 1983). In consumer behavior literature, *attribution theory is concerned with how people make cause and and effect judgments* (Runyon and Stewart 1987, p. 519). Thus, *attribution is a process in which the evaluator finds reasons for what has happened*. Attribution theory is to some extent used in customer satisfaction literature (e.g. Oliver and DeSarbo 1988), service quality literature (e.g. Bitner 1990) and channel literature (e.g. Frazier 1983).

Attribution theory, itself, is very extensive, and in this chapter I have tried to pick up the parts of the theory which seem to be relevant for the evaluation of quality of business relationships. In the framework (figure 6) attribution is related to episode and relationship quality, equity, fairness and balancing operations (for balancing operations see chapter 4.5.4.). Each of these processes may cause an attribution process. Frazier (1983, p. 69) has in his framework placed attribution process as an antecedent for equity, fairness and satisfaction. Frazier (1983, p. 73), however, argues that "blame will be assigned if losses occur or if achieved reward does not meet prior expectations and goals". This heavily suggests that some kind of evaluation (satisfaction) takes place before attribution.

Attribution in long term business relationships, also happens more evidently in episodes which something unexpected happens than in episodes which go as expected. If attribution process occurs after a normal episode where inputs and outcomes are as expected, blame/credit for them is likely to be placed on the situation (e.g. Kelley and Michela 1980). In the expected and like episodes things happened as they were supposed to happen. In unexpected and like episodes in turn it is more likely to blame/credit either of the actors or situation (see e.g. Kelley and Michela 1980; Frazier 1983). It seems to be, however, that attributions made to the situation or to the actors are not alternatives (e.g. Laljee and Abelson 1983). Attributions to both situation and actors often co-exist. Consequently, in the expected-like episodes, credit for the achieved outcomes can be placed on the situation and one/both of the actors. Or, in the unexpected-like episodes, credit/blame for what happened also can be placed on the unexpected situation.

In addition to the *locus* of causes described above, there exist two other bases for attribution judgments namely *stability* and *controllability* (e.g. Folkes and Koletsky and Graham 1987). Stability relates to the question whether the reasons for deviations are temporary or permanent. The temporary causes can more negatively affect the quality perception than permanent causes. The controllability, in turn, relates to issues whether the reasons are under the control or caused by outside factors which cannot be influenced. If the causes are under the control, it would more negatively affect perceived quality, than if the causes were not under control. (See more Folkes, Koletsky and Graham 1987)

Attribution is a process which can modify the perception of episode and/or relationship quality. If for example the buyer attributes the credit for the achieved outcomes mainly to the seller, buyer perceived quality may not be improved, but the buyer's attraction to and trust in the seller may increase (e.g. Frazier 1983). If the buyer attributes the credit for the outcomes mainly to itself, buyer perceived quality may be improved, perceived dependency on the seller may to decrease and the attraction to the relationship may to some extent diminish, depending heavily on perceived other available alternatives (Frazier 1983). If credit is assigned, mainly to the situation, perceived episode quality may diminish, and the relationship quality level also may decrease if the future is perceived as unstable and unsecured.

If in turn, the achieved outcomes are lower than they were expected, and the buyer blames the other partner, the perceived episode quality, and thus also relationship quality, may deteriorate, and attraction to, and trust in, the other the partner may decrease. In the case that blame is assigned to the buyer itself, episode and relationship quality together with attraction towards the relationship may decrease. Of course, the blame is put more naturally to the situation or on the other partner than to itself. If the blame is attributed to the situation, and the future is seen as unstable and unsecured, perceived episode and relationship quality together with attraction will diminish. (E.g. Frazier 1983; Anderson and Narus 1990; see also Hewstone 1983)

Attribution is a process that relates evidently to the first and third comparisons, than to relationship quality evaluation. In episode basis, the outcomes and inputs together with sources of them are much easier for the evaluators to observe than in relationship basis. On the relationship level, causes for actions, and reasons for certain incidents are complicated, and thus difficult to trace. Also Frazier (1983; p. 73) quite clearly relates attribution, to the exchange itself, not to the whole relationship.

In conclusion, it can also be said that attribution is a process which affects the main evaluation process. A*ttribution theory is concerned with how people make cause-effect judgments*. A*ttribution is a process in which the evaluator finds reasons for what has happened.* Attribution in long term business relationships also happens more evidently in episodes in which something unexpected happens, than in episodes which go according expectations. *Locus, stability and controllability represent bases for the attribution judgments*. *Attribution is a process that relates evidently to the first and third comparisons, than to relationship quality evaluation.*

4.5.4. Balancing operations

In case that outcomes are lower than expected, either because of the situation or one of the partners, some balancing operations may exist (e.g. Frazier 1983). *A balancing operation can be regarded as any act performed, by one or both partners, that aims at recovering the situation in case the comparison standards are not met*. In social exchange theory these balancing operations are called as an accommodation process (e.g. Rusbult, Verette, Whitney, Slovik and Lipkus 1991) or transformation process (e.g. Kelley and Thibault 1978) and service quality literature as service recovery (e.g. Bitner 1990; Hart, Heskett and Sasser 1990; Zemke 1994; Bitner, Booms and Mohr 1994; Lewis 1996). Service recovery cannot be, as such, compared to the others because service recovery is not an interactive concept in the sense that it only includes one actor that can effectively affect the perceived level of service quality. Thus, service recovery is not used as such in this study.

In this stage of this study, decision is not made whether the accommodation processes or transformation processes are to be used in this study. In the following, those aspects of both these concepts, which are relevant for the evaluation of relationship quality, have been selected. It has to be noticed that the concept of balancing operation presented by Frazier (1983) is not as extensive as the one used in this study. The concept presented by Frazier (1983) covers the transformation processes, but not the accomodation processes. Frazier (1983), however, discusses the relationships between balancing operations and other concepts, and is in this respect used in this study.

The roots of both balancing operations and accommodation process can be found in *transformation processes* presented by Kelley and Thibault (1978). Kelley and Thibault (1978) suggested two types of outcome matrix: given matrix and effective matrix. The given matrix represents actors' behavioral choices and the contingent outcomes they provide, which are not dependent on the relationship itself (Kelley and Thibault 1978; Anderson and Narus 1984; Rusbult, Verette, Whitney, Slovik and Lipkus 1991). By three different transformation processes, together with communication processes the given matrix is transformed into an effective matrix. These *transformation processes are 1) outcome transformation, where criteria for the evaluation of outcomes is changed, 2) transpositional transformation, where by acting first, the one of the individual actors can change the given matrix, and 3) sequential transformation, where the actor/both actors adopt a different way of behaving in the future* (Kelley and Thibault 1978). Although in their presentation of transformation processes Kelley and Thibault (1978) linked them to transformation of the given matrix, which does not contain evaluation. *Transformation processes can be, in my opinion, used as balancing operations in situations where the outcomes are lower than anticipated*.

Accommodation process is a close concept to the transformation process, but accommodation is more heavily related to the communication between actors in case of destructive behavior performed by one of the actors (e.g. Rusbult, Verette, Whitney, Slovik and Lipkus 1991; see also Sparks and Callan 1995). Rusbult, Verette, Whitney, Slovik and Lipkus (1991, p. 53) have defined accommodation as referring to *"individual's willingness, when an actor has engaged in a potentially destructive behavior, to a) inhibit tendencies to react destructively in turn and b) instead engage in constructive reactions*". Accommodation also can be related to other sources of dissatisfaction than destructive behavior (e.g. Rusbult, Zembrodt and Gunn 1982). Rusbult, Verette, Whitney, Slovik and Lipkus (1991) have used a typology of four possible responses to dissatisfaction in a close relationship based on the typology developed by Hirschman (1970)[53]. These responses are a) exit - actively destroy the relationship, b) voice - actively and constructively attempt to improve the relationship, c) loyalty – passively, but optimistically waiting for conditions to improve and d) neglect - passively allow the relationship to deteriorate (Rusbult, Verette, Whitney, Slovik and Lipkus 1991, pp. 53-54). Exit and neglect are seen as destructive responses (ibid.). As accommodation is quite heavily related to the destructive behavior, from the point of view of this study, it is interesting to see whether this concept is useful also in other kinds of situations in which the comparison standards are not met, for other reasons than destructive behavior.

In their six extensive studies on accommodation in close relationships, Rusbult, Verette, Whitney, Slovik and Lipkus (1991) made several interesting propositions concerning the determinants of accommodation. Here, the ones that can be used also in business relationships are presented. They found that accommodation is lower in the case of lower interdependence (ibid.), i.e. if actors do not feel that their actions are depending on each other, they are not willing to act constructively. Accommodation was found to be associated with greater satisfaction, commitment, investment size, centrality of relationship, actor perspective taking and lack of quality alternatives (ibid.). Constructive responses to dissatisfaction (i.e. poor perceived quality), which is caused by destructive behavior by the other partner, are then likely to exist, if current perceived relationship quality and commitment to relationship are high, if the partner has made a lot of relationship specific investments, if relationship is perceived as being of vital importance, if the evaluative partner concerns also the perspective of the other partner and if available alternatives (cf. CLalt) are not perceived as attractive choices. Although Rusbult, Verette, Whitney, Slovik and Lipkus (1991) relate accommodation heavily to the destructive behavior engaged by the other actor, the accommodation responses presented together with determinants of accommodation also can be useful in business relationships.

Balancing operations is a term used by Frazier (1983) in his study concerning interorganizational exchange behavior in marketing channels. Although his view concerning balancing operations is not exactly the same as the view used in this study, it is worth looking at as he relates balancing operations to perceived inequity and perceived unfairness. In the following balancing operations related to inequity are discussed first.

Adams (1963) suggested that *if a person perceives inequity he will try to restore the balance by increasing or decreasing input or outcome, by mentally distorting inputs and/or outcomes, by leaving the exchange or by changing the actor*. In business relationships it is highly unlikely that the

[53] Hirschman (1970) used the typology of three is his study concerning reactions to decline in formal organisations. This typology is also used extensively in customer complaint literature.

partner will leave the exchange (i.e. episode), but other forms of balancing operations can be used in business relationships. Of course the partner can leave the whole relationship as a balancing operation (cf. exist as accommodation response). The partner can also try to change the other partner's perceptions of what is equitable, or try to convince the other partner that the inequity will be remedied by rewards during the next episode (e.g. Pfeffer and Salancik 1978; Frazier 1983).

In many respects, the *balancing operations are closely related to attribution processes in business relationships*, because in business relationships if either dissatisfaction, inequity or unfairness is perceived the easiest question to ask is who to blame? The relationship between attribution and balancing operation is an interesting one. Clearly, both attribution and balancing operations exist if inequity, unfairness or low quality is perceived, but the temporal order of these processes can be a complicated one. Attribution may be made before and after balancing operations have taken place, but if balancing operations have really returned the balance to the relationship attribution may not be necessary.

If one or both partners perceive that what they get from the episode/relationship in relation to their inputs is not fair (i.e. perceived unfairness), *balancing operations can also exist* (see e.g. Frazier 1983). This balancing operations can, according to Frazier (1983), include for example lowering the own level of contribution to the relationship. He clearly relates balancing operation to the inequity and unfairness, but as mentioned earlier, such operations can also take place as a response to a perceived lower level of episode/relationship quality (ibid.).

Transformation processes, accommodation process and balancing operations can all be used in a business relationship in order to return the balance to the relationship. *Transformation processes have in my mind two important and unique aspects: criteria change and behavior change that both can be used in business relationships.* If one of the partners perceives unbalance (either in episode/relationship quality i.e. between actual experience and comparison standards, in equity or in fairness), the partner can change its own criteria, or the other partner may try to convince to change either own or mutual criteria. If one of the partners is blamed, for example, for not achieving the goals put on a certain episode, this partner can try to restore the balance by trying to convince the other partner that this kind of situation will not happen in the future. Of course, the third transformation process, acting first, can be sometimes important; if for example the seller notices that its delivery time is not what they have promised, the seller may try to give the buyer something extra before the buyer even complains about delayed delivery.

Of the accommodation responses: exit, loyalty and neglect are the ones which are not covered by the transformation processes. In turn, doing something actively and constructively (as transformation processes suggest) the partner also can behave passively and destructively, or be actively destructive or be constructive but passive. In long term business relationships, actively destructive behavior can be rare, but possible. Usually, the partners in long term relationships, are so committed and hope to continue the relationship that they do not easily behave destructively. If, however, the perceived imbalance is so great, that the partner has no other alternative, than to close the relationship, destructive behavior can be used.

One of the balancing operations as a response to perceived inequity is mentioned distorting mentally the outcomes/inputs. This also can be used if unfairness or lower levels of quality are perceived. Consequently, all the mentioned processes and operations can in my opinion be used in business relationship in order to restore the balance. One operation which has not been mentioned directly, but may be useful is the mutual discussion about what went wrong and why, and what should be done.

If a constructive balancing operation used is a successful one, the perceived episode quality may be improved. Constructive balancing operations relate quite clearly to the episode, but by affecting the episode quality perception, balancing operations also affect the perceived relationship quality. Destructive balancing operations clearly also affect the relationship quality perception, and may even lead to a third comparison/disconfirmation process, which is discussed in chapter 4.4.4. It has to be also noticed, that parts of the balancing operations are aimed at affecting the perceived quality level of the other partner, but others are done in order to change their own perception. And some of the balancing operations affect the episode quality perception indirectly through perceived equity and/or perceived fairness.

Balancing operations also have the unique characteristic that the organizational level may change from the normal operating level (for example middle managers) to the levels above that in order to be able to execute balancing operations (see Alajoutsjärvi 1996, p. 133-136). For example, if the relationship normally works at middle manager level, and levels below that, in situations where one or both of the partners perceive unbalance, the normal levels may not be authorized or may not be able to resolve the situation. Hence above levels in organization(s) are needed to restore the balance. The normal operating levels may be willing to resolve the situation, but the above levels do not allow them to do any balancing operations. This of course can lead to tensions, both inside the organization and inside the relationship.

In conclusion as *balancing operation can be regarded as any act performed by one or both partners that aims at recovering the situation in cases where the comparison standards are not met*. In business relationships, the *balancing operations are closely related to attribution processes.* Transformation processes, accommodation process and balancing operations (presented by Frazier 1983) can all be used in business relationship in order to return the balance to the relationship.

5. THE CASE STUDY

This chapter discusses the basics of the case study approach used in this study, together with the aspects related to the selection of the case firm, data collection, data analysis and data quality. In addition, a description of the case firm is given.

As this chapter concentrates on describing the case research and case company of this study, this chapter is closely related to chapters 1.6.2. – 1.6.3. which discussed the research design in general, together with the scientific view behind this study.

5.1. Case study approach

This study aims to understand the phenomenom of relationship quality evaluation, and thus it does not seek universal laws, but both explicit and implicit rules which structure this phenomenon (see Pihlanto 1994, p. 372). In order to do this, *a conceptual analysis is used and facilitated with a empirical case study* (see Stake 1994, p. 237). Thus, it can be argued the empirical study represents an instrumental case study (Stake 1994, p. 237; see also Creswell 1998, p. 85, 87, 250). According to Stake (1994, p. 237; 1995, p. 3-4), an instrumental case study, is a study in which the role of the case is to provide insight into an issue or refinement of a theory. In this study, the case can been seen as doing both of these roles by facilitating the conceptual analysis. The case study brings refinement to the theory, as by the help of the empirical case, the theoretical concepts are developed a little bit further. But, in order to do this it provides insight to the issue of relationship quality evaluation, by reflecting the theoretical concepts in empirical reality. (See Stake 1994, p.237; 1995, p. 3-4; see also Holmlund 1997, p. 26)

A case study is, like any other research strategy, a mean of investigating an empirical topic by using a set of pre-specified procedures (Yin 1989, p. 25). Case study is defined by Yin (1989 p. 23) as an empirical inquiry 1) that investigates a contemporary phenomenon within its real-life context, 2) where the boundaries between phenomenon and context are not clearly evident and 3) in which multiple sources of evidence are used. In this study relationship quality evaluation is 1) investigated by conducting in-depth interviews and discussions in places where the evaluations actually take place, 2) very closely linked to it's context (e.g. nature of the episode, nature of the relationship, nature of the network context of the relationship is part of etc.), and 3) studied by using multiple informants and other sources of evidence (e.g. annual reports, history of the company).

The studied phenomenon in this study, i.e. the evaluation of relationship quality, can be regarded as a broad and complex phenomena. The complexity of relationship quality evaluation shows, for example, through following issues: many individuals take part in the evaluation of relationship quality, the partners involved in the evaluation affect each others perceptions, time has an effect on the way relationship quality is evaluated and relationship quality evaluation has processual nature. Bonoma (1985, p. 202) argues that this kind of complex phenomena cannot be usefully studied outside its natural context, and thus for this kind of phenomena the case study is the best suitable.

In order to reach as complete and as deep view as possible, about the relationship quality evaluation, the one-case design was selected. As case study aims at studying the phenomena in depth, the number of cases is usually relatively small, in some studies even only one (see e.g. Patton 1990, p. 169; Yin 1989 p. 48; Stake 1995, p. 4-7). Creswell (1998, p. 63) also argues that as the number of cases increases, the depth in any single case decreases. It can be argued that the aim for understanding in this study calls for the one-case design. Eskola and Suoranta (1998, p. 61) state that in qualitative research the number of cases can be limited as the aim is description, understanding and interpretation, not generalization. Generalization as an aim can be the motivation for studying a large number of cases (Creswell, 1998, p. 63; see also Glesne and Peshkin 1992). The nature of relationship quality evaluation as being complex, processual phenomenom calls for one-case design, as Wolcott (1994, p. 181) argues that for studying the whole system intact, one-case design is best suitable.

5.2. Selecting the case

Three requirements, i.e. opportunity to learn, uniqueness and accessibility, guided the process of case selection. In the instrumental case study, the main criteria in selecting the case is the opportunity to learn (Stake 1994, p. 243). The case does not have to be a typical one (although it can be), but it is important to choose a case that is suitable in terms of reaching the purpose of the study (see Stake 1994, p. 243). Yin (1989, p. 47-48) argues that an uniqueness of the case can present a reason for single case design, and thus also for the case selection (see also Stake 1995, p. 4). According to Stake (1995, p. 4) the good instrumental case study is not dependent on the typicality of the case. Thus, it can be argued that it is possible to learn more of the case that is unique in some respect(s) than from the typical case. Stake (1995, p. 4) states that accessibility often improves the opportunities to learn from the case. This is natural as the better accessibility the researcher has to the case, the better opportunities he gets to know different types of information.

In the following presents the process of how the researcher get access to the case. In addition, different aspects that favored the accessibility are discussed. After that, the aspects related to the opportunity to learn are discussed, followed by the unique aspects of the case that favored the selection. In the end of this chapter, the possible shortages of the selected case are discussed. It has to be noticed, that the three principles for the case selection used in this study, i.e. opportunity to learn, uniqueness and accessibility, are bounded to each other. Consequently, uniqueness and accessibility both further the opportunity to learn.

The case study concerns the relationship between the Avionics division of the high tech company and the Finnish Air Force's depot. The case study had its starting point in a research project done for the Finnish Academy. This research project called ”Relationship marketing and the marketing know how of small and medium-sized industrial firms” started in the 1994. I worked with Tuula Mittilä as a researcher in the project from February 1995.

Before entering the project, I worked as an assistant in marketing at the University of Tampere (1992-1994) and was interested in services marketing and service quality. I also wrote several research proposals on the concept of service quality and service quality in non-profit organizations. During that time, I completed research papers concerning services marketing (Lehtinen and Järvelin 1993, 1994). From Spring 1994, to Winter 1995, I was on maternity leave and during that time my view of the doctoral thesis research changed radically and I became interested in relationship quality. The research project for the Finish Academy was organized in a way that we could do our own research at the same time as we completed the research for the project. In August 1995, we started to search for an industrial firm that could participate in the project as a case firm. First, we looked for partners from other research projects that received funding from the same source, but we did not find any volunteers. Luckily, one of the professors from the Tampere University of Technology suggested to us one company with which they had done a lot of research.

We contacted that company and received the opportunity to meet the Marketing Director and a member of family owned company. He was favorable to our research proposal and recommended it to the Board of Directors. We waited for the final answer from the company for over half a year, and finally we were asked to discuss our research with the Board of Directors. As a result, four of the five divisions agreed to take part in the project. After that, we discussed with the managers of each of the four divisions about the research, and their wishes as well as the possible case relationships.

When we started, the actual empirical work, the first department we worked with was the Avionics department of the company. In 1996, when the interviews were held, the company consisted of five divisions; Avionics, Special Systems, Engineering, Installation and Service Station

Automation. At the end of the year Display Systems was added the company as the sixth division.

In the discussions with managers of the Avionics Division, it was agreed that my first task was the relationship between the Avionics department and the Finnish Air Force's depot. In this relationship, the Avionics division was the seller of repair services of different aircraft devices, and the depot was the buyer. The depot is a kind of service organization inside of the Finnish Air Force, and it is responsible for the acquisition and repair of different aircraft devices. The depot has a close relationship with the wings of the Finnish Air Forces. The wings take care of the actual flying operation. The depot also has working relationships with several producers and repair workshops of aircraft devices, both in Finland, and abroad.

The depot was asked to participate in the research by the researcher, the Avionics division did not discuss about it beforehand. The depot was more than willing to participate in the research. The depot's technical department, which is responsible for the maintenance of the Finnish Air Force's aircraft, was the unit in the depot that deals with the Avionics division. The technical department consists of an aircraft-electronic office, different type offices (Hawk-, Dragen-, Hornet etc. offices) and accounting office. The aircraft-electronic office takes the main responsibility for the relationship with the Avionics division, and the other offices handle the operations. The more extensive case description can be found in Appendix 2.

There were several reasons which favored the *accessibility* to the relationship between the Avionics division and the depot. First, this particular relationship was the first one I got to know better, and thus I was very motivated and interested in getting to know this relationship. Second, during the relationship, partners of the relationship, have together had some other research projects conducted by an outside researcher. This made it easier for the researcher to get into the relationship, although this research differed from the previous ones. Third, the managers of the Avionics division, also wanted to find out what the partner really thought about them, and as the research proceeded the managers from the depot were also very interested in the results of the empirical research.

The case should offer something that gives the *opportunity to learn about the phenomenom under study* (Stake 1994, p. 240-242). As the case relationship has lasted over 20 years, it was supposed that the different forms of relationship quality evaluation could have evolved in the case relationship. In addition, the age of the relationship was in a way a guarantee of the traceable evaluation process. Also, both the evaluation patterns and the actual perception of episode and relationship quality had very likely changed during a long period of co-operation. This, in turn, gives an opportunity to get a hint about the mechanisms that change the evaluation patterns, and the perceptions. The profound analysis of these kind of change processes of evaluation patterns naturally calls for the longitudinal research methods. The change in the evaluation patterns themselves is, however, not at the focus of this study. Also, the unique aspects of the relationship, like relationship between public organization and company and the content of the relationship (repair of aircraft devices), gave to the study resources which offered opportunities to learn.

There were several characteristics in the selected case relationship that made it *unique*. From these characteristics, no one characteristic alone could make the case unique, but it can be argued that these characteristics together made the case unique. In the following the characteristics of the case are presented.

First, the relationship had a history for over 20 years, which cannot be regarded as being very typical in case of industrial relationships. Second, the content of the relationship, i.e. the repair of the aircraft devices, can be also regarded as not be typical in industrial relationships. The content of the case relationship also enhanced the possibility that the evaluation actually took place in the relationship, as aviation can be regarded as highly regulated, and the regulation also concerns the quality standards of repair and maintenance of the aircraft and the devices included in aircraft. Thus, in order to operate the repair workshop has to have licenses which are audited regularly. Also, in practice, a quality standard is demanded, and in order to get a license the repair shop must have existing procedures for the testing of the devices, and thus technical evaluation is a prerequisite for the operation of the repair workshop.

Third, the selected relationship can be regarded as industrial service relationship. Industrial services are an area which is neglected in research, but its importance, in practice, is constantly growing. In that respect, the selected case relationship, also offers opportunities to learn.

Fourth, the other partner of the relationship is a military organization, which is part of the public organization in. The other partner being an official military organization is by no means a very common or typical situation in the business sector in Finland. Although a relationship between a public organization and private enterprise can be regarded as being a quite typical situation at least in Finland where the public sector is large. Consequently, the results of the analysis are really only related to this particular case reality, and as the research concerning the evaluation of relationship quality is still in the early development, research of multiple ”realities” is needed. One strength of the selected relationship, a relationship with a public organization, is that the studies concerning this kind of relationships are rare, even though it is common type of relationship in Finland.

Fifth, although the relationship seems to be institutionalized in nature, it was also evident that evaluation did take place due to the aviation regulations. Also, the initial discussion with the manager of the Avionics division revealed that other kinds of evaluation was conducted at least to some extent. Sixth, the partners can be regarded as being highly dependent on each other, and at the same time have a clear sense of the responsibility for each other. Although these characteristics cannot be regarded as very usual characteristics in business relationships, they do not on the other hand have very much effect on the relationship quality evaluation, and the effects of these characteristics are taken into account in the analysis. These characteristics can also be seen as strengths of the studied relationship when properly taken into account.

The selected case relationship has also its *risks*. These risks *can be*, however, *turned into strengths*. Initially, I was afraid about the concealment of confidential information which also concerned both the depot and the Avionics division. But in practice this fear proved to be unfounded. The concealment concerned mostly technical details, which were not covered by this study.

Second, the relationship involves services which are often considered as being difficult to evaluate, because they are high on experience and credence values (see Nelson 1970; Darby and Karni 1973; Zeithaml 1981). This risk was not actually true, in this particular case because the different licenses required clear procedures for both the actual repair and testing of the devices. These procedures made the otherwise intangible process, more tangible and thus the evaluation easier. Also, the difficulties related to the evaluation of services can be more easily described in a business context, than in the case of individual consumer. The problem may remain, however, on the higher level, i.e. relationship, evaluation as the relationship can be considered as an intangible concept, also in the business context.

5.3. The data collection

The data used in the analysis mainly consists of the interviews and discussions, but as a secondary material, also Annual reports and other published written material (e.g. history of the company) were used. The interviews form the most important source of information due to the nature of the research question which is very difficult to answer by using secondary sources of information. *The difference between interviews and discussions is that in the interviews an interview guide was used, and the interviews were also tape recorded. The discussions in turn were more free in nature, and were not guided by any interview guide*. The discussions were not tape recorded, but notes were written during and immediately after the discussions.

Next, the interviews are discussed initially and subsequently, the discussions and the secondary data are briefly addressed.

5.3.1. Interviews

The evaluation of relationship quality is to large extent a cognitive process, and the information concerning it can be traced by using data collection methods which allow cognitive processes to emerge. For example, in a very strictly guided interview, information concerning the cognitive evaluation processes may be lost. As the aim concerning the different cognitive processes was mainly to examine which of the processes actually were used, the quite freely guided interviews were selected as the main source of information. If the aim would have been in a deep analysis of cognitive processes used in relationship quality evaluation, different kinds of data collection methods would have been needed (for example a protocol analysis).

Five persons from the Avionics division and three persons from the depot were interviewed. Each person was interviewed once, in addition to the interviews discussions took place. *The guidelines in selecting the interviewees were that the selected persons were from different organizational levels, and also were active in the relationship*. All the interviewees were anticipated to have a quite a long history in the relationship.

The persons interviewed from the Avionics division were selected together with the division manager. The interviewees were the division manager, the quality manager, the repair shop manager, the foreman and the group leader of the electric-mechanics group. They all are quite active in the relationship, and they have worked in the relationship for at least six years. All the interviewees except the group leader also had some direct influence on the important matters in the relationship. They were in contact with a representative of the partner from, two times a week, to ten times a day. The contacts were mainly done by phone and concerned mostly technical issues. All the interviewees except the group leader were able to answer most of the questions.

The three persons interviewed from the depot were selected with the aid of the manager of the aircraft-electronic office (of the depot), which is responsible for the relationship with the Avionics division. I had also asked the interviewees from the Avionics division to name the persons with whom they were usually dealing with. By considering these two aspects, I developed a list of five names. After three interviews, it was noticed that the interviews gave only marginal new information, so it was decided that three interviews was enough (see about saturation e.g. Eskola and Suoranta 1998, p. 63-64).

The interviewees, from the depot were the manager of the aircraft-electronic office, the chief of the special electronic systems in aircraft-electronic office (used to be in Hawk-office) and the manager of the Dragen (DK) –office. The persons from the lower levels of the organization were not included in the study, because their contribution was not anticipated to be remarkable on the basis of the experiences from interviews done in the Avionics division. All the interviewees had worked for a long period with the Avionics division (from 8 to 14 years) and they also were able to influence the relationship. The interviewees had contacts with the partner from a daily basis to a few times a week. All the interviewees found it quite easy to answer the questions.

Eskola and Suoranta (1998, p. 66) define three requirements for the interviewees in qualitative research. First, the interviewees should have same kinds of experiences concerning the studied phenomenon at the time of research. Second, interviewees should have been actively involved in the matters studied, and third, they should be interested in the research. In this research, all the requirements for the interviewees were quite satisfactorily fulfilled. (Ibid.) All the interviewees were actively involved with the matters related to the industrial relationship from 6 to over 20 years, they were all actively involved in the case relationship, and they were all interested in participating in the research.

Each interview lasted from 1 -2,5 hours and interviews were recorded and transcribed[54]. Interviews were conducted between July and October in 1996. Interviews based on the semi-structured questionnaire or interview guide (see Appendix 3) which was used only by the interviewer. The researcher personally conducted all the interviews. The aim was to have a discussion with the interviewee so that all the themes mentioned in the interview guide were covered. Some of the themes in the interview guide were quite difficult for the interviewees (for example the other level of the relationship in which the interviewee was not involved). The interviewer needed to be creative and sensitive to be able to see the relationship from the perspective of the interviewee, and thus to be able to ask the questions in a right way, and inspire the discussion. It has to be noticed, however, that the lower the organizational level of the interviewee was, the more the interviewee needed help in answering the questions and discussing the themes. As the organizational level and the occupation of interviewees varied, not all the questions were ask of all the interviewees.

The interview guide was developed in close co-operation with researcher Tuula Mittilä in order to cover all the aspects needed both in the project and in my own research. The questionnaire was tested in Spring 1996, in business-to-business service sector. As a result of testing, some modifications were done. The questionnaire followed the lines of the preliminary framework, so that all the areas were covered by the questionnaire. As mentioned all the themes were characterized in the questionnaire by some example questions. In table 1 the process from theoretical concept to the question in the questionnaire is, illustrated.

It has to be noticed, however, that the operationalization of concepts was not always as easy as it was in the case of the presented example. For example, the second comparison presented in theoretical framework was very difficult to operationalize and form a question concerning it. This problem was solved partly by using CIT (Critical Incident technique, see

[54] In one of the interviews part of the data was lost in the phase of transcribtion. Luckily notes were taken during the interview, and they were used in the analysis.

below) and partly by asking questions like ”Has your satisfaction concerning the relationship changed?”, ”How did it change?”; ”In what kind of circumstances did the change take place?”. In appendix 4 examples of the questions related to each part of the preliminary framework are presented.

Table 1. From theoretical concept to a question in the questionnaire, an example.

CONCEPT	OPERATIONALIZATION	ILLUSTRATIVE QUESTIONS
Comparison standard used in episode quality evaluation not episode quality	Factor against which the episode experiences are compared	Do you use any standards against which the results of the repair process are compared? If you do use why not? If use, what kinds of standards? In what kind of circumstances?

The *themes that the interview guide covered* can be divided into two groups: themes related to the background information and the main themes. The themes concerning the background information were: background information about the organization, general information about the relationship, history and functioning of the relationship, persons involved in the relationship and status of the interviewee. The main themes of the interview guide were the state of the relationship (incl. commitment, trust, dependence etc.), evaluation of normal episode, evaluation of problematic episode, evaluation of the relationship and network effect to the evaluation. Each of the themes were illustrated with some questions in the questionnaire in order to ensure a fluent progress of the interview. In appendix 4, examples of the questions related to each main theme is given, and in addition, the number of the sub-problems and the main theme is described.

From the main themes the first one, the state of the relationship, mainly concentrates on gathering data about the nature of the relationship, but also includes questions which are related to the cognitive processes the interviewees use in evaluating relationship quality (i.e. equity and fairness). Thus, this main theme relates to the sub-problems number 2 and 4. The second, third and fourth main themes which concern the evaluation of normal and problematic episodes and relationship, cover all the sub-problems except the first one (i.e. the definition of episode and relationship). Themes cover the relationship between episode and relationship quality, dimensions of relationship quality evaluation, cognitive processes used in relationship quality evaluation, comparison standards and the way relationship quality is evaluated in different levels (see more chapter 1.4. and interview guide in Appendix 3).

The interview procedure is close to the Critical Incident Technique (CIT), which has been used, for example, in service quality studies (e.g. Bitner and Nyquist and Booms 1985; Nyquist and Booms 1987; Bitner and Booms and Tetreault 1990; Edvardsson 1988; Stauss and Hentschel 1992). In service quality studies CIT is used in collecting and classifying either especially satisfying or dissatisfying experiences (critical incidents) in service contact situation (Stauss and Weinlich 1995, p. 3). In CIT, the interviewee is asked to describe in detail those incidents (or episodes) which have been especially satisfying or dissatisfying. In this study at the end of each interview, the interviewees were asked to describe an episode which positively, and an episode which have negatively changed their perception concerning the relationship. The interviewees were asked to describe those episodes in detail, and also to tell about the situations before and after the particular episode together with the reasons for entering to the episode and the possible consequences of that episode.

In this study CIT was used mainly in order to describe the cognitive evaluation processes that are used when the relationship quality perception is changed. By using CIT information about the episodes which change the relationship quality perception, and also the way this change occurs, was anticipated. The CIT proved to be valuable tool especially in providing information about the way episodes, which change relationship quality perception are evaluated. CIT also provided information about what kinds of episodes have either positively or negatively changed the interviewee's perception concerning the relationship. The CIT also served as a device for ensuring that the episodes which can be regarded as deviating from the normal, are captured.

5.3.2. Discussions and secondary data

In addition to the interviews, unofficial discussions and secondary data was also used in this study. The role of *the secondary data* (e.g. annual reports, history of the company) was mainly used to provide background information about the organizations included in the relationship and about the nature of their business.

The *discussions* can be divided into two phases. In the first phase the group consisted of several managers from the Avionics division. These discussions mainly served as a source of information concerning the case relationship and the nature of business. Also, the researcher had one discussion with the manager aircraft-electronic office from the depot. These discussions can be regarded as access negotiations.

During the second phase, the discussions concerned mainly the results of the empirical research, and they took place approx. a year after the interviews were conducted. In these discussions the researcher gained valuable information concerning the interpretations made about the results from the empirical research. In this phase the researcher had discussions with the managers of the Avionics division, as well as a chance to talk about the results with over 20 employees of the Avionics division. Notes were also taken after this discussion. The discussions in the second phase, can be regarded as being validation discussion (or withdrawal negotiations).

5.4. Analysis of data

After the interviews were transcribed by the research assistant, the transcribed interviews were coded according the main themes. After that, the themes were divided into categories and sub-categories which cover the areas discussed in theoretical framework and the data was coded accordingly. In the coding process, some additional themes were used which were not directly reflected in the issues discussed in theoretical framework. This was done in order to get a complete picture about the way that the evaluation took place in this particular case reality and in order to avoid loosing any relevant information linked to the evaluation process of relationship quality. Thus, all the relevant information concerning the evaluation process was coded and used in further analysis. Although the theoretical framework was used as an aid in coding the data, the data was given the opportunity to "speak" and the framework mainly served as a support tool in the coding process (see Eskola and Suoranta 1998, p. 82, theory as a tool). Table 2 illustrates how the data was coded and interpreted into theoretical concept.

Table 2. From data to concept, an example.

STATEMENT	SUB-CATEGORY	CATEGORY	CONCEPT
"The agreed fixed times are followed very closely every year"	Comparison standard	Comparison	Comparison standard used in episode quality evaluation

The data analysis in this particular research was easier than what was anticipated. The statements that the interviewees made were, in most cases, quite clear and thus easy to code into categories and sub-categories. The data once coded into the categories and sub-categories was further analyzed, in order to see that the content of data in the category or sub-category was unified, and to see if additional categories were needed. The theoretical analysis of concepts which clarified the content and nature of different concepts supported the analysis of data. Consequently, it was quite easy for the researcher, in many cases, to find the category the statements belong because the theoretical analysis gave a clear picture about the content and the relationships of concepts.

This method of doing analysis naturally has its dangers; data is easily coded according to researcher's first impression and the other possible interpretations are not thoroughly considered. In order to avoid this kind of mistake the statements were read, interpreted and re-coded (if needed) several times. As the amount of interviews and other forms of data (i.e. discussions) was limited, the coding and interpretation processes were done manually.

As mentioned, part of data did not fit the original categories made on the basis of the theoretical framework and was therefor coded into categories according their nature. Also, all of the concepts did not gain any empirical support, and were not supported[55] by the data retrieved from this particular case by this particular method. Again, not all of the categories linked to a particular concept gain any empirical support, i.e. the theoretical concept was only partly supported. The fact that not all the concepts were supported can support for the approach of the case study in this research. As mentioned, the case study presents an instrumental case study, in which the aim is not making generalizations, but provide an insight to the studied issue (Stake 1994, p. 243, see also Eskola and Suoranta 1998, p. 65-67). Also, as the framework of relationship quality evaluation can be regarded as being quite comprehensive, it can not be assumed that all the concepts of the framework could be supported by one empirical case.

Taking together tables 1 and 2, we can see a circle which starts from the theoretical concept and ends to the (possibly) redefined concept. This circle shows the ideal way of data supporting the existing theoretical concept. In reality, this was not always the case. For example, in the case of the third evaluation the framework did not get any support from the empirical case.

[55] Although I am frequently using the word ”support” it has here a different connotation than in quantitative research. In quantitative research the hypothesis set are either supported or not supported by the empirical research. In this (qualitative) research supporting means that a particular theoretical device (in this case category or concept) is mentioned in statements provided by the interviewees in this particular empirical case.

In addition, it has to be noticed that the theoretical framework did not cover all the aspects available from the empirical data. Thus, in order to include all the relevant data new categories were built. These particular categories were build up according to the needs created by the empirical data and they did not have a pre-constructed theoretical base. For example, technical standards as a comparison standard used in episode quality evaluation did not form a separate comparison standard category based on the theory. The reasons for the need to create new categories can be found in the role of theoretical and empirical studies in this research. As the aim of the theoretical analysis, is to create a framework for the evaluation of relationship quality, the empirical research mainly facilitates this framework.

5.5. Soundness of the empirical research

In the following the validity and reliability are discussed in the context of qualitative research. In addition, means for achieving validity and reliability in this research are presented. In table 3, the used terms are presented together with their counterparts from positivistic research approach and as well as the means for achieving them.

Qualitative as well as quantitative research is evaluated by using the terms reliability and validity. Reliability is traditionally defined as the extent to which a research procedure yields the same result, whenever it is carried out. Validity, in turn, is the extent to which research gives correct answers. These concepts defined as above cannot be used, as such, in qualitative research. Reliability and validity are based on the assumptions that link positivist philosophy and positivist approaches into methodology. The most important of these assumptions is the assumption of unchanging universe.

The assumption of the constantly changing world which is linked to the qualitative research seems to rule out any systematic research since it implies that we cannot assume any stable properties in the social world (Silverman 1993; p. 146). Reliability as such is therefore not applicable to the qualitative research. The questions to ask in qualitative research are: how can we be reasonable sure that the findings would be replicated if the study was conducted with the same participants, in the same context, and how can we be sure that the findings are reflective of the subjects and the inquiry itself, rather than the product of biases and prejudices on the part of the researcher (Marshall and Rossman 1989).

Table 3. Means for achieving data quality. Bolded text are used in this study. (See Lincoln and Cuba 1985; Wallendorf and Belk 1989).

Term in positivistic research	**Term here**	**Means for achieving**
Reliability	**Dependability**	Observation over time **Explanation of change** **Documentation of procedures**
Internal validity	**Credibility**	**Respondent validation** **Triangulation** **Prolonged engagement** **Regular** on-site **team interaction**
External validity	**Transferability**	**Documentation of procedures** Seeking limiting exception **Emergent design (used to some extent)**
Objectivity	**Confirmability**	**Triangulation** Reflective journals Auditing **Respondent validation**
	Integrity	**Prolonged engagement** **Triangulation** **Safeguarding informant identity**

Kirk and Miller (1986, p. 72) suggest that for reliability to be calculated in qualitative research, it is incumbent on the scientific investigator to *document his or her procedure*. This includes interview guides, the actual interviewing, documentation and analysis (ibid.). The interview guide used in this study was commented by Tuula Mittilä and my supervisors and it was also pre-tested. Also, some minor changes were done to the interview guide after the first interview. As mentioned, all the interviews were tape recorded and transcribed, but the other sources of data, for example, the discussions with the managers from the Avionics division were not recorded. Notes were made during these discussions and they were transcribed immediately after the conversations. The procedure of data analysis is fully described in chapter 5.4.

Lincoln and Cuba (1985, p. 290) have replaced the term reliability with the term *dependability*, i.e. the extent to which interpretation was constructed in a way that it avoids instability other than the inherent instability of a social phenomenon. Following the lines of Lincoln and Cuba (1985) Wallendorf and Belk (1989, p. 77) argue that it is important to ascertain the extent to which explanation is enduring and the extent to which it derives from peculiar convergence of a particular time and place. In order to achieve dependability *observation over time and explanation of change* are needed (ibid.). The observation over time and explanation of change would have in this study (as in any other study) demanded a longditunial research method, which is not used here. Instead, the change processes attempted to be captured by asking questions about the changes in the evaluation process, changes in the relationship, changes in perceived satisfaction etc. By using a cross-sectional research method, this is all that can be done to ensure the dependability of the study. It is, however, possible after this study is completed to go back and ask the same questions from the interviewees and that by this method reach dependability.

The other aspect of dependability is the relatedness of explanation to a certain time and place. To make a differentiation between general explanations and time and space specific explanations clear, three types of frameworks (preliminary, modified and refined) are presented in this study. In building the preliminary framework, which is based on the theory, different theoretical perspectives related to the phenomenon under study were studied in order to form as a complete picture about the phenomenon as possible. The time and space specific explanations are used in making conclusions on the basis of the empirical research, and they are taken into the modified framework (built on the basis of theoretical framework and empirical research). Only if differences between theoretical (preliminary) and modified framework were regarded as not being due to the characteristics of the special empirical reality, were they included to the refined framework.

Validity is usually defined as the extent to which an account accurately represents the social phenomena to which it refers (see Hammersley 1990, p. 57). Internal validity refers to what extent we can infer that a causal relationship exists between two (or more) variables. In qualitative study, internal validity is according to Marshall and Rossman (1989) derived from the embeddedness of the data in the setting it studies. The empirical setting of this study is presented in chapter 5.2. and the theoretical framework in chapter 4.2..

In post-positivist inquiry Lincoln and Cuba (1985) suggest the term *credibility* to be used instead of internal validity. By credibility they refer to the adequate and believable representations of the constructs of reality studied (ibid.). The means for achieving credibility in the following is mainly related to the empirical research, and here it is related to the theoretical research. In order to build adequate and believable representations of the reality, in theoretical analysis, different theoretical aspects were used in building the theoretical framework. Thus, the reality or phenomenon was looked at many different perspectives, and these different perspectives allowed the multifaceted analysis on a theoretical level. The many different perspectives also caused problems in analysis. The different perspectives use different terms and concepts when discussing about the same phenomenon. In order to form believable and adequate concepts, from this type of situation, the perspective of phenomenon, instead of the perspective of a certain theoretical tradition, has to be taken.

An other issue related to the credibility, in theoretical research, is the match between theoretical constructs and empirical data. As mentioned earlier (see chapter 5.4.) this was not fully reached in this study. This can be argued, by the role of the case study, in this study and by the extensiveness of the preliminary framework. The case in this study has the role of an instrumental case study (Stake 1994, p. 243). Thus, the aim is not making generalizations on the basis of the case study, but in facilitating the conceptual analysis. Also, as the preliminary framework is quite comprehensive, it was already assumed that all the concepts of the preliminary framework could not be covered by one empirical case.

In this study, four means were used to improve credibility: respondent validation, triangulation across sources, prolonged engagement and regular team interaction (see Lincoln and Cuba 1985). These methods are discussed in the following.

Respondent validation was in this study used as a means for assessing the internal validity of the study. The final report of empirical analysis was given for comments to the manager of the Avionics division and to the manager of the aircraft-electronic office of the depot. The tentative results were presented to two of the managers of the Avionics division in September 1997. In December 1997 the results also were presented to approx. 20 representatives of the Avionics division. These discussions provide me as a researcher a strong belief that the empirical findings and interpretations I have made were valid.

Triangulation across sources is often used in ethnographic fieldwork, but it can be applied also to other kind of qualitative research. Triangulation across sources requires that the evidence for interpretation is developed from interaction with several informants, particularly several types of informants (see Wallendorf and Belk 1989, p. 72). In this study, the interviewees were from several organizational levels (see figure 9) and represented different types of informants. In this research, the main source of information were the interviews. The unofficial discussions with the managers of the Avionics division also served as an important source of data. Different types of written material: history of the Avionics division, annual reports, and reports from the media, were used as secondary sources of data. In answering the research questions the main source of data were the interviewees, which were supported by the discussions. The secondary data and discussions were mainly used in order to form a complete picture about the case relationship.

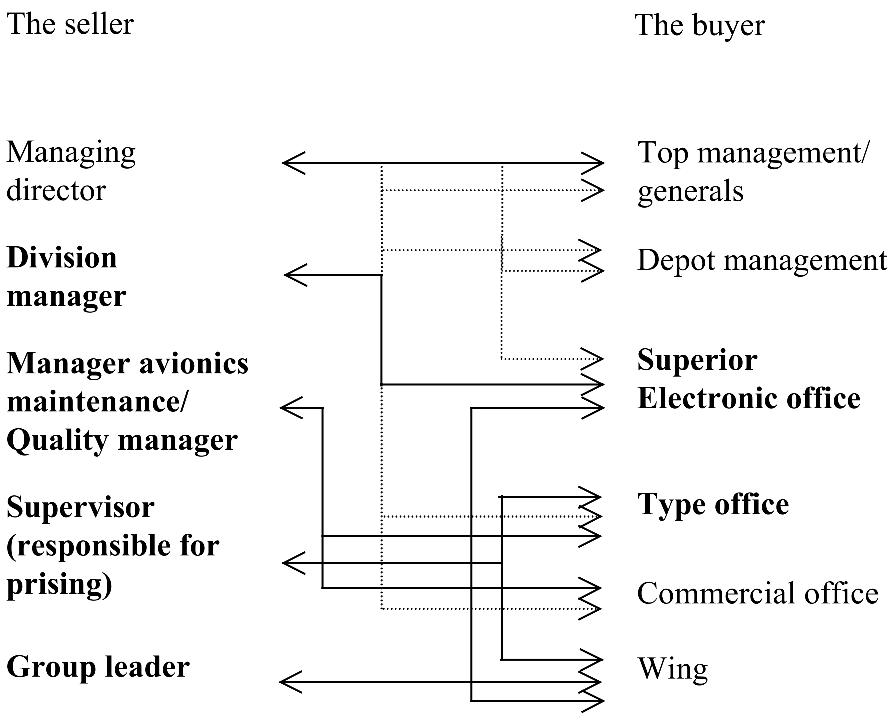

Figure 9: The different organizational levels of interaction in the relationship. The levels from which the interviewees were from are bolded.

Prolonged engagement is needed for developing an understanding of the phenomenon and its context. In this kind of research, spending time and observing the interaction in relationship was impossible. Thus, in this research prolonged engagement can be supported by maintaining contact with the persons involved in the research, and by getting to know the business, relationship and partners involved before hand. The maintaining contact with the interviewees was done both before and after the actual interviews, and it facilitated in building a trusting atmosphere. Information concerning the partners, the relationship and the business was gathered from the secondary data sources and from the discussions that took place before the interviews.

Regular on-site team interaction is also a method which enchanted the credibility in empirical research. Regular on-site team interaction is usually linked to the ethnographic field research, but it can also be applied in other kinds of research. In ethnographic field research regular on-site team interaction means interaction between researchers in the field when gathering data. In this study it was used as numerous discussions with Tuula Mittilä, who also did research in the seller company, before the interviews, right after the interviews, and during coding and analyzing the data. These discussions clearly gave ”the second opinion” for many problems that occurred during the research process. For example, the discussions helped in forming the interview guide, in making the interviews and in analyzing the data. From the point of view of credibility these discussions with another researcher closely related to this study gave the valuable comments which helped the researcher to see the problem or matter from another point of view.

Lincoln and Cuba (1985) have replaced the term external validity by *transferability*, i.e. to the extent to which working hypotheses can also be employed in another context, based on the assessment of similarity between the two contexts. This means that the results of the study should also be employed in other (similar) context, but not in all possible contexts (ibid.). Lincoln and Cuba (1985) suggest an easy answer to the demands of transferability is that if other researchers are concerned with the applicability of findings, in another context, they should be able to do research using similar methods in another time and place and then compare results(see also Wallendorf and Belk 1989, p. 76).

The uniqueness of this case was one of the reasons for selecting the particular the case (see chapter 5.2.). However, the uniqueness of this case also affects the transferability of the findings into other contexts. In order to avoid this transferability problem modified and refined frameworks are built.

Lincoln and Cuba (1985) also see transferability as a purpose to understand the phenomena across a variety of circumstances. Phenomena according to Wallendorf and Belk (1989, p. 76) can be a type behavior or variety of behaviors, i.e. the behavior phenomenon could occur through a variety of behaviors. In this study, the studied phenomenon, relationship quality evaluation, can occur through variety of behaviors. The procedures of establishing a transferability of this kind are, for example, seeking limiting exceptions and emergent design. In this study, in analyzing of the empirical data, the data was given an opportunity to speak and the data also modified the theory. Thus, it can be argued that method of data analysis that reminds emergent design was used (cf. emergent design by Wallendorf and Belk 1989, p. 76). The data was also handled in a way that the exceptions were taken into account in the analysis, but seeking limiting exceptions was not used as preliminary data analysis method.

Lincoln and Cuba (1985) also added *confirmability* as a mean for judging the soundness of qualitative research. Confirmability refers to the ability to trace a researcher’s construction of an interpretation by following the data and other records kept (Lincoln and Cuba 1985, p. 290). Because post-positivist research recognizes that there does not exist absolute objectivity, the term neutrality is inappropriate to be used in qualitative research. The post-positivist research accepts the notion, that at best, the researcher can become conscious of, and hopefully also reduce his/her biases, semantic accents and ethnocentrism (see Wallendorf and Belk 1989, p. 78). The methods that can be used are triangulation, reflective journals and auditing (ibid.). Triangulation was used in this study, but reflective journals and auditing were not used. Also, respondent validation, which was used and was discussed earlier can be regarded as being a source confirmability.

Triangulation here primarily means collecting data by multiple members of a research team and later comparing the data. In this study, this was done by separately collecting the data, but comparing it in discussions afterwards with Tuula Mittilä. It has to be noted, however, that the data we collected was only partly comparable (i.e. the interview guides only partly covered the same issues). In spite of this, the comparison and the discussion served at least for me, as a source of confirmation of findings and interpretation.

Integrity is also a mean for assessing the trustworthiness of qualitative research developed by Wallendorf and Belk (1989, p. 80). Lack of integrity can arise when the informants fear or dislike the researcher, or they try to attract the researcher (ibid.). Integrity is defined as the extent to which the interpretation is unimpaired by lies, aversions, misinformation or misrepresentation by informants (Wallendorf and Belk 1989, p. 70). Prolonged engagement in order to construct trust and triangulation are the means for facilitating integrity. These means were discussed earlier. Here safeguarding informant identity is discussed.

In order to *safeguard informant identity* the interviewees were informed that their names would not be published, and that the single statements cannot be traced to a certain individual. Also, the admission for recording the interviews was asked for the interviewees. The purpose of the study and the use of the data collected were also explained to each interviewee. The interviewees were free to ask any questions concerning the research. It was also pointed out that the interviewees should answer according to their own perceptions and feelings and not to think what is the right or wrong answer. The aim of the interviews like the discussions succeeded in most cases. One of the interviewees was, however, not obviously feeling very comfortable with the research and he was afraid to give wrong answers. This was quite natural, because the interviewees were bound to secrecy concerning certain matters of the relationship. But the other interviewees did not seem to have fear of breaking this bound. Concerning that certain interview, a trusting atmosphere was tried to be built by asking easy and general questions first and this was at least partly successful. However, in analyzing the data, these problems in interviewing process were taken into account.

6. RESULTS OF THE EMPIRICAL STUDY

In chapter 6 the results of the empirical case study are presented. Before proceeding to the actual results, the nature of the episodes and case relationship are discussed. After that, the results concerning the formation of relationship quality perception within and between organizations is addressed. This discussion is followed by the results concerning evaluation of the episode quality in the case relationship. This includes the evaluation process of episode quality, comparison standards used in that evaluation and dimensions of episode quality.

Next, the results concerning the evaluation of relationship quality are presented. This includes the evaluation process from episode quality to relationship quality and is presented together with the comparison standards and dimensions used.

At the end of chapter 6 the modified and refined frameworks of relationship quality evaluation are presented. The modified framework is built on the basis of the preliminary framework and the results from the empirical case study. The refined framework is, in turn, build on the basis of the preliminary and modified frameworks, so that it can serve as a basis for the future research.

The research questions or sub-problems, in chapter 6 aims at answering, from the point of view of the empirical case study, include all the sub-problems except sub-problem number 2 (presented in chapter 1.4.). These sub-problems were the following:

1 **What is an episode and what is a relationship; especially from the perspective of the evaluation?**
3 **In what way is the relationship quality evaluated on the different intra- and interorganizational levels?**
4 **What kinds of cognitive evaluation processes do actors use in the evaluation of relationship quality?**
5 **What are the comparison standards used in the relationship quality evaluation?**
6 **What are the dimensions used in the relationship quality evaluation?**
7 **What is the relationship between episode quality and relationship quality?**

The first sub-problem concerns the definition of episode and relationship. In the empirical analysis the definition of episode is addressed together with the nature of episodes and relationship in chapter 6.1.

The third sub-problem, which concerned the way by which the relationship quality is evaluated different intra- and interorganizational levels, and is mainly addressed in chapter 6.2. As this problem deals with the evaluators of the relationship quality, it also to some extent is dealt with in other chapters.

The fourth sub-problem relating to the cognitive processes the individual actors use in evaluating relationship quality is, in this empirical part, dealt with in several chapters. In chapter 6.3.1. the cognitive processes, related to the episode quality evaluation are described. The cognitive processes related to the relationship quality evaluation are in turn addressed in chapter 6.4.1.

The fifth sub-problem related to the comparison standards used in relationship quality evaluation, and is dealt with on the basis of the empirical research in chapter 6.3.2. (comparison standards used in episode quality evaluation) and in chapter 6.4.2. (comparison standards used in relationship quality evaluation).

In order to the get as extensive a picture as possible of the evaluation of relationship quality, the content or the topics according to which the evaluation is made (i.e. dimensions) has to be discussed. The sixth sub-problem concerning the dimensions is addressed in chapter 6.3.3. (dimensions or episode quality) and in chapter 6.4.3. (dimensions of relationship quality).

The seventh sub-problem deals with the evaluation process of relationship quality by examining the relationship between an episode and relationship quality. The crucial question here is the effect of episode quality perception on the relationship quality perception. This question is dealt with in the chapter 6.4.1. in which the evaluation process links the episode quality perception to the relationship quality perception.

The evaluation of relationship quality is very complex process in which many concepts are linked to each other. Thus, I chose to present the episode and relationship quality evaluation processes separately, and to describe each of these processes as a whole first, and subsequently more deeply by addressing the special issues.

6.1. Nature of case relationship and episodes

In this chapter the nature of case relationship and different episodes that were evaluated are discussed. In the following first the case relationship is described, and then the evaluated episodes are described.

6.1.1. Relationship[56]

The case relationship has lasted for over 20 years. The long period of co-operation together with the fact that the buyer (the depot) is a military organization forms the base for many special characteristics. The *legal base* of the relationship is defined in general agreement, and it is negotiated and completed once a year. One special arrangement in the general agreement, is that it sets limits on the yearly profits for the seller (the Avionics division). The *daily operation* in relationship concerns the repair and maintenance of the different aircraft devices and as well as different planning and development projects.

The major *investments* that both partners have made during the past few years concern the development of a repair and maintenance system for the Finnish Air force F-18 Hornet fighter planes. The investments made in the system were at least for the most part investments in the relationship. In addition to this project, the buyer invests continually different testing devices, although the ownership of these device remains with the depot. The *adjustments* to the relationship were mainly done by the Avionics division as the depot is the major client of the Avionics division. Financially the whole operation and future is dependent on the depot. The Avionics division is in a way forced to adjust to the depot with respect to order, material and spare part systems together with funding. The depot also in a way adjusts its operation by trying to keep the workload of the Avionics division stable. *This kind of adjustment characterizes the whole nature of the relationship, both partners see themselves as being unified part of the larger whole*.

Both partners see themselves as being *dependent* on the other one, but the Avionics division is more dependent in comparison to the depot. A split in the relationship would mean a catastrophe for the Avionics division, but only short term difficulties for the depot. Thus, it can be said that the depot is in a *more powerful position* in the relationship than the Avionics division. It seems to be, however, that the power positions do not have a great importance in the relationship, but the *responsibility and concern* about the partner is more important for the partners.

Partners are *committed* to each other, both emotionally and in a behavioral way. In this relationship *trust* operates on the level of daily matters but does not form a powerful bond between partners. It seems to be that the strong dependence and long common history have, in a way, reduced the importance of trust in the relationship.

Although the relationship has lasted over 20 years, it does not fulfill all the common characteristics of the *institutionalized* relationship. Partners have clear responsibilities and a systems for negotiations, for handling problems and pricing the services, but they also have assessed the relationship and other possible partners.

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[56] More extensive case relationship description can be found in Appendix 2.

There exists clear differences in *organizational cultures* between the partners. These differences are mainly based in the different organizational cultures in private enterprise and public organization. These differences were partly overcome by the common aviation culture. Although the differences in organizational cultures are evident, they affect only the operation and interaction on the lower levels of organization.

6.1.2. Episodes

As the episodes in this study are examined from the point of view of evaluation process, *only the episodes that are somehow linked to the evaluation of episode quality are dealt with*. It has to be noticed, that as these episodes were evaluated, they did affect the episode and relationship quality perceptions.

In the theoretical part of this study, an episode was defined as a *discernible series of acts occurring in the business relationship, and it represents an exchange process of product/service or information or financial issues or social issues or a combination of these.* In the empirical study, the relationship between the Avionics division and the depot were found to consist of three basic kinds of episodes*: repair processes, development projects and economic planning processes*. In order to draw as complete a picture as possible, the repair processes were further divided into *normal repair processes and problematic repair processes*.

Before examining these different kinds of episodes more closely, three issues are worth discussing. These issues include the effect of tasks together with organizational level of interviewees on the importance of episodes, the economic planning processes and unofficial evaluations.

Based on the discussions and the interview with the manager of the Avionics division the repair process seemed to be the most frequently occurring episode, and all the interviewees were somehow involved in the repair process (i.e. either planning, supervising, guiding, testing or repairing). However, *the importance or centrality of different kinds of episodes for the interviewed persons varied according to their tasks and organizational levels*. The lower the organizational level of the interviewee, the more central were the repair processes. The higher the organizational level, the more central was the economic planning process. All the interviewed persons, who were involved in development projects, regarded the projects as central and important from the point of view of their work.

In the theoretical part of the study, the definition of an episode considered all the exchange processes, as episodes, regardless of whether products or services are exchanged, or not. The discussions and interviews revealed that *the economic planning process* should be considered as an episode. In the economic planning processes, no products or services are exchanged; information is the main mean of exchange in these planning processes. It has to be noticed, that it was not an easy decision to treat economic planning processes as episodes, because the evaluation done during these processes can be regarded as being merely relationship quality evaluation, more than episode quality evaluation (i.e. during these processes yearly contracts were made). However, in this particular relationship the yearly contracts can be seen merely as a formal gesture, not as a decision concerning the future of the relationship. The economic planning process is thus seen merely as a process during which information concerning the economic situation and the next year's budget is exchanged.[57]

It has to be noticed, that especially in the more *unofficial or individual forms of evaluation the evaluation did not necessarily cover the whole episode*, i.e. the whole repair process or development project, *but a part of it*. For example, the planning process of development projects can be evaluated as a separate episode. Two reasons for this can be found. First, the interviewed people were involved in different ways in the episodes, which naturally determines the scope of the unofficial or individual evaluations they make regarding those episodes. Second, the more unofficial or individual forms of evaluation often took place when something abnormal was noticed, i.e. when the episode experience was regarded as unusual. On the basis of these kinds of experiences, usually a separate episode quality perception was formed. In this study, also these kinds of episodes are regarded as episodes as they were evaluated by the interviewees.

Consequently, on the basis of the above discussion, it can be argued that the definition of the episode presented in theoretical part has to be modified in order to take into account the evaluation perspective. Thus, an episode is defined as a *discernible series of acts occurring in the business relationship, and it represents an exchange process of product/service, information, financial issues, social issues or a combination of these, and it is evaluated by the individuals involved in the relationship.*

Next, the short description of the episodes found in the case relationship is presented. A more extensive description can be found in Appendix 5.

The repair process[58] forms, in a way, the heart of the relationship between the Avionics division and the depot. The Avionics division repairs over 2500 devices for the depot annually. The role of the depot, in the process, is to coordinate the functions between the actual wing, where the devices come from, and the Avionics division. The Avionics division is quite seldom in direct contact with the wing. The repair process is highly regulated due to the regulation, and the Avionics division has a standardized quality system for the repair process. Repair processes can be

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[57] In the following for simplicity's sake *the evaluation of economic planning process* is replaced by *the economic evaluation process.*

[58] For simplicity's sake the term repair process is used to cover all the repair, maintenance and change process that are done to a single device or to all the devices of the same type. All the other change process are considered to be development projects. The repair processes are done within the limit of a yearly agreement, the development projects need a separate agreement.

divided in two types: normal repair processes and problematic repair processes.

Normal repair process takes place when everything goes as anticipated. Since aviation is highly regulated, people involved with repair processes, should have a clear picture of how the process is supposed to work. The problematic repair process represents the opposite situation; it takes place when something in the repair process does not go as anticipated. The problems can occur during the repair process, or after the device has been delivered to the client. As procedures of repair process are documented, it is quite easy to notice if something is not as it should be.

The agreement between the depot and the Avionics division (revised yearly) determines the devices that the Avionics division can repair together with the quantity of those devices. The agreement also includes the prices to be charged. As mentioned earlier, aviation is highly regulated, and every repair workshop has to have, according to these regulations, a workshop manual which determines the duties and procedures. These regulations together with the quality system, guide the nature of each repair process.

The actual repair process has many sub-processes that serve as supporting processes for the repair. For example, delivery, stockkeeping, all the paper work and billing can be regarded as supporting processes. In this study, they are not, however, handled as separate process, but as a part of the repair process. On site the repair process, the interaction between partners is evident. Different persons involved in the process may interact several times during one normal repair process, for example, the supervisor from the Avionics division can be in contact with persons from time control, type office and accounting office.

Development projects, aim at developing a certain system, or part of a system, for example, a testing device, or at educating personnel. Development project are included in the yearly agreement, but are guided by a separate agreement.

Economic planning processes can be divided into two parts. The first part takes place inside the organization (i.e. intraorganizational) and the second inside the relationship between partners (i.e. interorganizational). Then economic planning processes are tightly linked to the negotiations of the yearly agreement.

6.2. Formation of relationship quality perception within and between organizations

Before discussing the actual episode quality evaluation, the question concerning the actors performing the actual evaluation, is addressed in this chapter.

In the research, the persons interviewed represented different organizational levels. This was done, partly, in order to find out how the perceptions of the actors, from the different organizational levels, affected the official perception. As anticipated, the upper level perceptions, followed more the official guidelines. However, the persons from the lower levels of organization were quite frustrated because their perceptions were not taken into account in the upper levels. Thus, the lower level perceptions, did not remind the official perceptions, partly because the persons from lower levels found it difficult to get their opinions herd.

Consequently, *it can be argued that the evaluations are made on all organizational levels*. It seems to depend on the leadership and the management system of the organization, whether the lower level perceptions are included in the official perception. In the case of the Avionics division, the management was beginning to understand the value of the perceptions of the people directly involved actively in the daily operation of the relationship.

The term official evaluation also can be regarded as a fuzzy term. We cannot be 100 % sure about what is official and what is not. The written material is easy to determine as an official material, and the written evaluations can thus be regarded directly as official ones. However, only part of the evaluations are made in written form in the case relationship (i.e. standardized evaluation and partly systematic, joint, economic and development project evaluations). Other than written evaluations were regarded as official if the interviewed persons said they were official, or if all interviewed persons in the leading position held the same opinion with respect to the evaluation.

The actors from the different side of the relationship, shared to a large extent, the same kind of perceptions concerning both the episode and relationship quality[59]. Both the level and content of the evaluation remind to a large extent, each other. It seems to be that individual actors from the upper levels of both organizations, held perceptions, that they did not express to the other partner. Accordingly, it seems to be, that although these perceptions were not expressed to the other partner, the other partner was at least to some extent, aware of these perceptions.

On the basis of theory, the relationship quality perception in the intraorganizational and interorganizational levels can be seen developing on the basis of the evaluations done by individuals. As these individual evaluations are discussed, or otherwise shared with the others, they together, form the intra- or interorganizational relationship quality perception (see figure 4). In the case relationship, this was in fact already true, in the case of episode quality evaluation as there exists different forums for the discussions. When it comes to relationship quality evaluation, it seems to be that the relationship quality evaluations are discussed and information concerning it is shared, but to more limited extent than in case of episode quality evaluation. It seems to be in this

[59] In the case of economic episode quality evaluation the evaluation process, and thus also the perceptions gained as a result of it, varied between partners.

particular case relationship that the partners take the relationship more or less as self evident and feel that the constant state or the future of the relationship need not to be talked about. The forums for the discussions, related to the relationship quality evaluations can be characterized as more unofficial and not so specified, as in case of episode quality evaluation.

In the theory, the effect of the other partner on the other partner's quality perception was illustrated in figure 5. This means, that if you in one way or the other, know what kind of perception the other partner holds concerning the relationship, or episode, in question, that knowledge affect your perception. In the case relationship, the information concerning episode quality perceptions was shared quite willing, but in case of relationship quality evaluation the information sharing was not as open. It also seemed that the relationship quality perceptions held by the Avionics division were more likely to change because of the knowledge concerning the other partner's perceptions.

The effect of the depot's relationship quality perception on the Avionics division's relationship quality perception clearly has two forms; the effect through behavior and the direct effect. As the effect of the depot on the Avionics divison's relationship quality seems to be working through acts, we can talk about the *effect through behavior*. Thus, the source by which the Avionics division is affected, is not negotiations, or "café table" discussions with the depot, but the acts that the depot performs. The *direct effect* means that the depot has perceived a good/excellent level of relationship quality and stated that perception to the Avionics division. The fact that the customer evidently has been satisfied, naturally increases the level of relationship quality perceived by the Avionics division.

The relationship quality perceived in the Avionics division was to some extent affected by the perceptions and the behavior of the depot. The statements[60] below illustrate this effect:

> ”When the depot spoke up for us to the Air Forces, it increased the satisfaction, it served as evidence that we are better than the other option”
>
> ”The positive feedback has improved the satisfaction, it has been noticed that we have succeeded, the our-spirit has improved, and the fact that the depot has increased its workload has affected the satisfaction.”

The effect, through behavior, can be regarded as the behavior directed to the outsiders (of the relationship). The effect of this kind of behavior, can be partly considered, as an effect of important others (i.e. network effect) or comparison linked to the CLalt (Andersson-Narus 1984, 1990). The effect through behavior consists, however, also of other aspects than those

[60] All the statements are direct quotations from the interviews. The interviews were in Finnish and the quotations are translated as close to what was originally said as possible.

directed to outside the relationship. The effect of important others as such can be considered as the effect that the outsiders have on the relationship quality perceived by the partners. Thus, the effect through behavior on the relationship quality perception cannot be regarded as a pure effect of important others, as this behavior is not performed by the outsiders, but by the other partner. Comparison linked to the Clalt, in turn, consists of a direct comparison to the other possible relationships. As the depot, by its behavior, shows that the Avionics division is better than its competitors, the effect through behavior, can be regarded as resulting partly in the form the comparison linked to CLalt.

The effect through behavior performed by the other partner has clearly two functions. First, it affects positively (in this case) the relationship quality perception of the other partner, and second, it serves as a sign for the outsiders of the state of the relationship. Consequently, the effect of behavior does not come from outside of the relationship, as in the case of the effect of important others, but it affects the environment of the relationship.

As mentioned earlier the effect of important others can be regarded as the effect of outsider on the relationship quality perceived by the partners. *Both the Avionics division and the depot regarded the organizational levels above the interviewees in the depot* (i.e. from the depot manager to the Ministry of Finance and Ministry of Defense) *as affecting the relationship*. The effect on the relationship quality perception was not, however, considerable as the effect of these instances was considered as being natural in case of public organization. In the Avionics division, the slow decision making of the depot and uncertainty concerning budgetary matters seems to have a temporarily negative affect on the relationship quality perception. But as none of the partners can affect these matters, the effect was only temporary and mainly limited to frustration.

The comparison linked to the CLalt includes the comparison to the second options for the relationship. In this case relationship, the depot used this kind of comparison to some extent. This comparison formed the basic level for the other comparisons, and on the other hand, the behavior performed as result of the comparison, served as a sign of the relationship quality perceived by the depot. The depot considers that in order to continue the relationship the Avionics division has to better than the competitors (although it takes time and money to build other relationships).

6.3. Episode quality evaluation

In this chapter 6.3. the results from the empirical study concerning the evaluation episode quality are discussed. The discussion includes the results concerning the episode quality evaluation process, and the comparison standards and the dimensions used in that evaluation.

6.3.1. Episode quality evaluation processes

In this chapter 6.3.1. the evaluation processes, linked to the different kinds of episodes, are discussed starting from the episode experiences to the formed episode quality perception. The main interest of this chapter is to describe these different evaluation processes, in a way that the processes from the experiences to the episode quality perception, are revealed. The concepts linked to this main evaluation process (i.e. comparison standards and dimensions) are discussed in more detail in the following chapters.

In taken the perspective presented in the theoretical part the episode quality evaluation process starts when the episode experiences are gained and stops when the episode quality perception is formed. The episode quality perception gained as a result of the evaluation process, is linked to a certain single episode, and it concerns the factors related to that episode and its evaluation. The past perceptions and experiences are present in the comparison standards used. The episode quality perception includes both the level and content of the quality perceived concerning that certain episode.

The level of perception together with the evaluation process, are examined here primarily from the perspective of the relationship between two partners. In the cases where the perception and/or evaluation process differ from each other, between partners, the evaluation process and/or perception are described separately.

6.3.1.1. The evaluation of the repair processes

On the basis of the empirical study, four different sub-processes could be distinguished in the evaluation of repair process. These sub-processes were: the official or *standardized evaluation process, the systematic evaluation process, the unofficial evaluation process and the joint evaluation process*. These evaluation processes are *linked* to the repair process, but not all of them took place directly after or during the repair process. The evaluation is done when the information concerning the repair process reaches the evaluator. This information can be presented on a more general level, but the information is gathered from single repair process, and the information can be traced back to it. Consequently, evaluation can be regarded as being at least partly delayed evaluation, in that takes place some time after the actual episode. Delayed evaluation also can be seen as a different concept from delayed effects (Halinen 1997) as delayed evaluation concern the whole evaluation process, not only a part of it.

The criteria behind this separation into four evaluation processes lie in the nature of these evaluation processes. All these processes can be considered as different with respect to the form of the evaluation. The standardized evaluation is mainly strictly guided from outside of the relationship, and thus it follows these rules and has a certain pre-specified form. The part that is not guided from outside the relationship, follows rules speficied in one of the organizations, and this evaluation also has a pre-specified form. The standardized evaluation concentrates on technical issues. The form of systematic evaluation is partly decided inside the organizations, and partly between the partners. The content of this evaluation, is a mixture of technical and economic, and partly also contains social issues. The unofficial evaluation process includes all the evaluation that is done independently by an individual and that is not bound to any official forms of the evaluation. The unofficial evaluation process varies according to the individual making the evaluation, although the other evaluations done in the organization and in the relationship can affect this evaluation. The joint evaluation is done jointly with others either inside the organization (intraorganizational) or inside the relationship (interorganizational). The joint evaluation follows the other evaluations, and thus cannot be regarded as an independent evaluation process. The reason for separating it from the others, is that it takes an unique form from the others. The joint evaluation mainly concerns the adjusting processes. It also involves more than one individual.

The standardized evaluation process

The standardized evaluation is linked closely to the official, regulated evaluation done to each repaired device. Each device has to go through a certain pre-specified process of checks and tests, and finally the device gets approved. The prespecifications concern technical issues and they can originate from the regulation or they can be set by the partners. The standardized evaluation is mainly concerned with whether the devices meets the specifications, or not. Thus, the nature of standardized evaluation can be regarded as following the lines of the disconfirmation paradigm (see e.g. Kelley and Thibault 1959; Oliver and DeSarbo 1988; Bolton and Drew 1991; Liljander 1995), although the active mental evaluation has a minor role, and the evaluation can be regarded as being merely following the pre-specified standardized procedures.

Consequently, the part of standardized evaluation, that is guided by the regulations, can be regarded as more or less, objective quality evaluation. The disconfirmation paradigm is merely linked to the standardized evaluation based on the standards set by the partners. In this kind of standardized evaluation, the active mental evaluation was present when the standards were set, and when the actual perception was formed on the basis of the results gained from the standardized procedures. However, it has to be noticed *that the active mental evaluation is always present in evaluating the result of the standardized evaluation*. For example, the quality manager from the Avionics division checks the results of the technical tests and looks whether the standards are met or not. On the basis of this, he forms his episode quality perception. Thus, *after the actual, practical* *measurement is done on a daily basis, the evaluation can become an active mental evaluation that can result in episode quality perception*.

Although standardized evaluation can be characterized as mainly daily routine, it is important at least in two respects. First, *the fulfillment of technical regulations and standards can be regarded as a prerequisite for the whole operation of the Avionics division, and thus for the whole relationship.* As such, the fulfillment of technical regulations and standards serve as a basis for the evaluation and the whole relationship. As two of the interviewees pointed out:

> "The fulfillment of technical standards does not actually affect the satisfaction, they (technical standards) only ensure that each action is taken every time in the same manner."
>
> "In the normal situation it is only evaluated if the device functions faultless, it is OK."

Second, *as the standardized evaluation forms the basis for the whole relationship, it also forms the basis for the episode quality perception*. Thus, if the technical regulations and standards are met, the result is an episode quality perception that is concerned as normal. It cannot be said that the episode quality is in this case perceived as good, because the situation when technical standards are met is perceived as normal, the natural situation. In the case that standards are not met, it is perceived as deviation from normal. As one of the interviewees pointed out:

> "If the technical standards are not met, the delivery times are not kept, and technical quality falls off. "

If the standards are not met, the episode quality is regarded as being very bad. Thus*, the standardized evaluation can be regarded as consisting of two optional forms of episode quality perceptions: the episode quality is regarded as normal or as very bad*. Consequently, it can be argued that the standardized evaluation is not in accordance with either the assimilation-contrast theory (Sherif and Hovland 1961) or the psychological consistency theories (see Uusitalo 1993). If in standardized evaluation discrepancy is perceived, it is always considered as large, as it presents a situation which is not by any means anticipated as it endangers the safety of the aircrafts. This is line with the theory of generalized negativity (Uusitalo 1993; Liljander 1995) presented in theoretical part.

The evaluators of the standardized evaluation, mainly come from the Avionics division as the practical routine evaluation is for most extent carried out in the Avionics division. The evaluators, in the depot and the wing, in a way, evaluate only the results of the actual standardized evaluation process done in the Avionics division. Thus, the actual aim of the standardized evaluations, done in the depot and in the wing, is whether the device meets the required technical quality standards.

If the technical standards are not met, in the standardized evaluation, the situation is discussed either inside the organization and/or inside the relationship (i.e. joint evaluation). The discussions aim at resolving the situation and at ensuring the situation does occur not again.

The systematic evaluation processes

The systematic evaluation processes concern mainly the effectiveness of the repair process. These evaluation processes are systematic, but they are not standardized. Both the Avionics division and the depot have their own measurements. In the Avionics division, measurements concern for example turnaround times (the time that each device spends in the repair process), number of reclamation, number of devices repaired, number of internal faults (i.e. faults that do not lead to the reclamation process), average repair time for each device, and number of interrupted repair processes. The depot follows the same kind of parameters as the Avionics division, but on more general level. The Avionics division measures the parameters monthly on device type level, and the depot does the measurement usually yearly and on a general level. These kinds of official measurements serve as a follow up and also as a basis for the future plans.

In the systematic evaluation, the current operation is compared against comparison standards derived from the past operation. For example, the standards against which turnaround times are compared are derived from the average turnaround time from the past years. *The systematic evaluation can be regarded as being in-line with the disconfirmation paradigm as the disconfirmation of the comparison standards clearly results into the perception of episode quality*. The following statements describe this:

> "Naturally the fulfillment of different comparison standards affects satisfaction, one of the goals is that everything goes smoothly according to plans."
>
> "If the different standards are not met my feelings are in a way lousier (than if the standards were met)."

The systematic evaluation also consists of active, mental evaluation as *the actual, practical measurement linked to the systematic evaluation is at least partly active, mental evaluation* because in forming the comparison standards the people involved use their own consideration. The active, mental evaluation is also more present in actual evaluation process, than in case of standardized evaluation, as in the systematic evaluation the comparison demands more interpretation than in standardized evaluation.

The systematic evaluation can be also characterized as being in accordance with the assimilation-contrast theory (Sherif and Hovland 1961). In systematic evaluation, if the discrepancy in the negative direction is perceived as large, the contrast effect will occur and enlarge this difference, and the episode quality is perceived as very bad. If in turn the discrepancy is perceived as small, and the episode quality is then perceived as good. The following statements describe this:

> “The operation (of repair processes) has come off as anticipated, and when it goes nearly as planned, it is good“
> ”The fulfillment of standards affects (satisfaction) especially when the operation is far below what usually is expected”

After the disconfirmation the reasons for the negative deviations are discussed jointly, in so called monthly meetings (see joint evaluation), *and thus, the episode quality perception formed on the basis of systematic evaluation process may change in the joint evaluation process*. This is especially the case if the comparison standards used in systematic evaluation are not met. The fulfillment of these comparison standards does not necessarily, however, reveal the whole truth, for example the age of the devices affects the results. Thus, the discussions on the basis of evaluations are sometimes needed. Consequently, it can be argued that in the case of systematic evaluation the evaluation followed the lines of both disconfirmation paradigm and assimilation-contract theory.

As mentioned in the quotations concerning systematic evaluation the *feelings are present,* in addition to the purely rational evaluation (see e.g. Halinen 1997). The feelings may arise after the episode quality perception is formed. This ordering of different reactions is in accordance with what is presented in social exchange theory based interaction approach (e.g. Andersson and Narus 1984; 1990); rational evaluation first and feelings after that.

The unofficial evaluation processes

The unofficial evaluation processes *include all the evaluations that are done independently by an individual and that are not bound to any official forms of the evaluation*. The other evaluation processes discussed earlier are bound to a certain official form of evaluation. It has to be noticed, that all the official evaluation, in practice, is done by the individual.

This evaluation is free from any actual measurement, and the comparison standards used are the individual’s own comparison standards. *The unofficial evaluation differs from the previous ones as it can be regarded as being purely an active mental evaluation process*. No procedures guide the unofficial evaluation. The individuals use the unofficial evaluation freely and actively when they have need for it. The following statement illustrate this:

> “Independently I usually evaluate when something sticks out, but comes not out in normal daily operation.”

Although the comparison standards used in the unofficial evaluation are fuzzier than in other evaluations *the comparison actually takes place.* The statement mentioned above illustrates this quite well; the unofficial evaluation takes place in the form of comparison against the normal, or as one of the interviewees pointed out “against how things should be”. Thus, with this respect, *the unofficial evaluation is in-line with disconfirmation paradigm*.

The unofficial evaluation results merely in the form of feelings than in rational outcomes. This is according to what for example Oliver (1980) together with LaBarbera and Mazursky (1983) have argued in satisfaction literature. The following statement illustrates the role of feelings in unofficial evaluation:

> ”There is no systematic evaluation, in personal level, in the level of feelings, it feels like going well.”

The unofficial evaluations were more usual in the depot than in the Avionics division. The reason for this could be that the official evaluation system is more advanced in the division than in the depot. The need for the episode/relationship evaluation can be, however, considered as being even more crucial for the depot, as a client, than for the division, as a producer. Consequently, the role of the unofficial evaluation processes has to be considered as an important form of evaluation in the depot, as the other forms of evaluation are not so well developed. In the depot, all of the interviewees widely used unofficial evaluation processes. In the Avionics division, the unofficial evaluation was done merely in the upper levels of the division, and the results of these evaluations were only rarely discussed with others. In the depot, the unofficial evaluations were shared more frequently.

As the unofficial evaluation was somewhat different in nature in the Avionics division and in the depot, in the following the unofficial evaluation processes done in these organizations are discussed separately.

<u>In the Avionics division</u> the unofficial evaluation was mainly done at upper levels of organization. The unofficial evaluation in the upper levels of the Avionics division followed to a large extent the same lines as the official evaluation, and was done mostly according to same dimensions.

It can be argued that the disconfirmation of unofficial comparison standards leads to the episode quality perception primarily according to the disconfirmation paradigm. *If in the unofficial evaluation the individual’s comparison standards are met or exceeded the episode quality perception can be regarded as good. If the standards are not met the episode quality perception can be in turn regarded as poor.* The following statements describe the unofficial evaluation done in the Avionics division:

> “Personally I expect that the repair is done as quickly as possible, and that the repair is profitable and money comes in quickly. These expectations have been fulfilled quite satisfactorily.”
>
> “I expect things to go as they should go.”
>
> “The expectations concerning the functioning in the relationship (lately) have not been fulfilled, decisions are not made in the meetings, people change their positions and seek in a way their places, this has been quite sticky.”

In the depot the individual's own evaluations, in turn, remind very much of each other, but the effect of this on the official evaluations never came up in the interviews. As the evaluations remind each other very much, there must be joint discussions concerning these matters. The unofficial evaluation in the depot was conducted according to matters like activity of the Avionics division in development actions, relations to the suppliers, additional services and price level.

The unofficial evaluation process in the depot is mainly linked to the matters which are regarded as being important, for example Avionics division's own activity in development matters. These matters are in a way evaluated continuously in situations when activity is anticipated. *The expectations concerning important matters were usually met in the past, but the level of the comparison standards have risen*. As a result, the comparison standards are not, nowadays usually completely met, but as the reasons for the deviation are understood by the depot, this covers the negative deviation to some extent (see more in chapter 6.4.1.). However, some of these evaluations usually result in negative episode quality perception, and can be thus be regarded as a constant source of dissatisfaction. The following statements describe this process:

> "The expectations have not been completely met in the personal level, more development should have happened."
>
> "..control over the whole, it is the area that should be developed. So that the working methods will be improved and optimizing of the work is possible. There is an area that has potential for improvement."
>
> "The more the Avionics division invest on the improvement in the repair process, the better, although this would mean less working hours for the repair shop."
>
> "If the working load decreases in the Avionics division, it is forced to decrease its personnel. And if we get more money and thus work of the division next year it might be unable to do all the job we would want to...On the other hand at least I would like to increase the level of expertise in the division, i.e. more planning and development work that the control over the whole improves."

As such the unofficial evaluation done in the *depot can be regarded as following the disconfirmation paradigm*. If the standards are met in unofficial evaluation the episode quality perception will be good, if they are not met, episode quality will be bad. The rise in the level of the comparison standards, has lead to the situation in which the comparison standards are no longer being met.

Taken together, it can be argued that *the unofficial evaluation follows the lines of the disconfirmation paradigm,* in a way that disconfirmation of the individual's own comparison standards forms the individual's own personal episode quality perception. In the case that these individual perceptions are discussed with others, they can have a direct effect on the episode quality perception held inside the organization or relationship (i.e. through joint evaluation). In other cases, the individual's own personal perception can affect the way he/she behaves, and the perception can have a indirect effect on the episode quality perception held by several individuals inside the organization or inside the relationship. This can happen, for example, in the case when the representative of the Avionics division feels very dissatisfied with the situation in the relationship. This dissatisfaction, in turn, affects the way he behaves inside his own organization and with the buyer. The behavior then can affect the perceptions of the persons with whom he is involved. Consequently *unofficial evaluation can be regarded as having the possibility to impact the episode/relationship perception held inside the organization or the relationship, either directly or indirectly*.

A quite surprising finding was that*, although the comparison standards linked to the unofficial evaluation are very rational in nature, the actual comparison often manifest itself in the form of feeling(s)*. The role of feelings in the evaluation is according to the lines of Oliver (1980) and LaBarbera and Mazursky (1983). The explanation for the central role of feelings in the unofficial evaluations can be found in the fact that these evaluations are not bound to the rational, official rules.

The joint evaluation processes

The joint evaluation is done *jointly with others either inside the organization or inside the relationship.* Thus, joint evaluation can take place inside the Avionics division, inside the depot and/or inside the relationship. These forms of joint evaluation are discussed first in the following and then the general nature of joint evaluation is addressed.

In order to draw some kind of line between the other forms of evaluation and the joint evaluation, the evaluations have to be considered as a process. The systematic, standardized and unofficial evaluations are bounded to a single individual, i.e. the individual makes the evaluation and forms an episode quality perception. After that, the joint evaluation takes place. Thus*, the discussions inside the organization (or division or department) and between partners on the basis of the evaluations made by an individual, are here regarded as joint evaluation.*

The joint evaluation that takes place inside the organization is <u>in the Avionics division</u> merely unofficial, i.e. if something abnormal is noticed in standardized or systematic evaluation, the people involved discuss it and execute the necessary procedures. The only official forum for the joint evaluation inside the Avionics division is the meeting of the managers (i.e. division manager, quality manager, workshop manager and supervisor). The evaluation done in these meetings is mainly concerns the technical matters and problems. After that, the matter is brought in, if necessary, in monthly meetings between the depot and the Avionics division.

In the depot the joint evaluation inside the organization concerning the matters linked to the repair process, are more rare. The regular meetings only take place once a year, after the different statistics concerning systematic measurement are published. Unofficial evaluations are more likely to take place in the depot.

The joint evaluation done inside the relationship between partners happens mostly in monthly meetings between the depot and the Avionics division. The persons that participate may differ, but often the persons from the Avionics division are the repair workshop manager, the quality manager and the supervisor. From the depot, at least one person from each type offices (the persons differ) participates. In addition to the monthly meetings, a quality meetings take place once a year. The participants in the quality meetings usually are the division manager and quality manager from the Avionics division and the manager of the avionics electronic office together with some other participants.

In addition to these forms of joint evaluation, inside the relationship there are unofficial discussions ”around the coffee table” that may have much more effect on the relationship, than the official discussions. In these discussions, the unofficial evaluations are discussed and information gathered outside the relationship is discussed. As such, these discussion are not evaluative, only the results of the personal evaluations, are discussed. These discussion take place on the upper levels of the relationship.

Characteristics for the joint evaluation is are not directly bound to any actual measurement. This kind of *measurement free evaluation,* is not easily separable from the systematic evaluation, because much of the joint evaluation is done on the basis of systematic measurements. The joint evaluation can, also in some cases, follow standardized or unofficial evaluation

Often the joint evaluation follows the systematic evaluation. The aim of this form of joint evaluation, is to develop the operation. In these joint evaluations, the different operational measures are considered together, and compared against the results from the past years. If deviation exists, the reasons for it are considered. The different operational measures actually only tell half of the whole story, because the reasons for the possible deviations, are not revealed. The central task of the joint evaluation inside the organization, and inside the relationship, is to find the reasons for the deviations, and develop ways to reduce them in the future. The following statements illustrate this:

> “In monthly meetings between the depot and the Avionics division and in quality meetings the trends are discussed whether improvement has happened or not, and then later on methods on the basis of this for the improvement in the future are developed.”
>
> “In monthly meetings, what has happened is discussed, possible problems are solved, future and new, better methods are developed.”

The joint evaluation also can follow standardized evaluation. This kind of evaluation often starts when in the comparison between actual performance and comparison standard the comparison standard is not met. The following statement illustrates the joint evaluation that follows standardized evaluation:

> "It might be that some device stays with us for a long period of time due to our, producer's or the depot's fault. From this kind of interrupted work we have different kinds of follow ups, the depot needs specific explanations why a certain device stays longer than usual."

If the technical standards are not met, in the standardized evaluation, the situation is discussed either inside the organization, and/or inside the relationship. The discussions aim at recovering the situation, finding the reason for the fault, and at reducing the chances of the situation occurring again. The following statements illustrate this:

> "I look that all has according to the regulations, if not, I try to figure out why not. If there is something to improve, I think about it and take it further."
>
> "Reacting quickly (in case of fault) comes first, after that it is important that we both (partners) try to solve the problem…"
>
> "If we think about fairly difficult problem, so of course first we phone to each other and discuss and evaluate what we should do"
>
> "The device won't leave until it is according to the regulations. If it is not, the situation is first discussed with the mechanic, if that does not help the situation is discussed with supervisors…"
>
> "There is no blaming that this your fault, we try to (together) find a solution."
>
> "First they (the Avionics division) have to solve the problem and in addition check what possibly is wrong in their working procedures and develop the procedures so that thing is ok in the future."

Thus, *the aim of joint evaluation can be regarded as being to find the reasons for the deviations and develop ways to hinder them in the future*. Consequently, it can be argued that joint evaluation is in-line with the adjusting processes as moderating the episode quality perception. *The seeking of reasons for the deviations refers to the attribution* (e.g. Frazier 1983) and *the need for developing ways to hinder them in the future refers to the balancing operations* (e.g. Frazier 1983). Reasons for deviations are sought, mostly in the joint evaluations, done inside organizations, but sometimes they are also discussed, jointly inside the relationship, between partners. It seems to be that the seeking for reasons (i.e. attribution) is not enough to recover the situation, ways to hinder the situation to happen in the future (i.e. balancing operations) are needed to do that.

The new method to hinder the situation from occurring again (i.e. balancing operations) are mostly developed in joint discussions, inside the relationship, between partners. As this is in most cases done in the atmosphere of mutual understanding, *joint evaluations can be characterized as following the lines of constructive and active* (Hirschman 1970; Rusbult, Verette, Whitney, Slovik and Lipkus 1991) *forms of balancing operations*. Joint evaluation is, also in accordance with sequential transformation process type of balancing operations, (Kelley and Thibault 1978) as future aspect is emphasized. By sequential transformation it is meant that a balancing operation where one party or both parties, adopt a different way of behaving in the future (Kelley and Thibault 1978). It also can be argued that the joint evaluation is in-line with outcome transformation (Kelley and Thibault 1978). The outcome transformation means that the criteria for the evaluation has changed (Kelley and Thibult 1978). The following statement illustrates this in the joint evaluation:

> ”The criteria for the systematic evaluation have not been according to my view in order, but now they (in monthly meetings) have changed them for this year and it seems better.”

It seems to be that in most cases the balancing operations succeeded in recovering the situation in joint evaluations. As proof of this, it is the development of different forums (i.e. monthly meetings and quality meetings) where problems can be discussed, and ways to hinder these problems from occurring in the future are discovered together. But in some cases, especially in joint evaluations that followed standardized evaluations, that problems were not solved the first time. This lead to a negative episode quality perception and minor changes in the relationship quality perceived by the depot. Also, in the Avionics division, the importance of the recovery is noticed and they have developed a way to handle problems in order to affect the quality perceptions of the other partner. The following statements illustrate this:

> “The Avionics division has acted at least satisfactorily (in case of problem), but here have been situations in which the solutions have not been the right ones, this has meant that work has been done many times.”
>
> “Usually the problem situations have been solved satisfactorily (in the Avionics division), but of course there might be some exceptions…”
>
> “If we (in the Avionics division) think that mistakes have no effect on the continuity of the relationship, we are wrong, and then they would (mistakes) become important. Now we really try to invest in problem solving and try to hinder them, but in the long there is not much to improve.”

Consequently, it can be argued *that the episode quality perception is in a way only further developed in the joint evaluation processes*. If the problems are handled in a satisfactory way i.e. discussed together in order to find reasons and solutions, the episode quality perception can be regarded as good. In case that joint evaluation, is done when there exists no deviation, in actual comparison, but with a closer look, the negative deviation is found (i.e. the comparison only tell the half truth), the process reminds the case of negative deviation, as a result of comparison. The positive deviation in turn does not enhance the episode quality perception to the excellent level. The following statement illustrate this:

> "…not to blame each other that this is your fault, but try to find a solution, that is important"
>
> "The fulfillment of comparison standards tell that everything is ok, but it doesn't reveal the whole picture, for example the aging of the devices affects. We look these trends and if there exists some weird peak we start to dig in. In this kind of situation everything is from the point of view of quality ok, if the peak is caused by some unknown and unexpected factor dependent on the device features."

According to theory of attribution, the blame can be placed from unexpected episodes on the parties, or on the situation (see Kelley and Michela 1980). Especially in the joint evaluation, that followed standardized evaluation, the blame was placed either on the other partner, their own organization or the producer of spare parts or devices. In most cases, the blame was placed to the third party. The third party, can be seen as belonging to the situation, and thus, the joint evaluation can be, at least partly, regarded as being in-line with the attribution theory concerning the locus according to Kelley and Michela (1980). According to Laljee and Abelson (1983) the attributions made to the situation and the parties can co-exist, in the joint evaluation, this was not the case.

In the figure 10 the different evaluation processes, linked to the repair process, are presented. It has to be noticed, that in figure 10, the time aspect together with the separate buyer/seller views are not included. The aspects buyer and seller were excluded, because there did not exist any remarkable differences in evaluation process between the partners. For example, in case of the unofficial evaluation the evaluations made in the Avionics division and in the depot were discussed separately, but the basic evaluation process followed the same lines in both organizations.

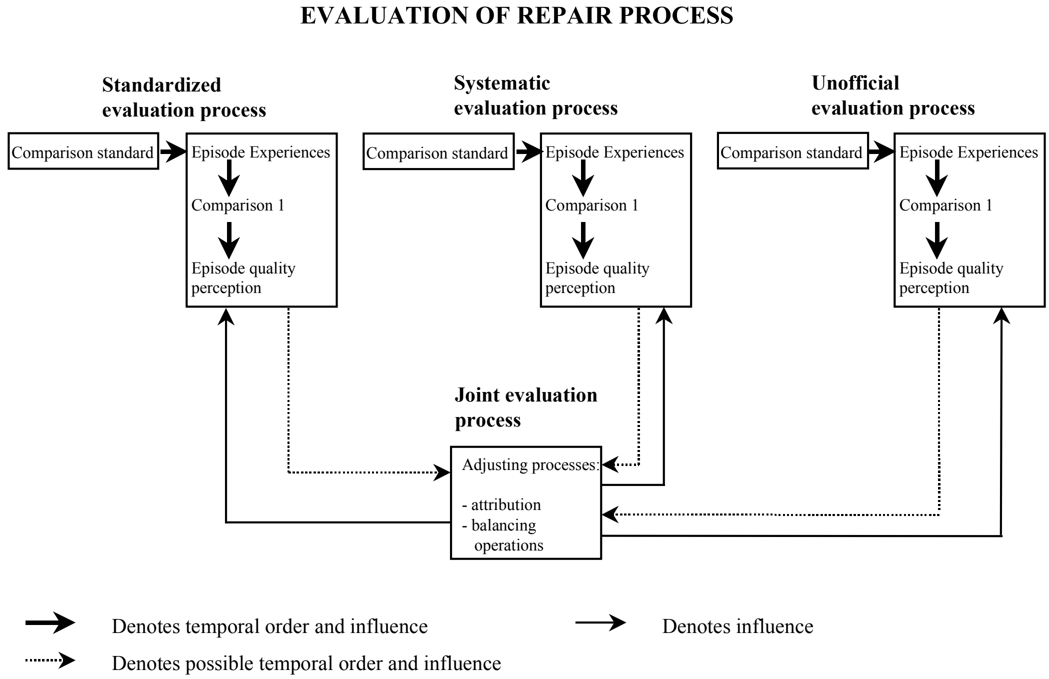

Figure 10: Evaluation of repair process.

To conclude, the results presented in chapter 6.3.1.1. several important findings are discussed. The standardized, systematic and unofficial evaluation processess can be regarded as following the lines of disconfirmation paradigm. In addition, the standardized evaluation also can be characterized as following the lines of generalized negativity theory (Uusitalo 1993; Liljander 1995). From the cognitive processes disconfirmation type of processes seem to have a central role. Thus, the evaluations linked to the repair process are based on the comparison between comparison standards and the actual performance. From the different evaluation processes, linked to the repair process, the standardized evaluation serves as a basis, and the episode quality perceptions gained as a result of standardized evaluation are perceived either as normal or very bad. Thus, by improving the performance related to basic technical performance it will not improve the episode quality perception. Consequently, it can be argued that the comparison standard used serves only as dissatisfier (Liljander 1995).

The role of feelings in the evaluations related to repair process, was in a way quite surprising too. One could expect that evaluation related to technical every day routines, would not give rise to any feelings. But, especially in the case of systematic and unofficial evaluations, the feelings had a remarkable role. This illustrates, the role of feelings in the evaluation done concerning issues related to the daily operation, and thus it can be argued that the repair process evaluation are not solely based on rational reasoning.

In the episode quality evaluation in which the actual episode performance was below the comparison standards, the attribution and balancing operations were often used. This took place during the joint evaluation. *The attribution, was not used in the manner of "whom to blame", but in a more constructive manner with the aim at finding the locus in order to recover the situation.* In this process, it was in away not important whether the locus was the partner, the situation or a mixture of these (see Laljee and Abelson 1983), the essential point was to find the locus, so that the deviation could be recovered. Consequently, this kind of treatment of attribution takes us back to the origins of the attribution (i.e. to making cause-effect -judgments) instead of trying to find the guilty party as it is usually done in the social exchange theory based interaction approach (Frazier 1983, p. 74). The balancing operations can be regarded as being active and constructive (Hirschman 1970; Rusbult, Verette Whitney, Slovik and Lipkus 1991) in nature during the joint evaluation. Balancing operations can also be regarded as being in accordance with sequential transformation (Kelley and Thibault 1978).

6.3.1.2. The economic evaluation process

The economic evaluation, is for the most part, linked to the economic goals set for the actual performance in the relationship, i.e. for the repair processes (development projects are dealt with separately). Although the official form of the economic evaluation is done jointly, inside the organization, or inside the relationship, between partners, the basis for the evaluation is to be found in the evaluation made by a single individual. The process always proceeds, not only after deviation, from the evaluation made by the individual to the joint evaluation.

In the upper levels of the organization the economic evaluation was seen as the most important determinant of both episode and relationship quality perception. This was especially true in the case of the Avionics division, which is understandable in the situation between private enterprise and public organization. The evaluation process, and the content of the economic evaluation differed to some extent between the Avionics division and the depot, and thus before discussing the joint economic evaluation the evaluations done in these organizations are discussed separately.

The economic evaluation in the Avionics division is conducted usually two times a year. In these evaluations, the actual economic performance is compared against the goals set. Thus, this *evaluation follows the lines of the traditional disconfirmation*.

If as a result of comparison, a deviation is noticed to the negative direction, reasons for the bad economic result are sought. Accordingly, it can be argued that the economic evaluation executed in the Avionics division is *an illustration of attribution* (see e.g. Frazier 1983), as reasons for the deviations are sought.

In the economic evaluation done in the Avionics division *the blame is placed either on the situation, or on the partners when negative deviation exists*. This can be regarded as being according to Kelley and Michela (1980) with respect to locus of attribution. If the reasons for deviation found, are not considered to be caused by their own division, the episode quality perception can be regarded as good or sometimes even excellent. If the reason is not considered to be caused by their own division, the another source for deviation was usually the situation, the other partner was only very seldom blamed. If the causes of deviation were out of the control of the Avionics division, (i.e. in case of situation as locus) the episode quality was perceived to be better than in cases where the cause was under the control of the Avionics division. Thus*, this can be seen as in-line with nature of controllability of the locus according to Folkes, Koleltsky and Graham (1987)*. The causes for the deviation were usually perceived as stable. The following statements illustrate the above mentioned processes:

> "We have made purely monetary investments, but also other kinds of investments, like people have participated to training abroad, this has effected (negatively) on the economic result both in short and long run."
>
> "This accounting period should be better than the two previous ones. During the next period all investments should have been done, we get money from each work we do for the depot, but ultimately it is in the hands of the budget planners…"

If the economic goals are met the episode quality perception is good. However*, if in the past years the economic performance have not met the goals, and in the current year the goals are met, it is very likely that the episode quality perceived as really good*. Thus, the discrepancy is perceived as larger than it actually is, because of the past behavior. The logic behind this can be that the past behavior has lowered the expectations concerning partner's ability to meet the goals, and when the goals are actually met, evaluator is positively surprised. This also can be regarded as being in-line with assimilation-contrast theory (e.g. Uusitalo 1993, Liljander 1995), as the performance far better than expected, and the difference between performance and expectations is enlargened. This in a way reminds the unofficial evaluation of the repair process done in the depot. In that evaluation, the level of the comparison standards was increased due to the past behavior. In this evaluation, the level of comparison standards has, in turn, decreased as a result of past behavior. The following statements illustrate the economic evaluation and its effects on episode quality perception inside the Avionics division:

> "..But because I have the economic responsibility I first look at if we have got enough money out of it (operation).... It does not help the quality and airworthiness are in good condition, if we do not get enough money."

”The economic goals set inside the organization have not been met. The investments made on the new plan type have been massive during the past two years. This naturally affects the result...the results of the (economic) evaluation affect the satisfaction.”

The economic evaluation in the depot is to some extent different in nature. As the depot is a public organization the economic resources are given from the above (i.e. from the Finnish Air Forces). The economic goals are thus merely linked to the prices. The depot wishes that the improvements that the Avionics division has done in its operation would affect the prices, i.e. if the Avionics division succeeds in decreasing the average repair time of a certain device type, the depot wishes that the repair price for that device would be lowered accordingly. Related to this the additional improvements in the operation are also wanted. In addition, the depot wishes to get additional services from the Avionics division without remarkable increases in prices. The *evaluation of the economic factors inside the depot is merely focused on the forming of these kind of goals*. The reason for the absence of the actual evaluation could be that these goals are not fulfilled, the discussions between partners concerning these factors are still going on. *Thus, the effect of the economic evaluation on the episode quality perception is actually materialized after the joint evaluation done inside the relationship.* The following statements describe the economic evaluation inside the depot:

“…we try to affect the costs of the company and the price level they have.”

“… they (the Avionics division) still can improve when it comes to development and effectiveness.”

“Our aim is that…we increase the overall responsibility of the seller and decrease this kind of concentration on details…It would be cheaper that way, at least I think so.”

The joint economic evaluation between partners officially takes place once a year when the agreement for the next year is negotiated. The negotiations are to a large extent based on the realized goals of the past years. For the episode quality perception, formed in the Avionics division, concerning economic factors, this evaluation has little effect, as the evaluations are actually made inside the division beforehand. The negotiations only serve as a forum to discuss about the realized goals and basis for the future goals. The following statements describe the joint economic evaluation:

“…we agree about costs once a year and evaluate…we can somehow predict the workload for the Avionics division”

“Once a year we negotiate about the costs, prices and amount of operation in general.”

For the depot's episode quality perception these negotiations have much more effect. They have set their goals (or wishes), and if these are not met the episode quality perception may change. But only may, because it is somehow understood in the depot, that things are not changed over night in the Avionics division. Thus, it can be argued that the joint evaluation from the depots point of view is in-line with the voice as a balancing operation (Hirschman 1970; Rusbult, Verette, Whitney, Slovik and Lipkus 1991), as the depot actively and constructively waits for the conditions to improve. Consequently, the actual negotiations form the episode during which the depot gains the episode experiences against which the goals (or wishes) are compared.

In addition, to the official joint evaluation some unofficial, coffee table discussions take place. But as mentioned earlier these kinds of discussions merely aim at discussing matters (economic or other), not at evaluating them.

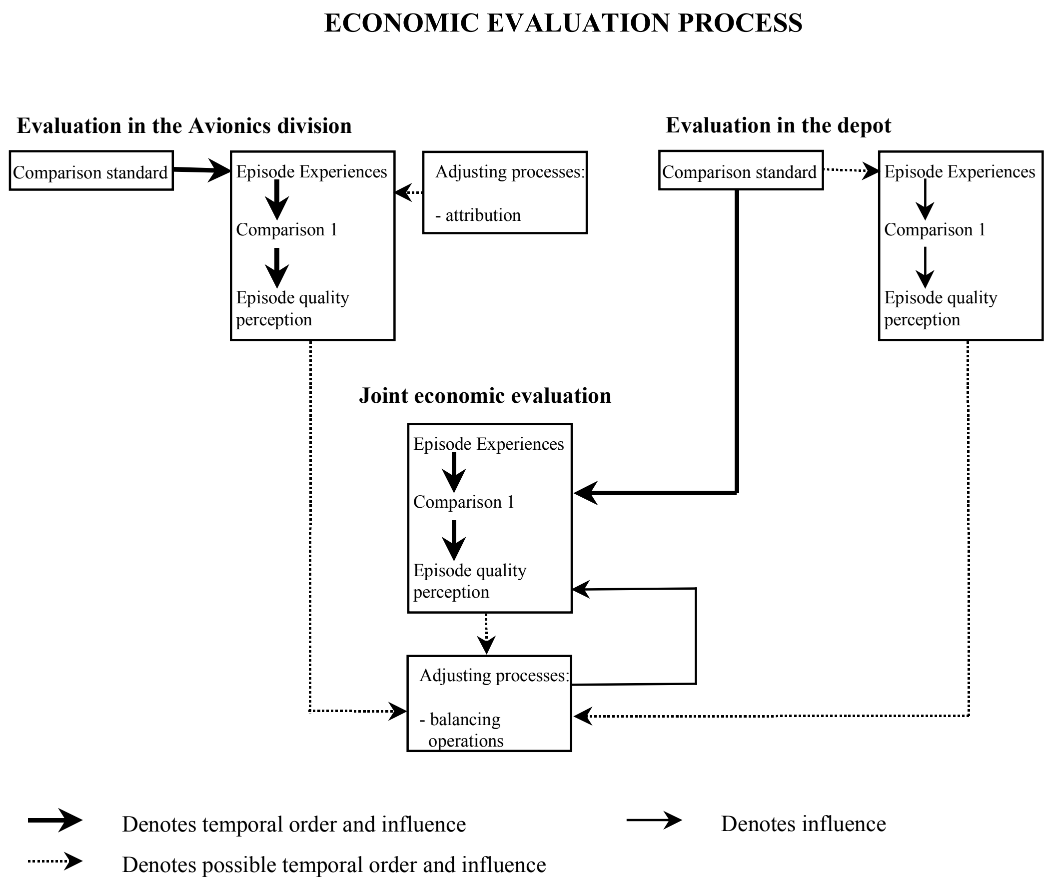

Figure 11: Economic evaluation process.

In the figure 11 the economic evaluation process is described. As the economic evaluation processes between the depot and the Avionics division differentiated from each other, they are presented separately. The economic evaluation done inside the Avionics division can be regarded as following the lines of disconfirmation paradigm from the cognitive processes. The disconfirmation is followed by joint evaluation first inside the division and after with the depot. The economic joint evaluation, done inside the Avionics division, can be characterized with attribution (e.g. Frazier 1983). The locus of attribution is placed either on the situation or the partners. If the reason for deviation was out of the control of the division episode quality perception was better than in case that the locus was in control of the Avionics division. Thus, attribution played important role in the episode quality evaluation inside the Avionics division.

The episode quality evaluation done inside the depot actual consists only of the comparison standard forming process. Comparison standards to be used in the joint evaluation process with the Avionics division are formed during this process. This can be regarded as being in-line with disconfirmation paradigm as the comparison standard forming process can be included to the disconfirmation process.

The joint evaluation process done between partners has a different meaning for the Avionics division and for the depot. For the Avionics division, it is merely a forum for discussion the comparison standards for the future, in addition to functioning as balancing operation, if needed. For the depot, in turn, it plays the role of the actual episode quality evaluation process. The reasons behind the different kinds of economic evaluation processes steam from two sources: the different role of the partners and the different content of the evaluation. For the buyer (the depot) the essence seems to be, first to figure out the needs inside the organization, and then to communication of those needs to the seller (the avionics division). The seller, in turn, evaluates the past economic behavior and forms the episode quality perception on the basis of that. In addition, the content of the evaluation was different and that also can have an impact on the evaluation process. However, one has to bear in mind, that as the buyer is a public organization, its economic planning system differs from the ones often used in private enterprises.

It may seem to be that, especially in the case of the depot, the evaluation is actually in line with equity or fairness. The input and output ratios are naturally present in the economic evaluation, but they are included to the comparison standards, and the evaluation concerns the fulfillment of these standards.

6.3.1.3. The evaluation process of development projects

The evaluation process of development projects is partly bounded to the promises and goals set for the projects, and partly to the extraordinary experiences perceived by the individuals. The actual performance is evaluated against official promises and goals. This evaluation is done individually, or as a joint evaluation either inside the organization or inside the relationship, between partners. First, the official evaluation is discussed and after that, the evaluation that is based on extraordinary experiences.

In the beginning of the project, the written contract (i.e. promise) is made between partners. This contract concerns the goals of the development project, together with means for achieving these goals (for example responsibilities). *The characteristics for the development projects are that the goals and the means for achieving these goals can be changed as the project proceeds*. For example, the time table may change (and usually it does) during the project. Thus, in this case the fulfillment of the comparison standard set in the beginning of the project, can actually only have a minor effect on the episode quality perception. *This change in comparison standard can be regarded as being a balancing operation, in which the criteria of evaluation is changed, i.e. outcome transformation* (Kelley and Thibault 1978).

Following the lines of the repair process evaluation, *the problems that occur, are mostly handled together, and the partner is kept informed.* Thus, although the development projects are evaluated during the projects, the evaluations that actually result in the form of the episode quality perceptions, are done at the end of the projects, because deviations from the planned are natural during the project. In a way the discussion between partners during project, done in order to inform the other partner and solve the problems, can be regarded as balancing operations. This is because the discussions actually are done in order to hinder the negative episode quality perception to be formed. Thus, *in the evaluation of development project, part of if can be regarded as being characterized also with the sequential transformation* (Kelley and Thibault 1978), *and as being constructive and active in nature* (Rusbult, Verette, Whitney, Slovik and Lipkus 1991).

In addition, if during the project, it is noticed that the comparison standards will not be fulfilled, the sought for reasons, can begin already during the project. This is done mainly by seeking the locus from the actor's own behavior inside the own organization. Accordingly, it can be argued that *in the development project evaluation the lines of attribution* (e.g. Frazier 1983) *are followed*. The blame is placed either on their own organization, or to the other partner, and thus the locus is placed according to Kelley and Michela (1980).

The evaluation in the end of the project, consists of the comparison between comparison standards, and the actual performance. This follows the lines of the disconfirmation paradigm. If deviations exists, between the performance and comparison standards, the reasons for the deviations are sought. Thus, this is in-line with attribution (Frazier 1983). The ways for the better operations in the future, are also developed, and thus in the final evaluation of development projects, the lines of the sequential transformation from the balancing operations (see Kelley and Thibault 1978) are followed. *If the comparison standards (or modified ones) are* *reasonably met, and in case of a problem, all is done in order to solve them, the partners' episode quality perception is good*.

The following statements illustrate the evaluation process of development projects:

> ".. There are follow-up meetings in which the current situation is discussed, and compared to the goals.."
>
> "In this kind of development projects the goals have to be defined, and all the time define how the achievement of goals is dependent of us and our goals...usually, however the goals are met ."
>
> "If the timetable and budget are met quite easily, one thinks that are they set too low."
>
> " …after we (the Avionics division) had develop a whole repair system for certain black box, it was noticed that a certain cassettes inside the boxes are not proper ones, and we start to negotiate with the depot, and agreed that they have to coat the cassettes and now they are doing it."

There existed also evaluation concerning the development projects which was not linked to the promises and goals set to the development project. This *evaluation* was *linked to the extraordinary experiences gained by the individual from the development project, or from a part of it*. Often this extraordinary experience is perceived as positive and linked to a certain part of the development project (for example the planning process). In this case, the part of the project is regarded as an episode, based on which the evaluation is made. The *evaluations made,* in turn, *are based on episode experiences, rather than on comparison or disconfirmation of comparison standards*. As the episodes are perceived, as extraordinary *the episode quality perception formed can in many cases be regarded as excellent*. The reason for the extraordinary nature of the episode experiences is usually due to the lack of same kind of previous experiences, and thus the experiences may lack comparison standards.

In figure 12, the evaluation of development projects is presented. The determinants of comparison standard and dimensions are not included to the figure, as they are discussed in more detail later on. The arrow from the adjusting processes to the comparison standards describes the processes in which the comparison standards are modified during the development project. It has to be also noticed, that other adjusting processes also modify the episode experiences during the development project. Consequently, some form of comparison actually also takes place during the development project, when evaluators assess whether the goals set for the development project, are likely to be met. Thus, in a way, the episode is reevaluated until the final episode quality perception is formed. Although some of the evaluation is done, already during the development projects, the interviewees clearly perceived the development project, as whole, to be an entity under episode quality evaluation.

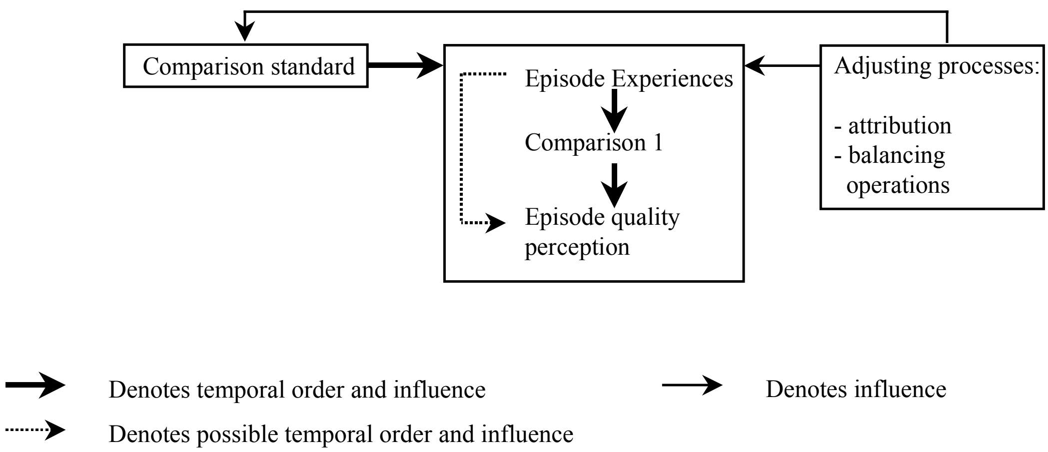

Figure 12: Evaluation of development projects.

This official form of the development project evaluation follows the lines of disconfirmation paradigm together with attribution and balancing operations (Frazier 1983) from adjusting processes. Balancing operations, especially outcome and sequential transformation, are used (Kelley and Thibault 1978).

The arrow from episode experiences to episode quality perception denotes possible temporal order and influences describe the evaluation based on extraordinary experiences. This other form of development project evaluation, evaluation based on extraordinary experiences, does follow the lines of the disconfirmation paradigm, to some extent, but due to the fuzzy nature of the comparison standards used, the existence of the comparison is often difficult to trace.

In summary of chapter 6.3.1., it can be said that the main episode evaluation processes, related to the repair processes (standardized, systematic, unofficial evaluation processes) were concerned with the disconfirmation of comparison standards. Joint evaluation process that sometimes followed the main evaluation processes were related to attribution and balancing operations. Consequently, the evaluation of repair process, in general can be characterized as being, in the first place, related to a comparison between episode experiences and comparison standards, and if the deviation between comparison standards and experiences is perceived as large, joint evaluation processes can modify the episode quality perception. It has be noticed there were exceptions to this.

The central role of comparison can be seen as natural because the evaluation is linked to repair process, which is guided by strict regulations and standards. These serve as basis for developing the evaluator's own individual comparison standards, and thus as a basis, is clear, and easy to develop a comparison standard. A contradictory example is the economic evaluation done inside the depot. In that evaluation, the basis for the comparison standard is not so clear, and the evaluation done, is mainly concerned with forming the comparison standards.

The economic evaluation processes were different in the Avionics division and in the depot. The comparison had a quite central role for both, but the partners concentrated on different issues and the pacing of the process was also different. The reasons for the differences can be found from the roles of the partners (buyer/seller) and from the content of the evaluation. One important determinant also can be the nature of the organizations.

In the evaluation of development projects, two different forms of evaluations can be traced, the official evaluation and the evaluation based on extraordinary experiences. In the first form of development project evaluation adjusting processes played an important role in modifying the experiences during the development project. In the theoretical part it was assumed that the adjusting processes can modify the episode or relationship perception, but the evaluation of development projects showed that they can modify performance too. In the final evaluation of the development project, the comparison played more important role than the adjusting processes. In the other form of development project evaluation, i.e. evaluation based on extraordinary experiences the comparison has a minor role as these experiences can be regarded as being unexpected in nature. In this form of evaluation, comparison was used to some extent, but due to the fuzzy nature of the comparison standards used, the existence of the comparison is often difficult to trace.

6.3.2. Comparison standards used in episode quality evaluation

In this chapter 6.3.2. the comparison standards used in the different episode quality evaluation processes are discussed. On the basis of this discussion the different comparisons standards used in the episode quality evaluation in the empirical case are presented.

The comparison standards presented on the basis of theory include prior experiences, cultural norms and values, goals, promises and desires. The use of comparison standards in the empirical case relationship, is in this chapter, reflected against these comparison standards. The evaluation of the repair process was divided into four categories: standardized, systematic, unofficial and joint evaluation. In the following first the comparison standards linked to these evaluations are addressed. After that, the comparison standards linked to the economic planning processes and development projects are discussed.

Comparison standards used in the standardized evaluation process

The comparison standards used in the standardized evaluation process usually have their base in the aviation regulations, licenses and quality standards. All of these determined outside the organization, and thus, the Avionics division cannot affect them. These comparison standards are clearly either met or not, there does not exist any alternative in-between these two options. Only some of the comparison standards used in the standardized evaluation, are developed by the partners. In the development of these standards subjectivity is also present. As these comparison standards have many origins and as they all concern technical matters, they are for simplicity's sake *all called from now on as the technical comparison standards or technical standards.* The following statement illustrates the nature of comparison standards used in standardized evaluation:

> "We have in the regulations this nice form, which is set in the official license, and according to it all the phases of work has to be checked and accepted."

If the technical standards are not met, poor episode quality will follow, but if these standards are exceeded the episode quality perception will be the same as if these standards were only met. It can be argued that the *technical comparison standards act as dissatisfiers* (e.g. Liljander 1995).

Taken the view presented in the theoretical part of this study, the comparison standards used in the standardized evaluation process were not included to the comparison standards mentioned, i.e. prior experiences, goals, promises, cultural norms and values, and desires. Consequently, *technical comparison standards has to be treated as its own group of comparison standards, at least in episode quality evaluation done, in case relationship.*

Comparison standards used in the systematic evaluation process

The systematic evaluation process is also linked to *the clear, well defined comparison standards*. These standards are used to evaluate a more effective operation of the repair process. Thus, in order the evaluate whether the repair process, of a certain type of device, is effective or not, it has to be evaluated against some kind of standard. In this case, *standards used, are derived from the past*. For example, if we consider the evaluation of the average repair time for a certain device, the comparison standards used in that evaluation are calculated as an average from the past years. After the calculation, it is considered whether there are factors that can affect the average time (for example the age of the devices) and after that, the comparison standard is set to a certain level.

The level of most comparison standards used in the systematic evaluation is in the Avionics division set for each year, and the representatives of the depot can affect this procedure. *In case of the new* *device, the comparison standards are formed on the basis of information concerning devices of the same type, information gathered from the depot or information found from the producer of that device*. The following statements illustrate the nature of comparison standards used in systematic evaluation:

> "Comparison standards are developed on the basis of the history, for example we check the repair history of the certain device, how often certain device type is repaired during certain period of time….Several years has to included in order to know in what direction we are going to."
>
> "If the average repair time is exceeded a notice is made and the situation is followed…"
>
> "The agreed fixed times are followed very closely every year."

As mentioned earlier, the systematic evaluation takes place both in the Avionics division and in the depot. The above description concerns the Avionics division, but the formation process of comparison standards in the depot is very similar. The Avionics division is not directly involved in the formation process of comparison standards used in the depot. The comparison standards that the depot uses, together with the whole evaluation process are not public information, as is the case of the Avionics division. The depot uses, for example, the Air Forces of the countries with which Finland has good relations, as a source of the information in case of forming comparison standards for the new device.

The comparison standards used in systematic evaluation process are clearly based on the experiences gained from the past either through their own experiences or experiences of the others. This reminds to large extent, the CL-concept (Andersson and Narus 1984, 1990) presented in the theory. The CL-concept was in chapter 4.3.2. included the prior experiences in the comparison standards. Consequently, it can be argued that *the comparison standard used in the systematic evaluation process is based on prior experiences.*

The comparison standards used in unofficial evaluation

In the unofficial evaluation, the comparison standards are either derived from the systematic (or technical) comparison standards or based on the individual's own comparison standards. As mentioned earlier, the persons that make the unofficial evaluations <u>in the Avionics division</u> are from the upper levels of the organization. This clearly has an effect on the nature of the comparison standards. *Usually, the comparison standards are a mixture of the comparison standards used in systematic evaluation and individual's own expectations*. The individual's own expectations were also bound to the situation, or goals of the organization, or goals of the relationship. Thus, individual's comparison standards were not derived from the individual's own carreer expectations.

The individual's comparison standards, are linked to the goals of the organization, or the relationship concerned, for example, the development of the repair process. These comparison standards, linked to the goals, go a step further from what was expressed in the official goals. The individual's expectations, linked to the situation, were related to the way that things were handled between partners. The experiences from the other relationships affected these expectations. This is according to the CL-concept (Andersson and Narus 1984, 1990) presented in the theory part. The following statements illustrate the nature of comparison standards used by evaluators from the Avionics division in unofficial evaluation:

> "Personally I expect that the repair is done as quickly as possible, and that the repair is profitable and money comes in quickly."
> "I expect things to go as they should go."
> "If the technical quality is ok, but we do not get enough money I cannot be satisfied."
> "When I look what we have achieved and developed, and what work we have now, I have to be satisfied.."

The individual comparison standards were really individual in the Avionics division, i.e. the persons that made unofficial evaluations rarely talk about the evaluations, or the comparison standards with the others. Thus, the forming process of the individual comparison standards happens almost totally in the minds of the individuals. In the depot the comparison standards and the evaluations were more often discussed inside the organization, and sometimes also between partners.

As mentioned <u>in the depot</u> the unofficial evaluation did take place in the situation in which the *comparison standards are linked to the matters that are perceived as important, either by the individual, or by the organization*. For example, the activity of the Avionics division in the development of the repair processes, and concern about the other partner, can be included in the matters that were perceived by the depot, as important. The concern about the other partner, can in turn be regarded as being linked to the sense of responsibility between partners, which in turn is based on the contracts made (i.e. *promises*) and *cultural norms* developed in the relationship. For example, if the official organizational goals are set, in order to decrease the number repairs between the depot and the division, the individual expectations were also related to it, for example, by hoping to keep the workload stable in order to keep the level of expert knowledge high. The following statements illustrate the nature of comparison standards used in unofficial evaluation in the depot:

> "Personally I expect that work load (in the Avionics division) stays relatively stable."

> "…control over the whole it is the are that should be developed (in the Avionics division)."
> "Expectations are first this delivery time, that they are able to serve quickly when needed and second are the prices, we want the costs stay relatively low, and we want development, and that the their learning shows in the prices…"

The unofficial evaluation process was, in the depot, more important than in the Avionics division, as the official evaluation forms were not so well developed in the depot, than in the division. It seem to be that the unofficial cultural norms were present in the unofficial evaluations done in the depot, and also determined to some extent, the comparison standards used in that evaluation.

Consequently, it can be argued that *the comparison standards used in an unofficial evaluation process in the Avionics division* are for the most part based on the *prior experiences*, as the comparison standards used in systematic evaluation were based on prior experiences, and the individual expectations, also can be regarded as being based mostly on prior experiences. The desires can play a minor role as a comparison standard in the Avionics division. *In the depot the comparison standards* can be regarded as being *based on the official goals, prior experiences, promises and cultural norms*. The matters that are perceived as important, are partly derived from the official goals and partly from individual own prior experiences. The promises made by the Avionics division often do not cover the issues that are perceived as important. Thus, the reason why certain matters are perceived as important in the depot is at least partly because of their are not included to the promises. *Consequently, the role of promises can be seen as representing a negative comparison standard or dissatisfier* (e.g. Liljander 1995).

The comparison standards used in the joint evaluation

The joint evaluation, done either inside the organization or inside the relationship, follows the systematic, unofficial or standardized evaluations. If something abnormal is noticed, based on these evaluations, a joint evaluation process starts. Thus, *the role of comparison between comparison standards and episode experiences is quite minimal in joint evaluation and the comparison standards used in possible comparison are the same as in the systematic, unofficial or standardized evaluation*.

As mentioned earlier, the adjusting processes have a central role in joint evaluation. It can be argued, that both attribution and balancing operations used in joint evaluation, both included internal comparison standards, which are either fulfilled or not. Attribution expects to find the reason for a negative deviations, and balancing operations expects to discover ways to avoid the negative deviations in the future (sequential transformation). As the adjusting processes have a central role in joint evaluation, the fulfillment of these internal comparison standards is crucial for the level of episode quality perception formed as a result of the evaluation.

Consequently, it can be argued that *these comparison standards built inside the attribution and balancing operations are based on the prior experiences and on the promises the partners have made to each other*. This is because the working methods behind these processes are developed partly on the basis of prior experiences, and partly on the basis of promises. As these methods were quite well developed inside the relationship, *it can also be argued that the cultural norms and values to some extent serve as a basis for the comparison standard used*.

The comparison standards, based on the past experiences, that are used in this evaluation are not official, but persons who have been involved with the repair processes for a long time period, have formed an understanding how the normal process, should proceed. Thus, these kind of comparison standards are bound to a single individual, but if she/he recognizes that something is not according to the comparison standards, something is not as it should be, she/he starts the evaluation process. *The comparison standards based on past experiences are normative, "should" expectations in the nature.*

The comparison standards used in the economic evaluation

In the Avionics division, the comparison standards used in the economic evaluation were developed in the budget discussion inside the organization and with the depot, and they are set for one year. Thus, the economic comparison standards are *goals* in nature. The following statements describe the economic comparison standards used in the Avionics division:

> "The economic goals set inside the organization have not been met."
>
> "Now the goals (mostly economic) set with the depot are beginning to materialize. But the short term economic goals, they are not yet fulfilled."

In the depot the economic comparison standards were partly linked to the economic factors like prices, but partly to the economic planning process between partners. The comparison standards linked to the typical economic factors were for the most part derived from the higher level goals (i.e. goals set by the whole depot, Air Forces etc.). But, the individuals involved in the evaluation, also affected these economic comparison standards. The comparison standards are linked to the planning process itself, and included matters like additional services and improvements in repair processes. The typical economic comparison standards are naturally linked to these expectations. The comparison standards are linked to the economic planning process, and are formed unofficially. These kinds of comparison standards can include input/output ratios. *Consequently, it can be argued that the comparison standards used are based on goals, and to* *some extent also prior experiences*. The following statements describe the economic comparison standards used in the depot:

> "When we talk about money, then we are affected by the labor market organizations, the Government and Ministry of Defence."
>
> "The Air Forces affect to the economic issues some extent, although the actual negotiations are done between depot and Avionics division."

In the economic evaluation done jointly the comparison standards were based partly, on the goals set by both of the partners and the promises (i.e. contract) they made each other. The following statements describe the comparison standards used in economic evaluation process:

> "Together we have budgeting and price negotiations, also the old is evaluated, and used as a basis."
>
> "…we agree about the costs once a year…We know how much we fly during a year, and on the basis of that we can estimate approximately the work load…"

In this joint economic evaluation the balancing operations were included, and thus the internal comparison standards also were included.

The comparison standards used in the development project evaluation

The evaluation of development project is based on the comparison standards derived from the promises and goals set for each project. At the beginning of each project, a written contract is made including the target, timetables, economic factors and responsibilities of the partners. Thus, the partners have made a promise to each other concerning the development project. The contract also includes aspects that can be regarded as mutually set goals (i.e. target and timetables). Part of the contract, in turn, concerns aspects that can be considered as a means for achieving the goals (i.e. economic factors and responsibilities). In addition, both of the partners have their own goals for the development project, but these goals do not have much effect on the evaluation of the development project.

As mentioned earlier, *the goals set and the means for achieving them in the beginning may change as the project proceeds*. The modification of the comparison standards is done, if nature of the project was unclear in the beginning, and thus the comparison standards set then were unrealistic. As the project goes on, the comparison standards are usually modified without making any changes in the written contract. The following statement describes this:

> "If the both (timetable and budget) are kept, one can think if the goals set too loosely…"

An unofficial evaluation of development projects is likely to take place when something extraordinary happens. The episode is perceived as extraordinary when the individuals feel that they have experienced something unusual. In this kind of episode, the comparison standards are fuzzy in nature, and evaluation is based merely on episode experiences.

Taken all together it can be argued that in the modified version of the comparison standards, *the comparison standards are based on technical standards, prior experiences, goals, promises and cultural norms and values*. This modified version is based on the empirical case. In this modified version, the technical standards are added to the comparison standards. The desires are in turn excluded, because on the basis of the case data, they did not serve as a basis for the comparison standards.

From these comparison standards technical standards are based on the past as they are made up on the basis of the past behavior. Prior experiences, together with cultural norms, and values are also based on past. Goals and promises in turn, are based on expectations of future actions.

6.3.3. Dimensions of episode quality

The episode quality perception can be regarded as consisting of two aspects: the level and the content. The episode quality perception level was discussed in chapter 6.3.1. when the different evaluation processes were discussed, the content of the episode quality perception is discussed here.

In the chapter 4.3.3. the episode quality was divided into four dimensions: technical, social, economic and ultimate (Holmlund 1996, 1997; Halinen 1997). *The evaluation of the repair processes can be regarded as done mainly according to technical dimension*. This is especially true in case of standardized and systematic evaluations. The standardized and systematic evaluation processes and the perceptions based on these do not concern physical matters, but as they concern the technical aspects and aspects related to the production process (i.e. repair process), so these aspects can be regarded as being technical. It has to be noticed, however, that also the social and economic dimensions are to some extent present in the repair process evaluations, but as the repair processes in themselves concern mainly technical aspects, the technical dimension naturally has a central role.

The sub-dimensions of technical dimension concerning the repair processes include for example: functionality of devices, functionality of spare parts, average repair time, delivery of spare parts, number of reclamation to mention some. Those of the technical sub-dimensions which are used in the standardized evaluation are based on the aviation regulations and quality standards, and the partners cannot affect them.

Many of the dimensions used in the systematic evaluation in turn are developed in the discussions between partners. Consequently, all of the dimensions are very detailed, and thus not as usable in the another context.

In evaluating a repair processes in which something extraordinary happens, the *social dimension can sometimes have a remarkable role*, especially when things are not handled in the way they should have been handled. Also, in the standardized and systematic evaluation processes the social dimension concern the way things are handled. Especially important is the social dimension in the joint evaluation, which can follow standardized, systematic and unofficial evaluations. *The adjusting processes can be regarded as being linked to the social dimension*. The attribution includes the aspect of finding reason for the negative (and in some cases also positive) deviation. This can be regarded as belonging to the social dimension, as it is expected that both partners take part in this process. The balancing operations, in turn, include, for example, the activity in developing ways to hinder negative deviations in the future (sequential transformation), this also concerns social aspects. It has to be noticed that the adjusting processes are tied to the original process (e.g. technical fault in the device).

The social dimension, of the repair process evaluations, include aspects like the relations to the suppliers, relations to the representatives of the other partner, relations to the co-workers and ease of communication. These aspects are mainly evaluated in unofficial evaluations, and no official evaluations are made. In the unofficial evaluations these aspects were considered important. As these sub-dimensions were not included in the official evaluations, their effect on the official episode quality perception is minimal. The episode quality perception in this study, however, includes all of the aspects that the individuals regarded as being important, regardless of whether they are official or not. The only demand for inclusion, is that the dimensions have effect on the episode quality perception on the organizational and/or on the relationship level.

In the official evaluation of the repair process the economic issues are not directly evaluated. However, the systematic evaluation and the joint evaluations include aspects that can be considered economic. As mentioned earlier, the systematic evaluation concerns factors related to the effectiveness of the repair process, for example the average repair time. In the depot the unofficial evaluation also included economic aspects.

The economic evaluation is naturally, mainly concerned with the economic dimension. The sub-dimensions included in this evaluation are for example: profit, prices, effect of the development to prices, development of costs, cost level and so on. As in the case of systematic evaluation, it is not easy to separate aspects linked to the repair process, including technical dimension and the economic aspects. Naturally, these dimensions are at least partly overlapping. The social dimension also can be included in the economic evaluation as the negotiations have a central role in the evaluations.

The evaluation of the development projects is done, to a large extent, according to the economic factors and time tables. Thus, the technical dimension (timetables) and the economic dimension are included in the evaluation of development projects. The evaluation also may include the responsibilities of the partners, and thus the social dimension is used in the evaluation, to some extent. Also, in the evaluation based on the extraordinary experiences the social dimension has had a central role.

In the chapter 4.3.3. the fourth dimension was called the ultimate dimension (Halinen 1997), and it served as a mixture of the other dimensions. In a way, it can be regarded as a summary of the other dimensions. On the episode level, the ultimate dimension was not found to exist in the case of repair processes. The summing up or cumulation merely happens on the relationship level, in which the role of ultimate dimension is important. In the case of development projects, the ultimate dimension can be found in the episode level. The nature of the different kinds of episodes can explain this difference. The number of repair processes per year, is much higher than the number of development projects, and the development projects last much longer than the repair processes. Thus, the result gained in this respect is reasonable.

Thus, in my opinion, it can be argued that in order to grasp the essential factors that should be evaluated, and find the ways they should be evaluated, it is important to examine the evaluation process inside the organization/relationship together with the factors that the partner perceived worth evaluating. In examining the evaluation processes, more relevant information is gathered, than in examining only the dimensions according to which the evaluation is made. Accordingly, the evaluation process and the target of the evaluation are bound to each other, so that in order to understand either of them both have to included to the examination.

6.3.4. Summary of the results related to the episode quality evaluation

In this chapter, the results related to the episode quality evaluation are discussed. First, the special questions related to episode quality formation, i.e. the moment of episode quality formation, the concept of episode, linkage between the evaluation type and the content evaluation, and the level episode quality perception are discussed. After that, the different episode quality evaluation processes are presented in complete form.

The different evaluation processes discussed in chapter 6.3.1. are bound to different kinds of episodes, and even those evaluation processes that are linked to the same kind of episode look at the episode from a different aggregate level, for example standardized vs. systematic evaluation. Thus, it is not easy to grasp *the moment when each episode quality perception is formed*. The first thought, naturally, is that the episode quality perception is formed after each episode. In practice this was not the case in the repair process evaluation, as the standardized evaluation took place during and the systematic evaluations, sometimes a long time after the actual episode. In the development projects, however, the perception is often formed after the project i.e. when the episode is completed.

Taking the perspective of the evaluation process, it is rational, although against what was anticipated on the basis of theory, that the episode quality perception is formed after each evaluation process is completed. *As a result the concept of episode becomes linked to the evaluation process, and the unit of episode may not anymore be the actual exchange episode, but the episode is defined according to the evaluation process*. This is what actually happened, in this study, in the case of the economic evaluation process, although it can also be argued that economic planning process is an exchange process as the exchange of information is the central part of it. In order to cover all the evaluation processes, it was no longer sensible to be stuck with the actual exchange episodes. This, in turn, raises the question about the relevancy of the term episode in this respect. In my opinion the use of the term episode is justifiable, because the evaluations are clearly directly linked to some episode, although the evaluations were made on a more aggregate level. The economic evaluation is a kind of evaluation, that is linked to the repair processes, but in a way the linkage is not as direct and not as obvious as in the other evaluation processes. The economic evaluation is more directly linked to the economic planning process, and thus, it is handled separately from the other evaluation processes.

It also can be argued that there is a strong *linkage between the evaluation type and the content* (dimension) of the evaluation. Accordingly, a certain evaluation can form a perception concerning only one dimension. For example, in the standardized and systematic evaluations the perception can be formed solely according to the technical dimension, in the unofficial evaluation according to the economic and social dimensions and in the development project evaluation mainly according to economic and technical dimensions. As the evaluation of economic factors mainly happens through the economic evaluation, economic evaluation can be considered as resulting in economic dimension. Consequently, *the one specific evaluation process can be done either according to one or more dimensions, but usually one of the dimensions has a central role.*

It has to be noticed, however, that the separation into different evaluation types (i.e. standardized, systematic, unofficial, joint, economic and development project evaluations) was not made according to the content of the evaluation. The different episodes were first discovered, and after that, the evaluation of repair process was divided into four different sub-processes (i.e. standardized, systematic, unofficial and joint evaluations) according to the form of the evaluation, not the content of it. However, it seem to be that the evaluations are made according to the processes each of which concentrates mainly on one of the dimensions.

The one crucial question that is also linked to the formation of episode quality perception, is *the level on which the perception is formed*. As mentioned earlier the episode and the relationship quality perceptions are in this study looked at from the perspective of the whole relationship. In order to do this the natural component is to take the perception formed on both sides of the relationship into account. In this study, this is also done. The individuals are, however, the ones that perform the actual evaluations, and in forming, first the organizational level quality perception, and then the relationship level quality perception, the basis is on the individual level perceptions. It can be argued, that the process from the individual quality perceptions, to the more aggregate level perceptions, is only a process of uniting and condensing. This process happens through discussions and negotiations, and through attribution and balancing operations.

In case of *repair processes,* four different types of evaluation processes were found. These were standardized, systematic, unofficial and joint evaluation processes. These four evaluation processes differ from each other with respect to the nature of the evaluation. The actual comparisons took place during standardized, systematic and unofficial evaluation processes. These evaluation processes were in some cases followed by joint evaluations. *From the cognitive processes, disconfirmation was characteristic of standardized, systematic and unofficial evaluation processes, assimilation-contrast theory* (Sherif and Hovland 1961) *of systematic evaluation processes and generalized negativity of standardized evaluation. The joint evaluation followed the lines of attribution and balancing operations* (e.g. Frazier 1983). With respect to attribution, the locus (see e.g. Kelley and Michela 1980) can usually be placed to the situation during joint evaluation. The balancing operations, can be regarded as being active and constructive (Hirschman 1970; Rusbult, Verette Whitney, Slovik and Lipkus 1991) in joint evaluation. Sequential transformation (Kelley and Thibault 1978) as balancing operation was also characteristic of joint evaluation. The sequential transformation means that in order to recover the situation the partner or both of the partners, adopt a different way of behaving in the future. In a way, this kind of transformation process was also anticipated by the depot, for the Avionics division, and thus this process also affected the comparison standards.

Consequently, the evaluation of repair process can be, in general, characterized as being initially, related to a comparison between episode experiences and comparison standards, and if the deviation between comparison standards and experiences is perceived as large, joint evaluation processes can modify the episode quality perception. It has be noticed, there were exceptions to this. The unofficial evaluation, for example, is not guided by pre-specified forms and procedures, and thus, the formation of comparison standards is a process that is difficult for the companies to guide or manage. *The role of feelings is also more central in case of unofficial evaluations than in case of other repair process evaluations*, although the comparison standards used in unofficial evaluations were quite rational in nature.

The central role of comparison can be seen as natural, because the evaluation is linked to a repair process, which is guided by strict regulations and standards. These serve as basis for developing the evaluator’s own individual comparison standards, and thus, as the base reference is clear, it is easy develop the comparison standards. A contradictory example is the economic evaluation done inside the depot. In that evaluation, the basis for the comparison standards, is not so clear, and the evaluation done is mainly concerned with forming the comparison standards.

In the standardized evaluation, the comparison standards used were mainly technical standards, and in systematic evaluation prior experiences were used. In the unofficial evaluation, done in the Avionics division, the comparison standards were mainly based on prior experiences, and in the depot by the official goals, prior experiences, promises and cultural norms. The attribution and balancing operations, used joint evaluation include internal comparison standards, which are based mainly on prior experiences, cultural norms and values and promises. The standardized evaluation was mainly done according to technical dimension, the systematic and unofficial evaluations according to technical, social, and to some extent, also economic dimensions. Joint evaluation was done according to the social dimension.

In figure 13, the evaluation processes of repair processes are presented. As a result of these processes, the episode quality perceptions are formed. In the figure 13, the dimensions are linked only in the formed episode quality perception, but naturally they are included also to all the other concepts presented in the figure (i.e. comparison standards, episode experiences, comparison 1 and adjusting processes, as dimensions, present factors upon which the evaluation is made).

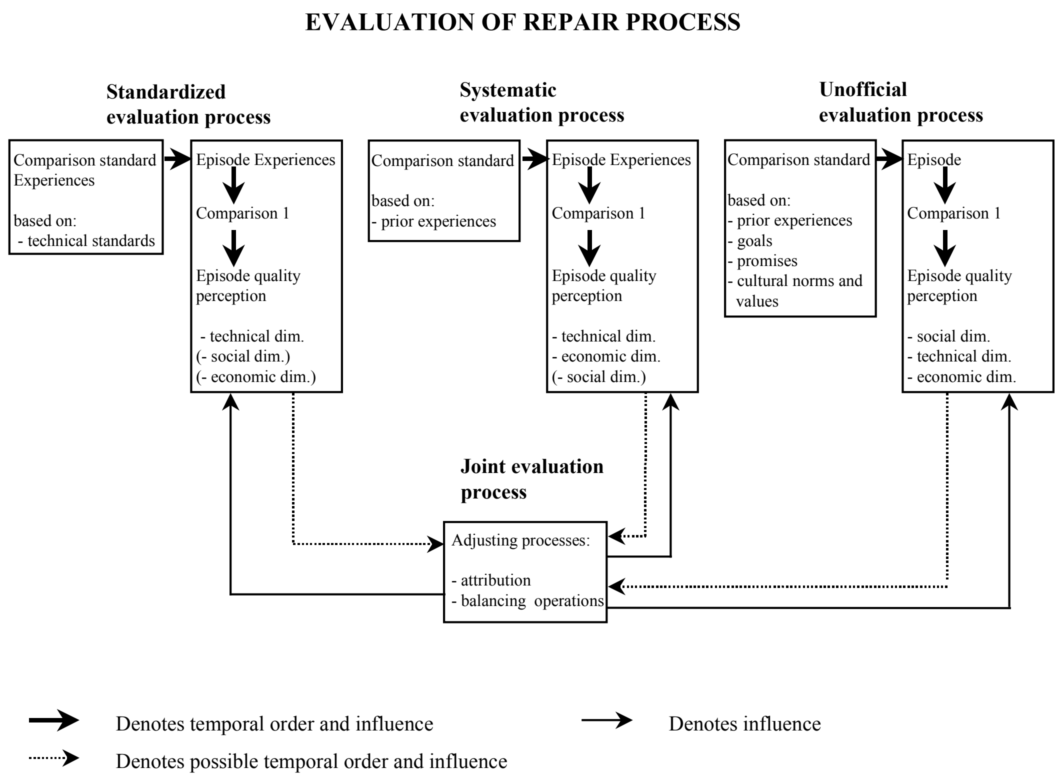

Figure 13: Evaluation of repair process.

The different repair process evaluation processes presented in figure 13, seem to follow the lines presented in the preliminary framework. Some exceptions from the preliminary framework can be identified. First, the technical standards as a determinant of comparison standard have to be included to the standardized evaluation. Second, from the adjusting processes only attribution and balancing operations were characteristic for the joint evaluation.

The evaluation of economic planning processes happened through economic evaluation processes. *In the economic evaluation process the evaluation processes in the Avionics division and in the depot are different from each other*. The economic evaluation, done inside the Avionics division *followed the lines of disconfirmation paradigm* and as well as joint economic evaluation, done together between partners, from the depot's point of view. Attribution (e.g. Frazier 1983) was found to be characteristic of the economic evaluation done in the Avionics division, and balancing operations (e.g. Frazier) of the joint economic evaluation. The comparison standards, used in the Avionics division, are based on goals, and in the depot on goals, and to some extent also, prior experiences. The economic evaluation process is mainly done according to economic dimension.

The comparison had a quite central role in both the Avionics division and depot, but the partners concentrated on different issues. The evaluation process done inside the depot, concentrated merely on developing comparison standards, and inside the Avionics division actual evaluations were made. The joint economic evaluation was more important for the depot, than for the Avionics division. The reasons for the differences can be found from the roles of the partners (buyer/seller) and from the content of the evaluation. One important determinant, also can be the nature of the organizations.

In the economic evaluations made in the depot, the accommodation process called voice (e.g. Hirscman 1970) *was used*. In this process, the partner actively and constructively tries to change the relationship. In this case, the depot actively and constructively tries to change the behavior of the Avionics division, with respect to the additional services for example.

In figure 14, the economic evaluation process is presented. The evaluation process in the depot is to large extent, a forming process of comparison standards. The comparison standards gained as a result of this process are compared against the experiences gained from the negotiations between partners. Thus, the joint evaluation process, is for the depot, more than just an adjusting process. This economic evaluation process follows, despite of its two stages, the preliminary framework presented in the theory. It has to be noticed, however, also that in the depot, the ”normal” evaluation process can take place.

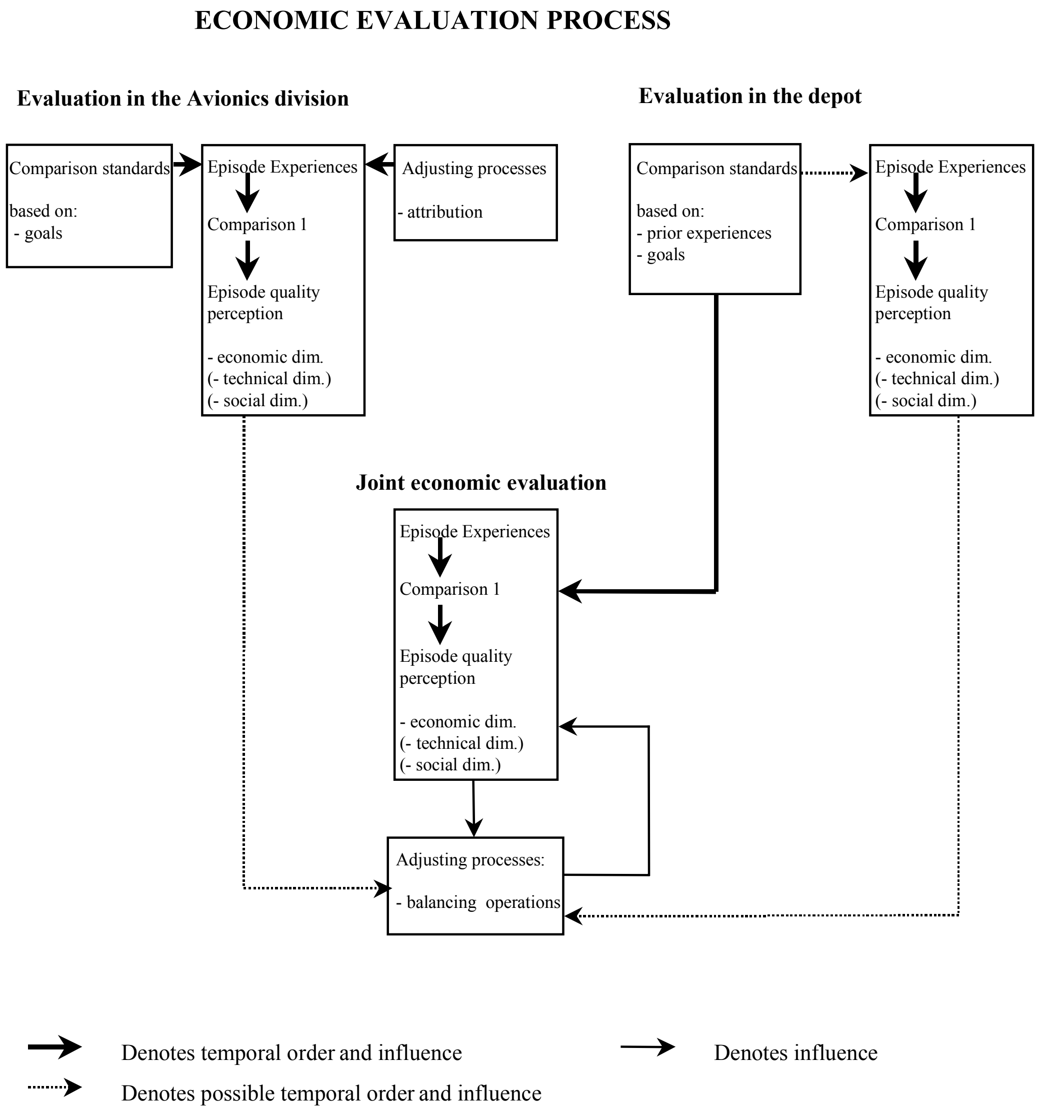

Figure 14: Economic evaluation process.

In the evaluation of development projects, two different forms of evaluations can be traced, the official evaluation and the evaluation based on extraordinary experiences. In the first form of development project, evaluation adjusting processes played an important role, modifying the comparison standards during the development project. *In the theoretical part, it was assumed that the adjusting processes can modify the episode or relationship perception, but the evaluation of development projects showed that they can modify the process, already before actual comparison is made*. In the final evaluation of the development project, the comparison (i.e. disconfirmation) played more important role than the adjusting processes. In the other form of development project evaluation, i.e. evaluation based on extraordinary experiences, the comparison has a minor role as these experiences can be regarded as being unexpected in nature. In this form of evaluation, comparison was used to some extent, but due to the fuzzy nature of the comparison standards used, the existence of the comparison, is often difficult to trace.

In the official form of development project evaluation, the comparison standards are promises and/or goals set for each project. In this form of development project evaluation, the evaluation is made according to the technical and the economic dimensions. In the evaluation based on extraordinary experiences, the evaluation is in turn, mainly done according to social dimension.

In figure 15, the evaluation of development projects is presented. This evaluation has two distinct characteristics. First, the adjusting process affects the comparison standard. During the development project, the comparison standards tend to change. The change in the comparison standard can be regarded as being a balancing operation, in which the criteria of evaluation is changed, i.e. outcome transformation (Kelley and Thibault 1978). Second, the evaluation also can be based on extraordinary experiences, and in this, the role of comparison can be minimal.

EVALUATION OF DEVELOPMENT PROJECTS

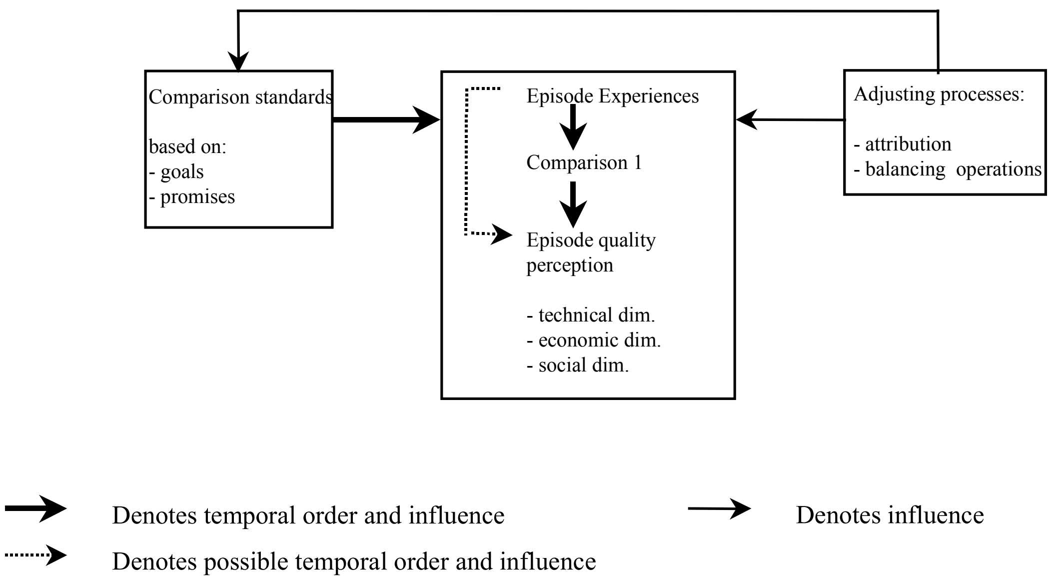

Figure 15: Evaluation of development projects.

When comparing the figures 13-15, the differences and similarities of different types of evaluation processes can be identified. In the evaluation of repair process, the joint evaluation process, in the form of adjusting processes, followed the comparison between comparison standards and episode experiences. In the case of economic evaluation process, the joint evaluation also could consists of actual comparison too. From the evaluation processes, the unofficial evaluation process was the one that did not have any pre-specified forms and procedures, it can be seen in figure 13, that the number of the determinants of comparison standards used is numerous. The standardized evaluation, in turn, is the opposite, as it had a clear pre-specified form and procedures. It also served as basis for the whole operation of the relationship, and thus can be regarded as important. The evaluation of development projects can be seen as quite simple, but as it is partly based on extraordinary experiences, it also can be important for the evaluators.

The adjusting processes, that were used in the case relationship, were clearly related to the episode quality evaluation, and in case of development project evaluation, also to the comparison standards before actual comparison. *The adjusting processes seem to work in between the episode quality and relationship quality evaluation as modifying the episode quality perception in case of negative deviation before the relationship quality evaluation*. Naturally the results of the adjusting processes affected the relationship quality evaluation and relationship quality perception.

An example of the use of attribution was the economic evaluation done in the Avionics division. In that evaluation, reasons for the negative deviation were sought. If the reasons found were not considered to be caused by their own division (see e.g. Kelley and Michela 1980; Laljee and Abelson 1983), the episode quality perception was regarded as good. If the reason was not considered to be caused by the own division, the other source was usually the situation, so the another partner was only very seldom, blamed (see e.g. Kelley and Michela 1980; Laljee and Abelson 1983). The causes for the deviations were not considered as stable (see Folkes, Koletsky and Graham 1987), if the locus of the cause of the deviation was the situation, the cause was perceived to be out of the control of both partners, and thus, the effect to the episode quality was not negative (see Folkes, Koletsky and Graham 1987).

From the adjusting processes equity and fairness were not found to have an affect on the evaluation. One reason for this, can be found from the argument presented in the theory part, that if the actor perceives his gains and loses to be in balance, this does not affect the episode/relationship quality evaluation (see Oliver and Swan). Although this argument was related to equity, it can be used also in case of fairness, as both equity and fairness are based on input/output ratios.

The reasons for this can also be found from the nature of the relationship. As both partners know, as a result of long co-operations, the rewards and costs, both on episode and relationship quality levels, the evaluation with regard to equity and fairness does not take place. The reason behind the non-existence of equity and fairness, can be the fact that the economic evaluation, in itself, consisted of the comparison between rewards and costs, for example, as from the investments made rewards were anticipated in the future. Also, the partners were not in all cases familiar with the amount of investment the other partner has made, or the rewards the other partner has gained, and thus the evaluation of the equity is difficult from all levels of the relationship.

Another reason for the non-existence of equity and fairness could be that the partners seem to be more concerned with fluent operation than with different input/output ratios. The central issues were the recovery after the deviation between comparison standards and performance, together with hindering the deviation to reoccur. One reason for the absence of equity and fairness could be perceived balance between inputs and outputs. If these were not in balance, they would have been mentioned as having important role in episode quality evaluation.

In the following chapter 6.4. the analysis is extended from episode quality to relationship quality.

6.4. Relationship quality evaluation in relationship level

In this chapter 6.4. the evaluation of relationship quality is addressed on the basis of the case study. The discussion starts with addressing the evaluation process from the episode quality perception to the relationship quality perception. After that, the comparison standards and dimensions used in relationship quality evaluation are addressed shortly. The emphasis in discussing the comparison standards and dimensions, is in the distinct characteristics they have in relationship quality evaluation, compared to the episode quality evaluation.

6.4.1. From episode quality perception to relationship quality perception

In this chapter 6.4.1. the evaluation process from the episode quality perception, to the relationship quality perception, is discussed. This discussion includes a separate analysis concerning the processes from repair, economic and development project evaluations to the relationship quality evaluation.

Before entering into the discussion concerning the different evaluation processes, the nature of relationship quality evaluation is addressed. The evaluation of episode quality was on the basis of the case relationship, divided into three main processes, and one of these main processes, repair process, was further divided into four evaluation sub-processes. The relationship quality, in turn, was in the theoretical part seen as cumulative (see e.g. Boulding, Kalra, Staehlin and Zeithaml 1993) in nature. The relationship quality evaluation follows each of the episode quality evaluation processes, and the cumulation can be regarded as taking place after each episode quality evaluation. In other words, cumulation means that the perceptions change, little by little, as the evaluator gets perceptions that reminds each other, or at least point in the same direction.

On the basis of the case analysis, it can be argued that *the relationship quality is mainly cumulative in nature, but it consists of different cells*. For example, the episode quality perception formed on the basis of the systematic evaluation, is compared in the relationship quality evaluation against the cell of the existing relationship quality perception related to the systematic evaluation. Thus, the cumulation that takes place, after a certain episode quality evaluation process happens in that cell related to a specific episode quality evaluation process. *This cumulation concerns the content of the relationship quality* and it is presented in the figure16 as consisting of different cells[61].

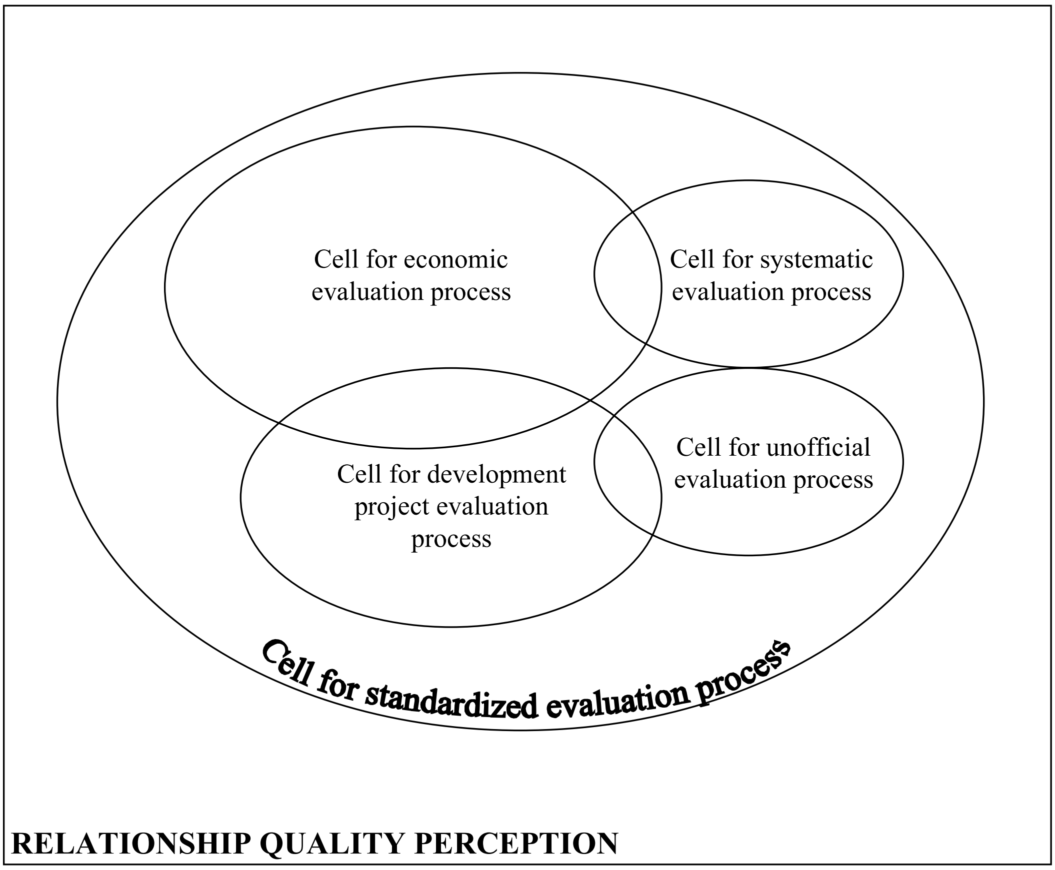

Figure 16: Relationship quality perception as consisting of cells.

It has to be noticed, that in the figure 16, the standardized evaluation in a way, forms the basis for the relationship quality perception. *The size of the other cells describe the significance of the cell for the relationship quality perception.* Thus, the economic evaluations can be regarded as the most

[61] For simplicity's sake, in the following when discussing the evaluation from episode quality perception to relationship quality perception the term relationship quality is used instead of using the term of specific cell of relationship quality.

important ones, and the unofficial evaluations as the least important ones. However, some of the extraordinary or unexpected experiences (usually related to development projects) can change the relationship quality perception, so that the change, covers all the cells. These kind of evaluations in a way sweep across all the cells, and leave their marks.

It seems to be, on the basis of the interviews, that sometimes, the episode quality perception was not considered by the interviewees, to be formed as a result of conscious evaluation, and also the effect on the relationship quality perception was thus non-existent. This mechanism can be considered to be a result of the long common history between partners, because many of the evaluations are considered as being routine, and they are not regarded as evaluations, until something unexpected happens. It has to be noticed, however, that also in these cases, the evaluations actually did take place although the interviewees did not perceive them, as such. The evaluations in these cases can be regarded as a sub-conscious processes. The results of these evaluation processes were, however, evident. Consequently, in the cases that the evaluation actually did take place, and it was also noticed, its effects on the relationship quality perception, were not considered as being important if everything did go as usual. These mechanisms, and other processes linked to the relationship quality evaluation are discussed in more detail in the following. The following discussion concerning the way from episode evaluations to the relationship quality perception is mainly linked to the level of quality perception.

From repair process evaluations to relationship quality perception

As mentioned in chapter 6.3.1. the *standardized evaluation* merely served as a basis or pre-requisite for the other evaluations. The standardized evaluation did result in the episode quality perception, but it often was not noticed. It can be said, that the episode quality perception formed was normal (i.e. in the same level as the comparison standards). Thus, *the episode quality perception gained on the basis of standardized evaluation, did not cause any change in the relationship quality perception. The standardized evaluation, however, has to be considered as being an important factor, that forms the basis for the relationship quality perception, and thus it cannot be passed*. The following statement illustrates this:

> "The repair process is the first thing, the fact that we get reliable devices from there."

If the technical standards set, were not met, the joint evaluation process started. It can be argued that *the cumulation of these kind of situations would mean a decrease in the relationship quality perception*.

The *systematic evaluation* reminds of the standardized evaluation in a way, because if the systematic comparison standards are met, the effect of the formed episode quality perception on the relationship quality is non-existent or minimal. *The normal level, the level that follows comparison standards, episode quality perception, does not change the relationship quality perception. If the negative deviation exists on systematic evaluation process, the joint evaluation process is likely to start, and can modify the episode quality perception.* The situation where the deviation would have been so positive, that it would have caused any changes in relationship quality perception, was not found. It seems to be somehow important to remind the existing level. If positive deviations existed the change was more likely to occur in the comparison standards used in episode quality evaluations, than in relationship quality perception. The following statement illustrates the process from systematic evaluations to the relationship quality perception.

> "The internal standards set for the operation will have effect (on the overall satisfaction) especially when the standards are not met."

In the evaluation of the relationship quality, the episode quality perception gained as a result of systematic evaluation, is clearly compared against the existing relationship quality. The existing relationship quality perception represents the normal, or the usual way of operation, and thus the existing relationship quality perception has developed during a long period of time, and has been formed on the basis of episode quality perceptions.

The existing relationship quality perception, as a comparison standard is natural, because the comparison standards used in the episode quality evaluation are rather stable, and thus the existing relationship quality perception is formed on the basis of episode quality perceptions, which are in turn, based on the same comparison standard as in episode quality evaluation. Thus, the change in the comparison standard used in episode quality evaluation would mean, also a change in the relationship quality perception, if the level of operations stay the same. Consequently, *as long as the comparisons standards used in systematic evaluation are the same and are met, the relationship quality perception is likely to stay at the same level, and the results of the evaluations are for the most part passed by the notion that everything goes as usual*.

In the relationship quality evaluation, which follows the systematic evaluation in episode level, the nature of the existing relationship level as a comparison standard, can be regarded as being in-line with predictive expectations (e.g. Liljander 1995; Zeithaml, Berry and Parasuraman 1991, 1993). If the comparison standard stays the same, everything is anticipated to be, as it used to be. The boundaries for the comparison standard used in the evaluation of relationship quality, are set mostly by the comparison standard used in the actual systematic evaluation, as the change in the comparison standards used in episode quality evaluation, may change the relationship quality perception. For example, one of the interviewees had long time tried, to change some of the comparison standards used in systematic evaluations, as they were unrealistic and not met. Because these standards were not met, this resulted in lowered satisfaction, both in the Avionics division and in the depot. Finally, he succeeded in his efforts, and the comparison standards were changed. As a result, the standards were met, and the episode quality perception, and through it, also the relationship quality perception got better in that respect. It can also be argued, that the cultural norms and values have a role in boundary setting, as they have a clear role in the way that the episode quality evaluations are performed.

The relationship quality evaluation that follows *unofficial evaluation* is not directly affected by the episode quality perception formed on the basis of unofficial episode quality evaluation. If we consider relationship quality as being an intra- and interorganizational concept; *the episode quality perception formed, as a result of unofficial evaluation, has an effect on the intra- and interorganizational relationship quality perception, only if the evaluation and the formed episode quality perception are discussed, or the information is otherwise shared with someone else involved, also in the organization/relationship. The indirect effect (i.e. the effect through behavior) can be strong enough to affect the relationship quality perception, if the person who makes the unofficial evaluation, is in a powerful position in the organization and/or in the relationship*. The following statements describe this:

> "Usually we somehow get the message about the perceptions that the Air Forces has concerning our operations, how well we have managed. But no official evaluations…"
>
> "It is kind of inner feeling, and customers usually determine that feeling…"
>
> "One positive thing is that they have showed that they are really interested in developing their know-how and services. There are practical examples…"

The effect of the episode quality perception, formed on the basis of the unofficial evaluation in the relationship quality perception, is not as easy to grasp, as in the cases of standardized and systematic evaluation. The unofficial episode quality evaluation done *in the depot,* which is linked to the matters that are perceived as important, affects the relationship quality perception in a quite fuzzy way. *The difficulties are related to the comparison standards that are used in the episode quality evaluation, because clearly these standards are also present in the relationship quality evaluation, in the level of the existing relationship quality*. The existing perception of relationship quality is formed on the basis of previous episode quality evaluations, and the comparison standards used have a central role in those evaluations. As the unofficial episode quality evaluations lack the systematic nature, the standards used are quite fuzzy or at least fuzzier than in systematic evaluation. These comparison standards are also clearly more sensitive to the changes, because of the lack of guidance. Thus, as the relationship quality perception level done according to, for example, activity of the partner, has gradually increased, the level of comparison standards linked to the activity, both in the episode and the relationship level, may also increase. *This leads to a circle where the level of comparison standards increases, as a result of an increase in episode/relationship quality perception. The increased level of comparison standards is then, in the next evaluation, fulfilled and the episode/relationship quality perception levels are again increased.*

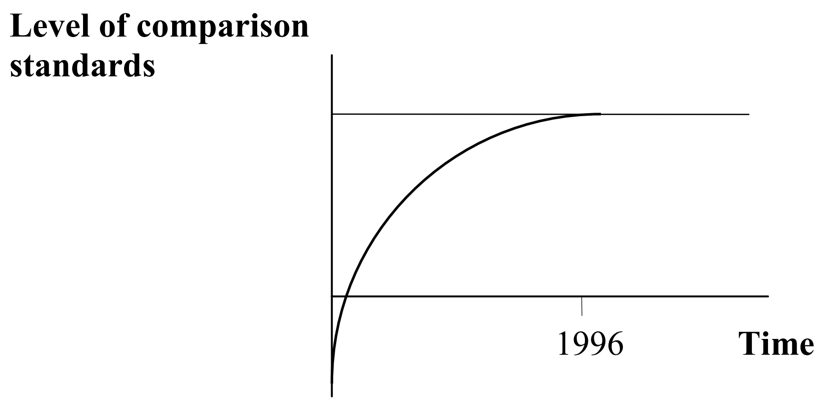

Figure 17: The development of comparison standards in the case of unofficial evaluation.

This gradual development can be regarded as concerning all the evaluations that are made according to comparison standards which lack the official guidance process. It seem to be, however, at least concerning some matters, that are perceived as important, the comparison standards have reached their saturation level at the moment (see figure 17). *This means that the comparison standards, are not anymore met, at the episode level, the recovery has not completely succeeded, and as a result the negative episode quality perception has lowered to the level of relationship quality perception*. The limitations for the fulfillment of the comparison standards are, in this case, set by the price level, price-quality relationship and mental issues like beliefs about the future. The following statement illustrates this:

> "Know-how is the thing I would like to have more (in the Avionics division). We would get it if we buy more work from them, this would on the other hand mean that the costs are cut as low as possible, and this will cause the skilled labor to go somewhere else."

The gradual change in the relationship quality perception as a result of the gradual change in the comparison standards reminds of the tolerance zone -thinking (Woodruff, Cadotte and Jenkins 1983; Zeithaml, Berry and Parasuraman 1991; Strandvik 1994; Halinen 1997) presented in the theory part. According to this, the episodes (or episode quality perceptions) which stress the borders of tolerance zones, have a greater importance in relationship quality evaluation, than episodes which fit neatly between zones. In the gradual change process, described above, however, the borders are stressed only a little at a one time. Thus, the change is not necessarily linked to the episode, which can be regarded as critical ones. The statements below illustrate this:

> ”..as the demands are set higher, it feels good when they are fulfilled. It seems always better when you have improved”
>
> ”Little by little it (the overall satisfaction) has according to my view improved”
>
> ”the satisfaction has not always been as good as it is now...it has improved during the last five years.”
>
> ”Increased knowledge and experiences (about the partner) have convinced me about the level of operation...I don’t know if the satisfaction has actually changed, but the knowledge has increased.”
>
> “The increased freedom to operate has increased the satisfaction towards the relationship….The increase has happened mostly little by little, but the Hornet project caused a clear spring upward.”

Taken together, on the basis of the evaluations done, concerning the repair processes, the mechanism between evaluation, episode quality perception and relationship quality perception is for the most part[62] quite simple: if everything goes as anticipated (or as it used to, i.e. according to comparison standards) the level of episode quality will be normal and the level of relationship quality stays the same. If the episode experiences are above the level of comparison standards, the episode quality will be perceived as good (or excellent), and the change in the relationship quality perception to the positive direction is likely to take place. Then, if something abnormal takes place and/or is noticed the level of episode quality will be under the comparison standards, and if the adjusting processes fail in recovering the situation, the relationship quality perception will change into the negative direction. The statements below illustrate this mechanism:

> ”Certain changes in personnel have decreased the overall satisfaction temporarily.”
>
> ”Occasional events that have not gone as agreed, have affected on the negative direction, but those kinds of events have not occurred for years.”
>
> ”Temporary decreases (in satisfaction) have certainly existed also in recent years. We have our problems and little crisis

[62] The unofficial evaluations that are made concerning matters, that are perceived as being important are an exception to this.

> from time to time, we also disagree in big matters, the satisfaction does not always stay in the same level."

It has to be mentioned, that the episodes that actually change the relationship quality perception are quite rare, because the problematic and abnormal episodes are usually handled in a satisfactory way. One explanation for the rareness of these kinds of episodes can be the age of the relationship, the operation in the relationship has acquired certain routines which are usually followed. Those problematic and abnormal episodes which are not handled satisfactorily, can be regarded as episodes that stress the borders of tolerance zones (Woodruff, Cadotte and Jenkins 1983; Zeithaml, Berry and Parasuraman 1991; Strandvik 1994; Halinen 1997) and thus lead to the change in relationship quality perception. However, if the operation is considered as being on the normal level continuously, the level of comparison standards (especially unofficial) may increase. If these higher level comparison standards are fulfilled on an episode level, the level of episode quality perception increases, and gradually, also the level of relationship quality increases. As mentioned earlier this gradual change process was regarded, also, as reminding the tolerance zone -thinking (Woodruff, Cadotte and Jenkins 1983; Zeithaml, Berry and Parasuraman 1991; Strandvik 1994; Halinen 1997) presented in the theory part.

From economic evaluations to relationship quality perception

The economic evaluations made, have a quite powerful effect on the relationship quality perception. It seems to be, that although the technical matters are perceived as important for the relationship, their role is merely in forming the base for the relationship, and the economic matters are perceived by both partners, as important factors, when forming the relationship quality perception. Thus, *the episode quality perception gained on the basis of economic evaluations, can have a more significant effect on the relationship quality perception, than the episode quality perceptions made on the basis of repair process evaluations*. Accordingly, the economic evaluation process has a bigger cell (see figure 16) in relationship quality perception than the repair process evaluations. The economic evaluations, may differ to some extent, between partners, and the effect on the relationship quality can be regarded as being slightly different. The following statement describes the importance of the economic evaluation process:

> "The most important thing is the profitability…you can have other kinds of lists too, but without profitability, there is nothing."

<u>The Avionics division</u> has clear economic goals (defined in the budget) and these goals, naturally, are defined separately for each year, and thus are under continuos change. The episode perception gained, as a result of the

economic evaluation, seems always to have an effect on the relationship quality perception, if a deviation exists between the existing relationship quality perception (i.e. comparison standard) and the gained episode quality perception. Consequently this process reminds the tolerance zone thinking presented in the theory part (Woodruff; Cadotte and Jenkins 1983; Zeithaml, Berry and Parasuraman 1991; Strandvik 1994; Halinen 1997).

The level of the existing relationship quality perception, naturally, also affects strongly the relationship quality formation. If the financial performance has in the past years, been unsatisfactory (i.e. the existing relationship quality level is low), the good or excellent episode quality perception will increase the relationship quality perception level more than predicted. This came up in the interviews and discussions as a form of relief, as the coming year seems to be better, than the previous ones.

As mentioned earlier, the economic evaluations made in the depot are much more fuzzier in nature compared to those done in the Avionics division. The comparison standards, are to a large extent, linked to the joint economic evaluation. Although many of these comparison standards have not been met, the episode quality is perceived as quite good because, it has been understood why the standards have not been met (i.e. attribution). The effects of the economic episode quality perception, on the relationship quality perception can be regarded as being important (although not so important as for the Avionics division), because many changes in the relationship quality perception happen, as a result of economic episode quality perception. It seem to be that, *in the case of economic evaluation, the relationship quality perception is usually changed after every single episode quality evaluation*.

From development project evaluations to relationship quality perception

The relationship quality perceptions, based on the evaluations done concerning the development projects, is formed somehow differently, than in case of repair process evaluations. The number of development projects is much lower, than the number of the repair processes, and thus, the perception of how things should go or how they used to go (i.e. the existing level of relationship quality) is not as strong, as in the case of the repair processes. In a way, the huge number of repair processes (over 2500 per year) together with the long common history, have formed a solid basis for the repair process evaluations, partly in the form of officially set comparison standards and partly in the form of procedures to handle problematic situations. In the case of development projects, this basis is not as solid, because the number of development projects is considerably lower, and thus there is lower historical context.

Consequently, *the level of episode quality perception, gained as a result of development project evaluation, can affect on the relationship quality perception remarkably, after each episode*. Thus, regardless of the level of episode quality perception, the relationship quality perception is likely to change. This mechanism was not, however, completely revealed in the interviews, because the interviewees treated the development projects as separate ones, and not linked to each other. This can mean *that the relationship quality perception is based, on the last episode quality perception.* Taking the nature and number of development projects into account, this seems to be the most reasonable explanation. The mechanism explained above does not remind the cumulation effect (e.g. Boulding, Staehlin and Kalra 1993) or tolerance zone -thinking (Woodruff, Cadotte and Jenkins 1983; Zeithaml, Berry and Parasuraman 1991; Strandvik 1994; Halinen 1997) presented in the theory part. But, it is in accordance with the thinking that quality perception is formed, by the perceptions that can easily be derived from the memory, i.e. in most cases, that last one.

The effect of the episode quality perceptions on relationship quality perception, is in-line with the level of episode quality perception. The effect is not, however, very long lasting, as the excellent level gained, sets the expectations concerning future operation to a high level. The fulfillment of these new expectations, can be regarded as quite unlikely in the future, because the experiences gained were quite unique in nature, and the normal operation cannot correspond to the new expectations. Thus, the relationship quality level is likely to decrease in the future.

The episode quality perceptions, based on the extraordinary experiences gained during development projects, can be considered as having the most powerful effect on the relationship quality perception of most of the interviewees. This, was clearly revealed by the CIT technique used in the interviews. Consequently, these extraordinary experiences can in a way wipe over the cells of the relationship quality perception (see figure 16) and change the whole relationship quality perception. As these episode quality perceptions are based on extraordinary experiences, the evaluations usually lack exact comparison standards, both on episode quality and relationship quality level.

6.4.2. Comparison standards used in relationship quality evaluation

In this chapter 6.4.2. the comparison standards used in relationship quality evaluation in the case relationship are discussed.

The evaluation of relationship quality usually follows the evaluations made on the episode level. In the relationship quality evaluation, the existing relationship quality level, is compared against the gained episode quality perception. Already, according to this definition, it is natural that the existing level of relationship quality serves as a comparison standard, in the relationship quality evaluation. However, the same factors that determine the comparison standards, used in episode quality evaluations can affect the existing level of relationship quality by setting the boundaries for it.

In the relationship quality evaluation, that is linked to the evaluation of repair processes, the comparison standards used are clear in nature, in the case of standardized and systematic evaluations. The relationship quality evaluation, linked to the standardized and systematic evaluations, is based on the comparison standard that is formed during previous evaluations, and thus, the comparison standards used in episode quality evaluations, have a central role in the comparison standards used. As the comparison standards used in episode quality evaluations, are quite stable in nature, the level of relationship quality changes, normally when changes in operation take place. Thus, *the comparison standards used in episode quality evaluations serve as boundaries for the comparison standard used in relationship quality evaluation, i.e. for the existing level of relationship quality*. The cultural norms also can be regarded as boundaries as the evaluation procedures are clearly crucial in evaluations.

In the relationship quality evaluations, that follow the other episode quality evaluation processes, the nature of comparison standard used, was somehow different. In cases, where the comparison standards used in episode quality evaluations were guided (i.e. standardized, systematic, development project and partly economic evaluation), the comparison standard used in relationship quality evaluation merely was based on the existing relationship quality perception. It has to be noticed, however, that in all cases, the relationship between the comparison standards used in both levels of evaluation, was strong and both affected each other. In the cases of unofficial evaluation and economic evaluation in the depot, in which the comparison standards used on the episode level lack the guidance, the comparison standard used on the episode level seem to determine, to a quite large extent, the comparison standard used in relationship quality evaluation. This was quite contradictory, what was anticipated based on the theory. In the theory part, it was argued that the existing level of relationship quality determines, to a large extent, the comparison standards used in relationship quality evaluation, despite of the nature of the evaluation.

On the basis of the above discussion it can be argued, that the comparison standards used in the relationship quality evaluation, are existing relationship quality perception, and the comparison standard used in episode quality evaluation. This can be regarded as the modified version of the comparison standards, used in relationship quality evaluation. Both types of comparison standards have their basis, in the past.

6.4.3. Dimensions of relationship quality

This chapter deals with dimensions of relationship quality on the basis of the empirical analysis.

On the basis of the empirical analysis, it can be argued that *the cells of the relationship quality perception describe better the content, or ingredients, of the total relationship quality perception, than dimensions*. It can be also argued, that the change in and the different effects on the relationship quality perception, can be better traced, with the help of the cell-concept than with dimensions. *The dimensions can be used to describe the content of the each individual cell* (see figure 16), or relationship quality perception formed as a result of the individual evaluation process.

As the relationship level evaluation, was more or less, sub-conscious in this case, the dimensions of the evaluation were even more difficult to trace than the actual evaluation process. It seems to be, however, that the dimensions used in relationship quality evaluations, are the same ones used in episode quality evaluation (i.e. technical, social and economic dimensions). *The role of the ultimate dimension was more evident on relationship level than in the episode level*. The summing up of the other dimensions seem to happen through something, and in this case this something can be regarded as the ultimate dimension. This summing up concerned each cell of the total relationship quality perception. The delayed effects also were on the basis of the theory considered as forming the ultimate dimension. In this case, the future rewards gradually being obtained from the Hornet F-18 –project, can be regarded as being this kind of delayed effect.

6.4.4. The third comparison

In this chapter 6.4.4., the third comparison, which in the preliminary framework (see figure 6) followed relationship quality perception, is discussed.

On the basis of the case data, it was impossible to reveal if the third comparison took place. In this case relationship, it was really hard for the interviewees to even consider a possible episode, which might lead to the termination of the relationship. The only episodes which were mentioned, were linked to the break of the organization of which the Avionics division is a part, or to the complete change of policy of the Finnish Army with regard to its suppliers. These two possibilities were not, however, considered as being very likely, at least in the near future.

The reasons for the non-existence of the third comparison can be found from the nature of the relationship. The relationship between the depot, and the Avionics has lasted for over 20 years, and both of the partners are still committed to the relationship. Investments and adaptations are made constantly, and although the relationship could be regarded as being institutionalized, the partners actively question the conditions of the relationship. In addition to this, both partners are dependent on each other.

On the basis of the above discussion, it can be argued that from the modified version, of main evaluation process, the third comparison is excluded. It has to be noticed, that this modification is made solely on the basis of the case data, and thus in other case realities, the third comparison might still take place.

6.4.5. Summary of the results related to relationship quality evaluation

In this chapter 6.4.5. the summary concerning the results of the chapter 6.4. are presented. This is mainly done by presenting the figures of the evaluation process from the episode quality perceptions, to the relationship quality perception. In addition, other results are discussed. The discussion starts with addressing the central results.

The relationship quality perception was found to be consisting of cells. These represent each episode quality evaluation process. Thus, the cell–concept is related to the content of the relationship quality perception. The standardized evaluation process forms the basis of the relationship quality perception. In comparison to the other evaluation processes, the economic evaluation process seemed to be the most important. The *change, in the content* of the relationship quality perception, mainly happens through cumulation, but sometimes extraordinary experiences can in a way, sweep over the relationship quality perception, and change the whole relationship quality perception. This kind of change, caused by extraordinary experiences, concerns both the level and the content of the relationship quality perception.

The change related to the level of the relationship quality perception, has to be considered by looking different cells separately. In case of the repair process evaluations, (i.e. standardized, systematic and unofficial evaluations) the relationship quality perception is mainly formed as cumulation of similar types of episode quality perceptions. Those problematic and/or abnormal episodes, which are not handled satisfactorily can change the relationship quality perception, as they stress the borders of the tolerance zones (Woodruff, Cadotte and Jenkins 1983; Zeithaml, Berry and Parasuraman 1991; Strandvik 1994; Halinen 1997). If the current operation is considered as being on the "normal" level continuously, the level of comparison standards (especially unofficial) may increase. The fulfillment of these higher level comparison standards on the episode level, can cause the increase on the level of episode quality perception, and also gradually a increase in the relationship quality percpetion. *This gradual change process* reminds the tolerance zone -thinking (Woodruff, Cadotte and Jenkins 1983; Zeithaml, Berry and Parasuraman 1991; Strandvik 1994; Halinen 1997) presented in the theory part.

The relationship quality evaluation, that followed the economic evaluation process, differed a bit from the relationship quality evaluation that followed the repair process evaluation. In this case relationship quality perception is changed after each episode quality evaluation process. This can be explained by the number of episodes; there is only one economic episode quality evaluation process per year, compared to over 2500 repair process per year.

The episode quality perceptions, based on the extraordinary experiences gained during development projects, can be considered as having the most powerful effect on the relationship quality perception, perceived by the most of the interviewees. The relationship quality perception is also changed after each development project evaluation. This can be explained by the number of development projects, and by the different nature of each development project.

The comparison standard used in relationship quality evaluation is mainly determined by the existing relationship quality perception. The comparison standard used in episode quality evaluation also can sometimes be used in the relationship quality evaluation.

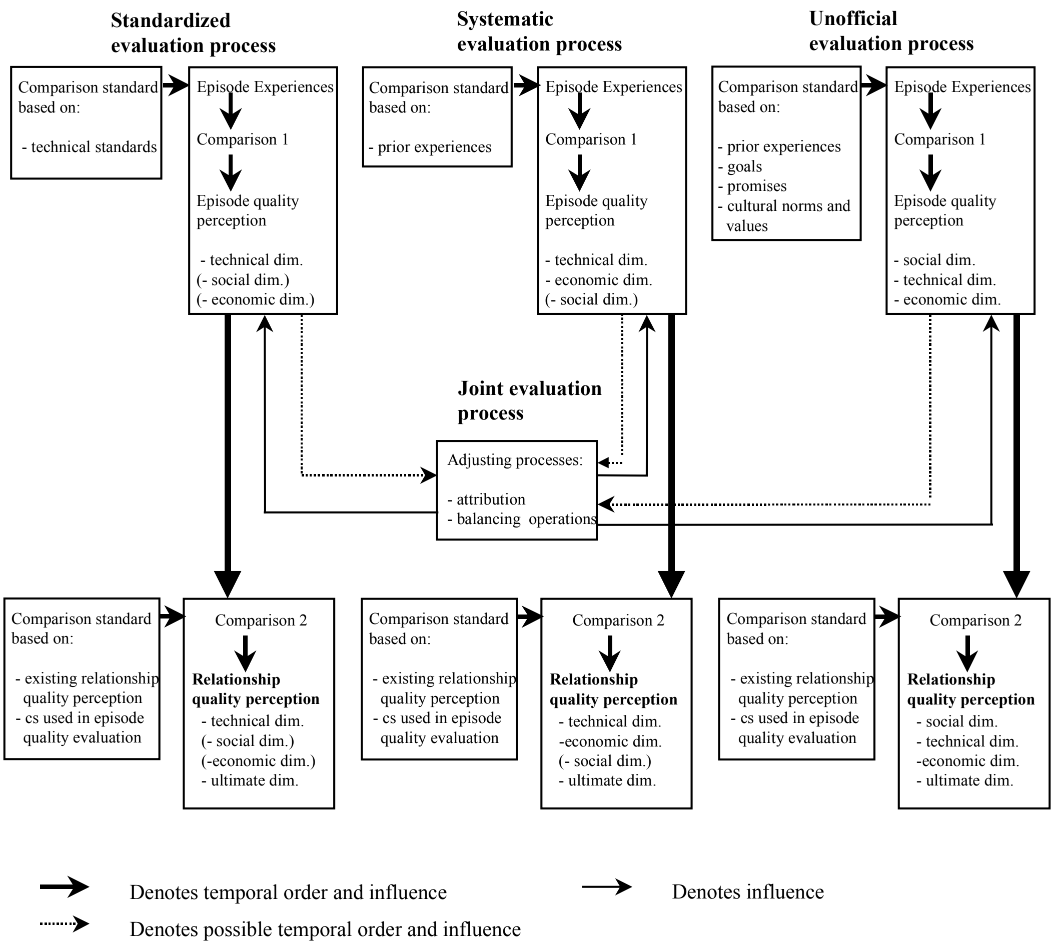

Figure 18: From repair process evaluation to the relationship quality evaluation.

In the figure 18, the evaluation from the repair process evaluations, to the relationship quality evaluation, is presented. It shows from figure 18 that a separate relationship quality perception is formed as a result of each evaluation process. However, these separate relationship quality perceptions represent only the cells[63] (see figure 16) in the whole relationship quality perception. The joint evaluation serves, in the case of the repair process evaluation, only as adjusting process. There could have been an arrow from the comparison standards used in episode quality evaluation to the comparison standards used in relationship quality evaluation, but for simplicity's sake it was left out. This effect shows from the name of the comparison standards used in relationship quality evaluation (i.e. comparison standard used in episode quality evaluation).

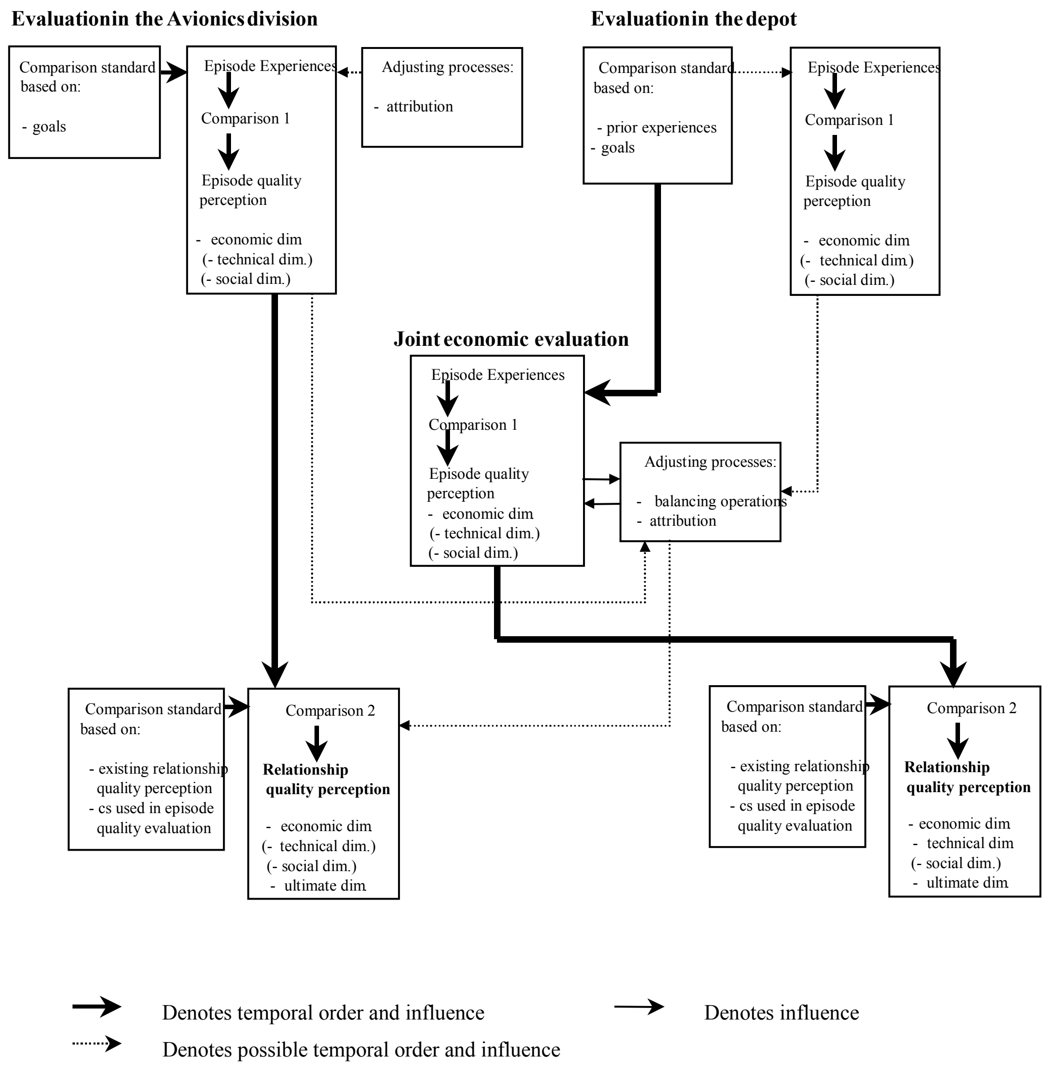

Figure 19: From economic evaluation process to the relationship quality evaluation.

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[63] In the figures 18, 19 and 20, the content of the relationship quality perception formed as a result of each episode quality evaluation process, is presented in the form of dimensions (see more in chapter 6.4.3.).

In figure 19, the evaluation process from the economic evaluation to the relationship quality evaluation is presented. As the economic evaluations differed between the Avionics division and the depot, a separate relationship quality evaluation processes, also exists. The evaluation processes mainly differ with respect to the role of adjusting processes.In figure 20 the evaluation process from the development project evaluation to the relationship perception is presented.

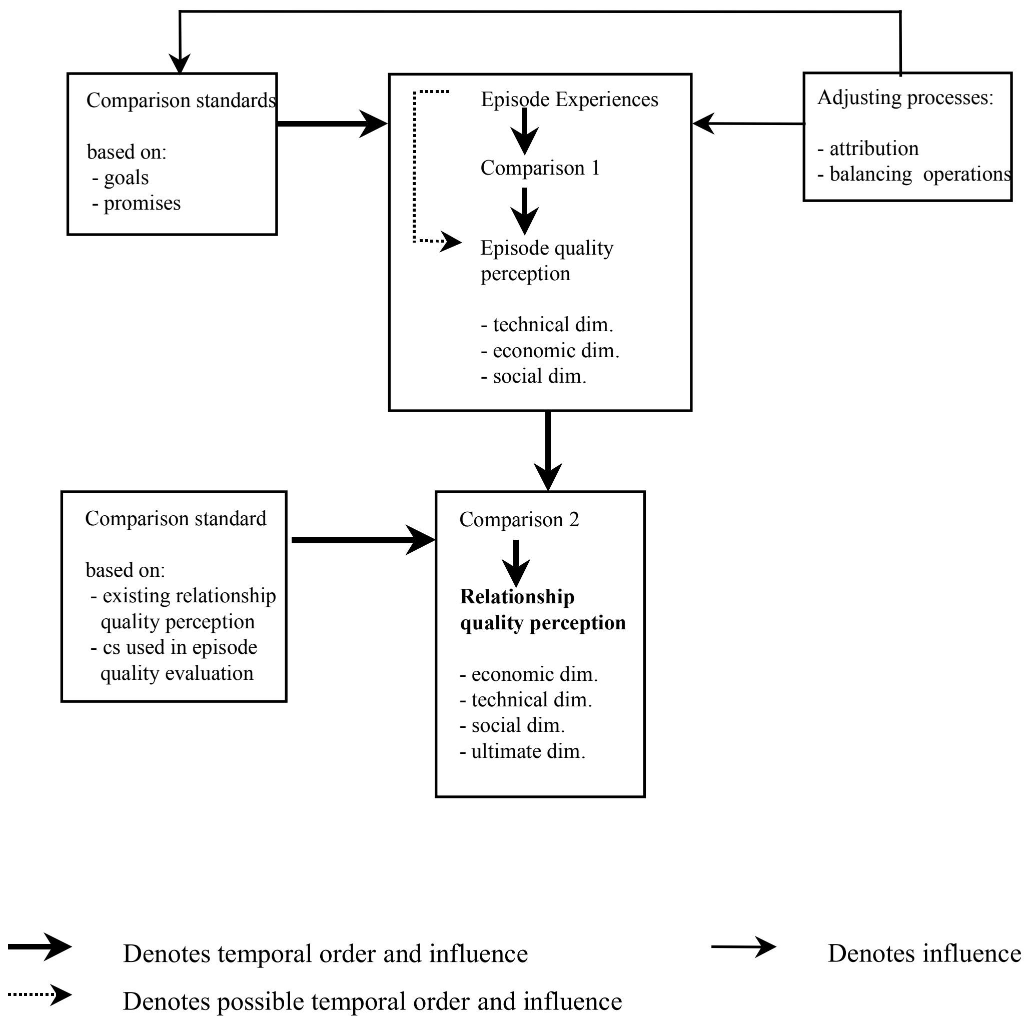

Figure 20: From development project evaluation to the relationship quality evaluation.

In the next chapter 6.5., a modified framework of relationship quality evaluation is developed on the basis of the empirical results. This modified framework is also further developed in to refined framework.

6.5. The modified and refined frameworks of relationship quality evaluation

In this chapter 6.5., the modified and refined frameworks are presented. The modified framework (in chapter 6.5.1.) is based on the empirical case. The refined framework (chapter 6.5.2.), in turn, is based on both the theoretical and empirical analysis of relationship quality evaluation, in order to form a conceptual system concerning the relationship quality evaluation, that also can be applied in another context.

6.5.1. Modified framework

On the basis of the results gained from the empirical study, some modifications were made to the preliminary framework of relationship quality evaluation (see figure 6). In figure 21, this modified version is presented. This modified version is based on the empirical case, and thus, it reflects the reality gained as a result of the case analysis.

In the modified framework of relationship quality evaluation the main evaluation process differs from the preliminary framework with respect to the third comparison and termination/continuation of the relationship. The third comparison was not seen likely in this case relationship, and accordingly, it is excluded from the modified framework.

It has to be noticed, that the starting point for the evaluation process can be any one of the following episode evaluation processes: standardized, systematic, unofficial, joint, development project or economic evaluation. Joint evaluation process is linked to the adjusting processes. From the first comparison, the process proceeds to the formation of episode quality perception. This episode quality perception can be modified by adjusting processes. After the episode quality perception is formed the second comparison follows, and as a result of it, the relationship quality perception is formed. The relationship quality perception, in turn, modifies the comparison standards used in future episode and relationship quality evaluations. It has to be noticed that the episode quality perceptions, can be almost solely be based on the episode experiences in cases when the episodes are regarded as being extraordinary.

The process from the episode experiences, to the relationship quality perception can seem to be schematic. It can be hard to understand, that the individual evaluators, actually evaluate the relationship after each episode quality evaluation. It has to kept in mind, however, that the relationship quality is in most cases formed as a result of cumulation. This happens so that if the episode quality perception reminds the old perception, or goes inbetween the tolerance zones, then relationship quality perception stays the same, and then the evaluator does not necessarily even notice the relationship quality evaluation that has happened as it cumulates.

It has to be also noticed, that in the evaluation process, described in the figure 21, only a simplified version of the complicated empirical reality is described. The individual evaluators can have many simultaneous evaluation processes occurring on in their minds, and naturally these evaluation processes can influence each other. Also, the perceptions of the important others can have an effect on the evaluation process and the perceptions of the individual.

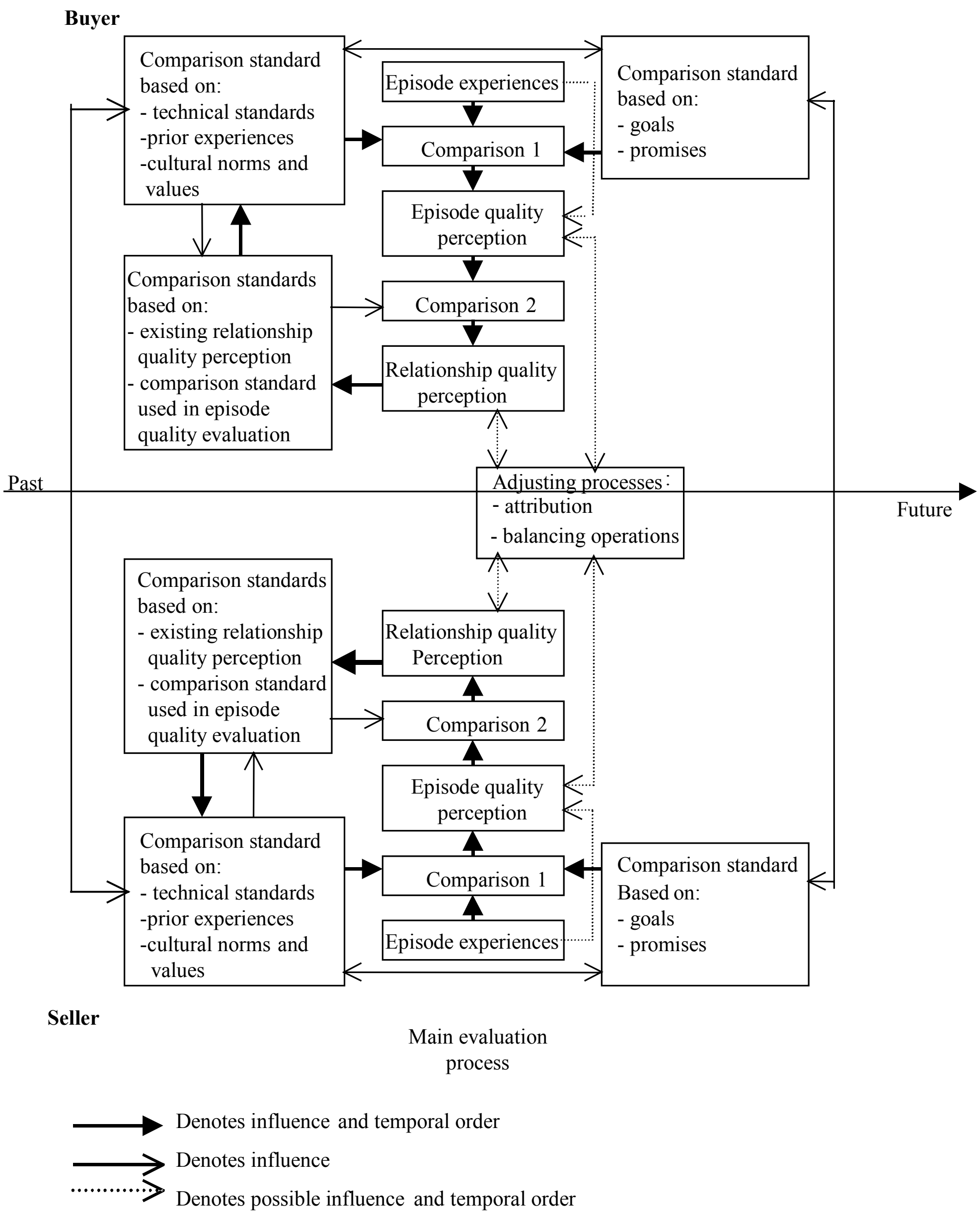

Figure 21: Modified framework of relationship quality evaluation.

The major changes compared to the preliminary framework concern both the comparison standards and adjusting processes. The comparison standards used in episode quality perception, are based in the modified framework, on technical standards, prior experiences, goals and promises. The technical standards are used in standardized evaluations and the comparison standards used in systematic evaluation are based on prior experiences, and also partly on technical standards. In the unofficial evaluation, the comparison standards are partly based on the official goals and promises, together with cultural norms and values, and partly on the unofficial goals. In the development project evaluation, the comparison standards are mostly determined by the goals set for the projects. In the economic evaluation, the role of goals and explicit promises is important, but individually driven goals are also used. Desires did not determine the comparison standards used in episode quality evaluations, and thus, they are excluded from the modified framework.

The comparison standards used in relationship evaluation, in turn, are based mostly on the existing level of relationship quality, or on the comparison standards used in episode quality evaluation, or on a mixture of these. The official guiding of the comparison standards seems to be determining the nature of the comparison standard used (see more in chapter 6.4.2.). The boundary setting role (at least in the manner mentioned in the theoretical part in chapter 4.4.2.) of the comparison standards used in episode quality evaluation proved to be minimal.

The bolded arrow between the two comparison standard boxes, left in figure 21, represent the effect of the existing relationship quality to the prior experiences, used in episode quality evaluation. This means that after the relationship quality perception is formed, this perception can affect the prior experiences are now used as comparison standard in the following episode quality evaluations. The non-bolded arrow between the comparison standard boxes, in turn, describes the effect of the comparison standards used in episode quality evaluation, on the comparison standards used in relationship quality evaluation.

In the modified framework, *adjusting processes are included in the main evaluation process*. This is because their role was important in evaluations, and thus, it can be argued that they have a central role in the evaluation process. One can also speculate, that if the third comparison had been present in the empirical case evaluations, it would have followed the adjusting processes, not directly the relationship quality perception. *From the adjusting processes, the equity and fairness had no role and they were excluded from the modified framework*. The attribution and balancing operations, did have a central role, especially from the balancing operations in the sequential transformation proved, and to be important in recovering. The adjusting processes, are presented in the modified framework, as being common for both of the partners. This is because the adjusting processes were, to large extent, done together. In the preliminary framework adjusting processes were presented as belonging only to the future. In the empirical case, they did have clear future orientation, especially sequential transformation, but they also were bound heavily in influencing solving the current situation. Consequently, in the modified framework, adjusting processes are presented as being a bit more future oriented than the other phases in the main evaluation process.

The dimensions, cells and network effect together with Clalt, are not taken to the framework for simplicity's sake. The dimensions were used to describe the content of the relationship quality perception formed as a result of the each episode quality evaluation process. These dimension were almost the same on the episode and relationship quality levels. The ultimate dimension seems to be a working concept, only on the relationship level evaluation. The cells describe the content of the whole relationship quality perception, and especially can be used in describing the change in relationship quality perception. The network effect and Clalt, are areas which need more research in order to clarify their role, in the evaluation process.

6.5.2. Refined framework of relationship quality evaluation

The method of forming the refined framework, was to decide whether the changes done to the modified framework, are such, that they also are usable in another context. The process of forming a refined framework, on the basis of the preliminary, and modified framework, is by no means an easy task. The crucial decision(s) to make, is to decide whether the unique aspects of the modified framework, are aspects which can have a contribution, also in another context. *In order to make this decision(s) the unique aspects were considered against the nature of the relationship, i.e. whether the unique aspects, are bound to the specific characteristics of this particular case relationship, or not. Future research will determine if I made the right choices*.

The specific characteristics of the case relationship, can be seen as mostly bound to the age of the relationship; it has lasted over 20 years and therefor can be characterized as institutionalized. There exists a clear difference in the *organizational cultures* of the partners, mainly the difference between a private enterprise and public organization. Despite the differences, both partners see themselves as being unified part of the larger whole. Partners are also highly dependent on each other, and a split in the relationship, would mean difficulties for both of the partners.

The refined framework of relationship quality evaluation is presented in figure 22. This framework can be regarded as a starting point or basic conceptualization of the conceptual system concerning relationship quality evaluation.

The main evaluation process, follows the lines of the preliminary framework, with the exception that the adjusting processes are added to the main evaluation process. There exists two reasons for adding them to the main evaluation process. First, the empirical study showed that the adjusting processes were important in the evaluation of relationship quality. The specific characteristics of the case relationship did not, according to my view, have a great affect on the importance of the adjusting processes. Thus, it can be argued that role of adjusting processes, is so central in the evaluation process, that their place is in the main evaluation process. Second, it can be argued that adjusting processes are likely to take place in situations when something goes wrong, and that these situations also bear the possibility of terminating the relationship.

The third comparison, is included in this framework, as the absence of these concepts in the preliminary framework can be regarded as being based on the nature of the case relationship. Accordingly, these concepts can be seen as useful in another context. The usefulness can be considered as being bound to the dependency of the partners on each other. In the relationship, in which both partners are dependent on the other partner, the third comparison and the possible termination, as a result of it, might not be useful. In other kinds of relationships, however, these concepts can be useful in the relationship quality evaluation. *The importance of the relationship termination*[64] *has increased in theoretical discussion since the preliminary framework for this study was built in 1995/6* (e.g. Tähtinen 1999). Although this theoretical discussion, is not directly related to the relationship quality evaluation, the termination also can happen as a result of the relationship quality evaluation as the following discussion shows.

Tähtinen and Halinen-Kaila (1997) have divided the reasons for dissolution of business relationship into two groups: predisposing factors and precipitating events. Predisposing factors can be related to the task of the relationship, to the actors involved, to the relationship itself, or to the network they are embedded in. Predisposing factors already exist when relationship is formed. Precipitating events, in turn, can be seen as turning points in relationship's evolution, and they accelerate the process of dissolution. Precipitating events can originate from the companies involved in the relationship, from relationship itself, or from the network. (Tähtinen-Halinen-Kaila 1997; see also Tähtinen 1999).

In the evaluation, predisposing factors can be seen as being present in the comparison standards. Task related predisposing factors can be included to goals set for the relationship. If goals are too hard to accomplish or too complicated, they might have a possibility to enhance the possible dissolution of the relationship. Actor related predisposing factors can be related to prior experiences and cultural norms and values. For example, if the company has little prior experience in working with the kinds of relationships that may foster relationship termination (Tähtinen 1999, p. 79). In addition, if the companies involved in the relationship have very different cultural norms and values, the interaction between companies can be problematic, and can create favourable situations for relationship dissolution. Relationship related predisposing factors can be related to the prior experiences (e.g. poor partner choice in the past) and goals set for the

[64] Tähtinen (1999) uses the term dissolution instead of termination. Here these terms are used as synonyms.

relationship. If partners have very different expectations concerning the relationship, this may later lead to the relationship dissolution (Tähtinen 1999). Network related predisposing can be related to the cultural norms and values. The way that the network behaves also affects the way that the relationship behaves. Accordingly, if the dissolution of a relationship, is common within the network, dissolution can be regarded as expected situation.

Precipitating events are present in the evaluation in the form of experiences under evaluation. Something sudden may happen that causes a radical change in the relationship, or series of episodes can cause pressure for one partner, or both partners, to terminate the relationship. (Tähtinen 1999)

Tähtinen (1999) also has discussed the attenuating factors, i.e. factors that moderate the effect of the causes for dissolution. This means that although there may exists reasons for relationship dissolution, this may not necessarily happen. The attenuating factors can be either actor, relationship or network related. They like predisposing factors, can be present in comparison standards.

Consequently, on the basis of the above discussion, it can be argued that the termination decision, can be related to the relationship quality evaluation, and thus it is included to the refined framework presented in figure 22.

The adjusting processes can be used after the actual comparison (either the first and/or second) comparisons, and thus the temporal order of the main evaluation process changes. *From the adjusting processes, the equity and fairness, are included to the refined framework, although they were excluded from the modified framework.* There can be found several reasons for this. First, the absence of equity and fairness can be considered as being based on the nature of the relationship. As the partners have known each other for a long period of time, the evaluation of the equity and fairness were not considered as being important, for example, to the roles and responsibilities of the partners. Second, in the case relationship the interviewees where perceived as not having enough information in order to make equity or fairness evaluations. In other kinds of relationships this information might be more easily available, for example, in the relationship, in which one partner is not a military organization.

The attribution process can also be different in nature in other kinds of relationships. The partners that are not very committed to the relationship might more easily take the attitude of ”whom to blame” in the difficult situations, which have not met the comparison standards. Accordingly, the other balancing operations, than the ones used in this relationship might also be used in the relationship between less committed partners. The less committed partners would use more disconstructive and passive forms of balancing operations than the partners in this case relationship.

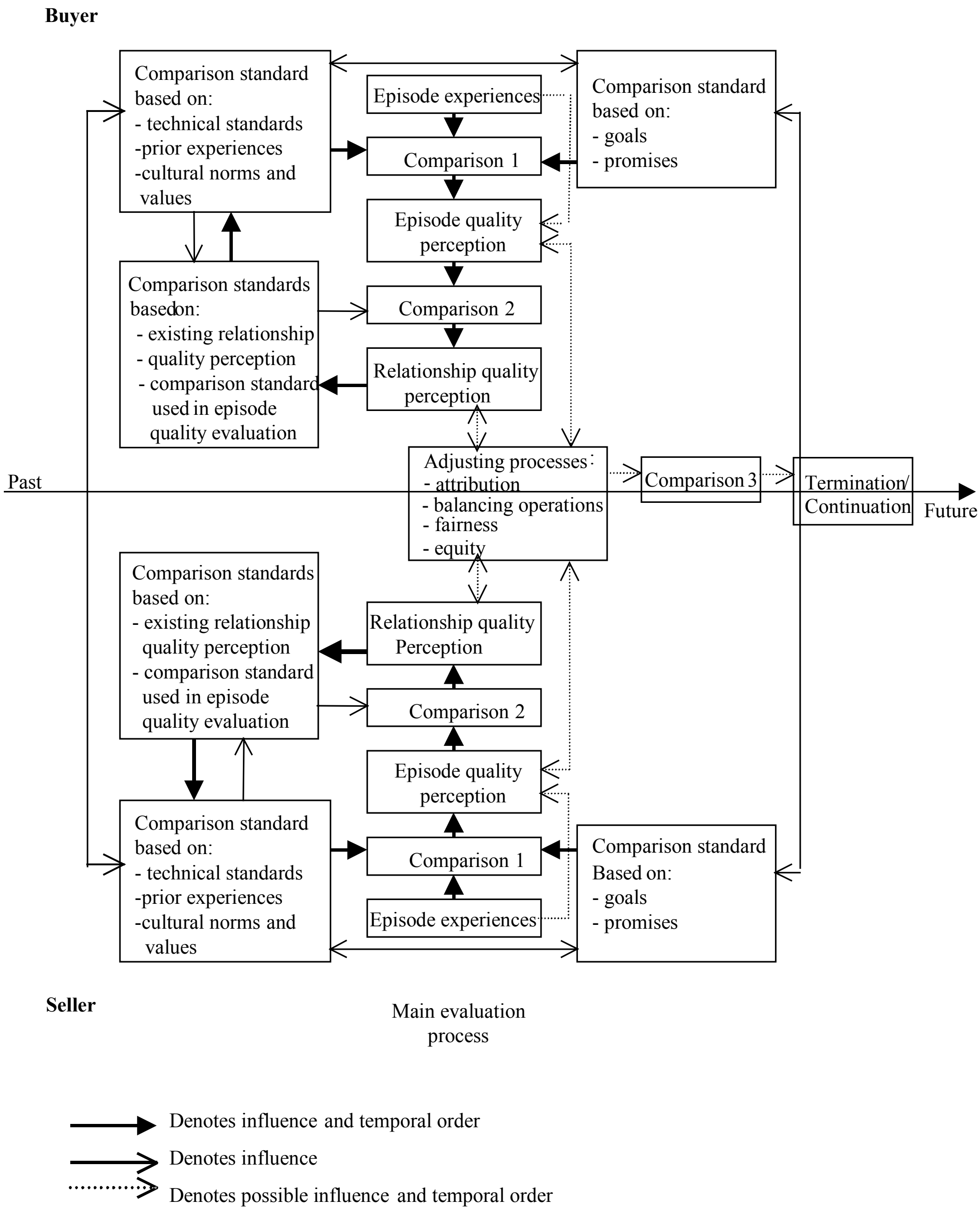

Figure 22: Refined framework of relationship quality evaluation.

From the adjusting processes, the equity and fairness can be presumed to be linked to both the episode quality and relationship quality evaluation. The attribution, in turn, is merely linked to the episode quality evaluation as it is related to the certain specific situation.

The treatment of comparison standards follows the lines of the modified framework. The comparison standards used in the episode quality evaluation are, according to the refined framework, based on the prior experiences, technical standards, cultural norms and values, goals and promises. From the preliminary framework, the desires are excluded as they do not seem to fit to the business relationship context. Added to the refined framework are the technical standards on the basis of the modified framework. As the technical aspects are often central in business relationships the role of these standards can be regarded as important. The technical standards also can be included different quality standards used also in many service companies, in which technical specifications are not relevant.

The relative importance of these different comparison standards varies naturally, according to the nature of the relationship, and the episode in question. It also can be argued, from the basis of the case relationship that the role of explicit goals and promises, in the evaluation process diminishes as the relationship becomes institutionalized. At the same time, the role of individual based comparison standard, also can become important in the evaluation, that takes place on the organizational/relationship level.

On the relationship level evaluation, the comparison standard used in the evaluation, is mainly based on the existing relationship quality perceptions, i.e. the episode quality perception is compared against the relationship quality perception, formed before the episode in question, took place. The role of this comparison, is especially important in those relationship quality evaluations, which follow episode quality evaluations, in which the used comparison standard, is under official guidance. This is because the existing relationship quality perception is, in this case, clear, as it is based on the episode quality perceptions, which are formed on the basis of the same, or at least same kind of standards. In the cases, in which the comparison standards used lack this kind of guidance, the relationship quality perception is fuzzier and it is more difficult to evaluate. In these cases, the comparison standard used in relationship quality evaluation also is partly based on the comparison standards used in episode quality evaluation. However, in order to form the relationship quality perception, the existing relationship quality perception is always present in the evaluation.

The effect of a single episode quality perception on the relationship quality perception, seems also to be dependent on the nature of the episode. In the situations where the episode is regarded as being normal, (i.e. it follows the lines of the comparison standard), the relationship quality perception is not likely to change, and the relationship quality perception can be, in a way, seen as a cumulation of the normal perceptions formed in the past. In the cases where the episode quality exceeds, or is below the comparison standards, even after adjusting processes, the relationship quality perception is likely to change. This mechanism concerns the level of relationship quality level.

With respect to the content of the relationship quality, the cells of the relationship quality perception, which are perceived as being important seem to determine the content of the relationship quality perception. This also relates naturally to the level of the relationship quality perception; evaluations that are made according to the important dimensions that are more likely to change the level of relationship quality perception than the evaluation made according to the unimportant dimensions.

7. Summary of the results of the study

In this chapter, the results of the empirical study and theoretical part of this study are gathered together. The results are presented by giving answers to the research sub-problems presented in chapter 1.4. The refined framework presented in figure 22, can be regarded as giving the answer to the main research problem.

The first sub-problem seeks an answer for the question: What is an episode and what is a relationship; especially from the evaluation perspective? On the basis of theoretical discussion *a relationship is defined as involving at least two partners, having a long term perspective with a common history, and at least to some extent shared expectations of future exchange.* As this study takes the evaluation perspective, the definition of episode presented in the theoretical part, was changed a little bit, as a result of the empirical analysis. This study, defines episode as *a discernible series of acts occurring in the business relationship, and it represents an exchange process of product/service, information, financial issues, social issues or a combination of these, and it is evaluated by the individuals involved in the relationship.*

The second sub-problem concerns the role of different, closely-related concepts in conceptualizing relationship quality evaluation. This sub-problem was answered on the basis of the theoretical discussion. The most important closely-related concepts are shortly summarized here. From the closely-related concepts, service quality together with customer satisfaction, have central role in the relationship quality evaluation, as they are based on the disconfirmation paradigm. Adjusting processes discussed in social exchange theory and channel studies, also have an important role in relationship quality evaluation. Division into the relationship and the episode levels used in interaction and network studies, in turn, form the basis logic used in relationship quality evaluation.

The third sub-problem is related to the way the relationship quality is evaluated on different intra- and interorganizational levels. In the empirical research the representatives from different organizational levels were interviewed. The evaluations were made on all levels. The management and leadership system of the organization, to a large extent, determined whether the lower level perceptions are included in the official perception.

On the basis of theory, the relationship quality perception on the intraorganizational and interorganizational levels can be seen as developing on the basis of the evaluations done by the individuals (see figure 4). This was also true in the case relationship, and *the joint evaluations served as a forum for the discussion.*

The effect of the one partner on the other partner's quality perception was in theory illustrated in figure 5. This means, that if you one way or another know what kind of perception the other partner holds, concerning the relationship or episode in question, that knowledge will affect your perception. *The effect on the other partner's quality perception can,* on the basis of the empirical analysis *happen* two ways: *directly or through behavior.* The figure 5, also presented the effect of important others on the relationship quality perception. In the case relationship, the organizational levels above the actor's in the organization had an impact on the relationship as well as the levels above the actor from the partner's organization.

The fourth sub-problem concerns the different cognitive processes actors use in evaluating relationship quality. On the basis of the theory, it was argued that the different comparisons (1-3) in the framework, can be based on the *disconfirmation paradigm*. This proved to be the case, also in the empirical study, with exception of the third comparison. The third comparison was not found in the empirical case. The basic logic of disconfirmation paradigm also was central in other comparisons. When it comes to the way that the results of the comparison form, other cognitive processes were used too. From the other cognitive processes the *assimilation-contrast theory*, for example, suggested that if performance is inside the zone of tolerance, the perception is made towards the comparison standard, if and performance is out of the zone of tolerance, the difference between comparison standards, and performance is enlargened. The standardized and systematic evaluation process followed the lines of assimilation-contrast theory.

In the empirical analysis, the *extraordinary experiences* that the evaluators gained are mainly from the developing projects, and they determined the episode quality perception, and, thus, comparison had no role. In theory, the perceptions based on the experiences were mainly related to the often used products, but this was not the case, in empirical study.

Adjusting processes were included in the cognitive processes, too. On the basis of the theory, it was argued that four different kinds of adjusting processes can modify the main evaluation process (i.e. equity, fairness, attribution and balancing operations) (see e.g. Frazier 1983). However, *in the case relationship, the attribution and balancing, were found to have a central role in the main evaluation process*. The explanation for this can be found from specific characteristics of the case relationship, or from the argument that in case the input/output ratios, are in balance, equity and fairness do not affect the main evaluation (see also Oliver 1980). *Characteristics for the use of both attribution and balancing operations, were that they were used in a constructive manner, instead of blaming the other partner*. It also seems that these processes were more related to the episode quality evaluation, than to the relationship quality evaluation. In practice, adjusting processes were conducted in joint evaluation processes.

The fifth sub-problem is related to the comparison standards used in the evaluation of relationship quality. On the basis of the theoretical discussion, it was argued that the comparison standard used in episode quality evaluation, is determined by prior experiences, goals, promises, cultural norms and values, and desires. The same comparison standards were used also in relationship quality evaluation, but the role of prior experiences in the form of the existing relationship quality perceptions was argued to be central, and the other determinants were treated as forming the borders of the comparison standard used. On the basis of the empirical study, the technical standards were included, and desires were excluded, in episode quality evaluation. The role of different comparison standards varied according to the evaluation type. For example, in standardized evaluation, technical standards had a central role, in systematic evaluation prior experiences were important, and in economic evaluation, goals and promises had an important role. In relationship quality evaluation, the existing relationship quality perception formed the major determinant, as it was in the case relationship. The border determinants, in turn, consist of the same determinants than what were used in episode level evaluation.

Characteristics for the use of the comparison standards, in the empirical case was the central role, and, in most cases, also the clarity, of the comparison standards. However, there exist situations, when the comparison standards were not so clear, and sometimes, this lead to the *gradual increase in comparison standards* (see figure 17). *This relates to a circle where the level of comparison standards increases as a result of an increase in episode/relationship quality perception. The increased-level of comparison standard, is then in the next evaluation fulfilled and the episode/relationship quality perception levels are again increased. This gradual development* can be seen as concerning all evaluations that are made according to comparison standards which lack an official guidance process.

The sixth sub-problem was related to the dimensions of relationship quality. The theoretical discussion was mainly based on the study by Holmlund (1997) (see also Halinen 1997; Lehtinen-Lehtinen 1991; Ruekert-Churchill 1984; Schul-Little-Pride 1985). The dimensions were technical, social, economic and ultimate. On the basis of the empirical study, it was found that the same dimensions can be found on both the episode and the relationship levels, with exception of the ultimate dimension. The ultimate dimension, which gathers together the impressions gained, was found to be existing only on the relationship level.

Although the dimensions found, on the basis of the empirical study, followed the lines of what was anticipated, on the basis of the theoretical discussion, the dimensions do not reveal the whole picture concerning the content of the whole relationship quality perception and its formation. *On the basis of the empirical study, the concept of dimensions seem to suitable for describing the content of the episode quality perception, and cell–thinking was more suitable for describing the content of the whole* *relationship quality perception*. Relationship quality perception can be seen as consisting of different cells. Each cell concerns one episode quality evaluation process (see figure 16), and the importance of the cells differs.

The seventh sub-problem concerns the relationship between episode quality and relationship quality. On the basis of the theory, it was anticipated that, with respect to *the content*, relationship quality perception is changed in case of critical episodes (or episodes that stress the borders of the tolerance zone), or in case of episode, that are perceived as important. The content of the relationship quality perception also can be formed as a result of the cumulation of episode quality perceptions (Boulding-Kalra-Staehlin-Zeithaml 1993).

On the basis of the empirical study, it can be argued that the change caused by the episode quality perception to the relationship quality perception inside each cell, happens mainly through cumulation. In addition, evaluations which are regarded as being important or based on extraordinary experiences, change the relationship quality perception every time the episode quality evaluation is made.

On the basis of the empirical study, if we consider the whole relationship quality perception, the different cells got different punctuation. The standardized evaluation was seen as forming the basis for the episode quality evaluation, and the economic evaluations were seen as the most important ones.

When it comes to *, the level* of the relationship quality perception, it was anticipated, on the basis of the theory, that the change in the level of the relationship quality perception could happen through cumulation (e.g. Boulding-Kalra-Staehlin-Zeithaml 1993), or so that the episodes which stress the borders of the tolerance zones, cause the change (Woodruff, Cadotte and Jenkins 1983; Zeithaml, Berry and Parasuraman 1991; Strandvik 1994; Halinen 1997). It was also argued that the relationship quality perception can be based on the most recent episode(s), as they are easily activated from the memory.

In case of the repair process evaluations, (i.e. standardized, systematic and unofficial evaluations) the relationship quality perception is mainly formed as cumulation of similar types of episode quality perceptions. In the relationship quality evaluation, that followed the economic evaluation process, relationship quality perception is changed after each episode quality evaluation process. The episode quality perceptions, based on the extraordinary experiences gained during development projects, can be considered as having the most powerful effect on the relationship quality perception perceived by the most of the interviewees. The relationship quality perception is also changed after each development project evaluation.

8. CONTRIBUTION OF THE STUDY AND SUGGESTIONS FOR FUTHER RESEARCH

8.1. Theoretical contributions

With respect to the building of theory this study has at least three possibilities to make a contribution. First, as the theory of the relationship quality is still at an early stage, this study was hoped to increase our understanding concerning the concept of relationship quality and its evaluation. Although this study is concentrating on the evaluation of the relationship quality, the concept of relationship quality also is clarified. In order to fully understand some phenomenon, the process how it is formed, or how it is born, has to be understood. By increasing our understanding about the way the relationship quality is evaluated, and thus about the way the relationship quality perception is formed, the study also has increased our understanding concerning the concept of relationship quality.

Second, the evaluation of relationship quality has been almost a completely neglected area. This study is increasing our understanding about relationship quality evaluation in several respects, which include the use and basis of comparison standards, the process of the evaluation, adjusting processes, and the contributions of single evaluations to relationship quality. All of these aspects of relationship quality evaluation are studied on both episode and relationship levels, and this study can be regarded as being the first attempt to address the relationship quality evaluation, also in an empirical study on two levels. The contribution this study makes, with respect to the aspects related to the relationship quality evaluation process are discussed next.

The use and basis of comparison standards, in relationship quality evaluation, are an area that has not been studied extensively. The discussion concerning comparison standards used in the evaluation of relationship between firms has concerned the relationship level. Thus, the analysis done in this study, concerning both the use and basis of the comparison standards, on both episode and relationship quality evaluation, also can be regarded as among the first attempts to conceptualize the comparison standards in the evaluation of business relationships. In addition to two levels of evaluation, the different dimensions, according to which the comparison standards are formed and quality evaluated, the comparison standards gain an unique nature. As the dimensions concern all aspects of the relationship, the comparison standards also include all the aspects of the relationship in addition to the technical and economic aspects.

The basis of a comparison standard, has been enlarged to include many different types of comparison standards by bringing together, on the basis of theory, the comparison standards used in different research traditions. In addition to prior experiences, which are popular in many of the used research traditions, many other comparison standards also were found to be of importance in the evaluation of relationship quality.

The evaluation process of relationship quality takes place, in this study, on both the episode and the relationship level. The crucial point described is that the evaluation process occurring in between these levels. The effect of the episode quality perception, on the relationship quality evaluation, is an area that previously has only been speculated about. The contribution of a single evaluation, to the relationship quality perception, is discussed for the first time in this study on the basis of the empirical results. The whole relationship quality perception is seen as consisting of the results (cells) of different kinds of episode quality evaluations. The contribution this study makes, in this regard, is in the relative importance of different evaluations in the forming of the relationship quality perception. The standardized evaluations were seen as forming the basis for the relationship quality perception. The economic evaluations, together with evaluations which are based on extraordinary experiences, were found to be the most important determinants of the whole relationship quality perception. It has to be noticed that, in different relationships, and in different situations, other types of episode quality evaluations, might have played more important role, and thus be the most important determinant of the relationship quality perception.

In the evaluation process, the evaluation is seen as a comparison. The nature of the evaluation, in the social exchange theory based interaction approach, has been somewhat unclear. This study also clarifies the evaluation process in this respect.

The use of adjusting processes has been addressed in several studies in the social exchange theory based interaction approach, in customer satisfaction theory and in channel literature. The inherent nature of these adjusting processes, together with the different level evaluations in business relationships, has not been discussed, to a large extent. This study serves as ”a door opener” also regarding the more comprehended analysis of adjusting processes, as they seem to have quite a central role in the relationship quality evaluation in business relationships. This study reveals the usefulness of the several adjusting processes in the relationship quality evaluation. The relative importance, and use, of these processes in different kinds of relationships, are questions which need further clarification.

Third, the study proves that constant evaluation can take place in institutionalized relationships, and that these evaluations also affect the relationship. Although the case relationship did not in all respects, fulfill the requirements set for the institutionalized relationship, it can be argued that evaluation actually takes place in institutionalized relationship with regard to the actions of the other partner, and actors in the surrounding network. The ”stage” or ”phase” of the relationship seems to have, however, an effect on the way that the evaluation is made, and on the way that the relationship quality perception is formed. The comparison standards used in episode quality evaluation are more based on the implicit, than on the explicit goals and promises, in an institutionalized relationship, than in others. The relationship quality perception, formed during the long period of working together, also makes it quite resistance to changes. Thus, in order to change the relationship quality perception, the deviation from the past has to be quite large.

The three areas of contribution mentioned, can be regarded as large entities in which this study has succeeded in making a contribution. There can be found, also several minor sources of contribution in this study. For example, to the theoretical discussion concerning the concepts of relationship quality and relationship value, this study can add that these concepts are not easily, or at all separable concepts. The value is present, in relationship quality evaluation, both in the content of the evaluation (i.e. economic dimension) and in the adjusting processes (equity and fairness). Thus, we have reason to believe, that value is an inherent process of the evaluation process, of relationship quality.

The nature of adjusting processes, used in the case relationship, also offers a source for a minor contribution. In quite institutionalized relationships, as the case relationship is, the equity and fairness were actually not used at all. The role of attribution and balancing operations, in turn was proved to be quite central, in the relationship quality evaluation process. In the case relationship, both of these adjusting processes were used in an active and constructive manner, which was quite contradictionary to what was anticipated, on the basis of theory.

The methodological contribution, relates to the building up of the conceptual system (framework) which can be used in both quantitative and qualitative studies. In this study the framework was built in a three step process, from the preliminary framework through the modified framework to the refined framework. It can be argued that the refined framework is the first attempt to conceptualize, both relationship quality and relationship quality evaluation, in a manner which can be used also, in the future, in empirical studies. The theoretical basis on which the refined framework was partly built, together with the empirical evidence of its usefulness, forms reasonable justifications for its use, in future studies.

This study can be regarded, as offering methodological contribution in using the devices of the conceptual analysis in study, which can also be considered as qualitative. Hopefully, this study also serves as a good example, of this kind of method, and thus encourages the qualitative researchers to more profound conceptual analysis. The need for more extensive use of conceptual analysis, is obvious in qualitative research, in order to develop the theory as the concepts are the building blocks of the theory.

This study, also offers an example of how the individual level perceptions, can be derived to the upper level relationship quality perception. However, it has to be noticed that in this particular case relationship, this was quite an easy task, as the perceptions held by the individuals, did not differ very much from each other. The effect of the important others on the relationship quality evaluation was found to happen two ways; directly and through behavior. Directly means that information about is shared between partners, and through behavior means that the behavior of the one partners serves as a sign for the other.

Substantively, this study aims at making methodological contribution by taking into account the opinions of the actors that come from the several organizational levels, and from both partners of the relationships. The persons interviewed were selected on the basis of their affect on the relationship. The persons from the lower levels of the organization seem to be, however, somewhat unable to answer all the questions. This does not mean that lower level persons should be excluded from the future studies, but that the questions should be carefully formed so that they will be able to answer them.

8.2. Managerial implications

The managerial implications that, I as a researcher, found for this study, are related to the two stage evaluation process, guiding of comparison standards, the role of different evaluation processes, active use of adjusting processes and the use of the framework. In this chapter, the one-sided view of the relationship quality is taken as the managers very seldom see the relationship as the unified entity, but as something between two parties.

The notion that the evaluation of relationship quality actually happens on two levels, can be useful for the managers, as they seem to be more involved with matters on the episode level. The evaluation happens, however, also on the relationship level, and the perception formed as a result of this two stage evaluation process, can have crucial implications, and even lead to the termination of the relationship. Also, the process by which the episode quality perceptions effects the relationship quality, might offer insights for the managers to understand how the perceptions of the other partner are changed. The understanding this change process, can offer devices which can be used in affecting the other parties' perceptions.

The guiding aspect, with respect to the comparison standards, offers possibilities for the managers to manage better, the evaluation process. If the comparison standards used in the evaluation, are under official guidance, the formation of the relationship perception, is also, in a way, guided. As the relationship quality evaluation is simpler, in the case the comparison standards are guided, than in the case that the comparison standard lacks the guidance. It has to be noticed, however, that the comparison standards used in the evaluation, cannot ever be fully guided; the individuals also make the evaluations on the basis of their own expectations, or they use their use their own interpretation of the given comparison standards in their evaluations. The definition of and in a way, management of the comparison standards, can however, be the first steps towards the management of the relationship quality evaluation.

It is also important for the managers to understand, that there exists different evaluation processes on the episode level, each of which contributes in its unique manner to the relationship quality perception. Although these processes may concentrate on evaluation of a certain dimension (technical, social or economic), these evaluations often also include other dimensions. Thus, it can be fruitful to recognize these different evaluation processes, and their contribution to the relationship quality perception, in order to understand (and perhaps even develop) the relationship quality perception, held by the partner. It can also be argued, that the different quality standards and the evaluations made according to them, serve only as forming the basis for the relationship quality, and thus the role of other evaluations made, also has to be considered.

By using the active and constructive balancing operations, the managers can find positive solutions, to the problems which occur in episodes. The first step, is to fully understand the importance of the balancing operations, (or recovery) for the relationship quality perception of the other partner. The second step, is to develop constructive and active manners, to react in the situations, which do not equal expectations. In order to find an active and constructive response manners, which satisfy both the partners, these manners should be developed together. In the relationships, in which this is not possible, the balancing operations should be developed from the perspective of the other partner, i.e. by thinking what are the actions which would in this situation satisfy the other partner.

Also, with respect of the use of the attribution, managers can develop more constructive manners. Instead of first asking the question ”who to blame”, the managers should concentrate on finding the locus for what happened, in order to find a solution. If the energy in a negative situation, is directed on blaming the other partner, the relationship quality perception of both partners, is likely to diminish, and the threat for the termination of the relationship can follow.

The use of the refined framework, in the measurement of the relationship quality, also can be used for the managerial purposes. By using the framework, both the content and the level of perceived quality can be traced, on both episode and relationship levels. At this stage of the theory development, the framework can be used as such, only for the qualitative research. In the business relationships, the use of qualitative methods can be even more reasonable, than the use of quantitative methods, as the number of partners in business markets, is often lower than in consumer markets.

8.3. Directions for the future research

This study can be considered as being a starting point for the research concerning relationship quality evaluation. Future research, in order to more fully develop the theory concerning relationship quality evaluation, is needed. As the theory in the area is still in the beginning, the possibilities for the future research are numerous. In this chapter, I have picked up directions for the future research which I perceive to be important, from the point of view of the theory development.

First, for further developments of the relationship quality evaluation, the refined framework can serve as a basis. Both qualitative and quantitative research is needed in order to develop the theory of relationship quality evaluation. The qualitative research is needed for ”testing” the refined framework in various relationships and situations. In order to develop the framework that can be used in the different kinds of relationships, this is needed. After that, the quantitative research can be useful mainly for the managerial purposes. The quantitative methods also can be used in testing the framework in consumer markets, after the modifications to the refined framework are made.

Second, the comparison standard -component of the framework can be further developed. The role of different comparison standards, both on episode and relationship levels is different, and different kinds of relationships and situations needed for clarification. By this study, the comparison standards are expanded beyond prior experiences. The development of the comparison standard component, in this research, is partly based on the results gained from the empirical case, and thus the further development of this component should be done in different relationships. A comparative study, between different kinds of relationships, would clarify both the role and nature of the comparison standard used. Especially, the nature of the comparison standard used in the second comparison, is the area that needs further research.

Third, as this study was the first attempt to empirically describe the evaluation process, from the episode level to the relationship level, the crucial point of this process, in-between these two levels, needs more clarification. The results concerning this crucial point gained from this study are almost solely based on the empirical case. as the theory in the area was more or less still in the beginning. In order to develop the theory concerning relationship quality evaluation further, the mechanism concerning the effect of episode quality perception on the relationship quality perception, should be one of the central areas of the future research.

Fourth, with respect to the adjusting processes many questions were left unanswered by this study. The use of different adjusting processes in different kinds of relationships and situation, is one of the central questions in this area. As on the basis of the theory, equity and fairness are the processes used in the evaluation, they must be useful in some kinds of relationships. The determinants for the use of these adjusting processes are needed. Also, the relative importance of the different adjusting processes in the evaluation is the area that needs to be further researched. This relates to the question of the relative importance, of different kinds of balancing operations, in different situations. Also, the use of attribution as a balancing operation and its relationship would be a possible area of future research.

Fifth, the formation of relationship quality, from the individual level perception to the organizational/relationship level perception, would also be an interesting area of research. In this study, the number of interviews was so limited, that this process was seen as a natural process, although some minor problems related to it. In a larger context, the formation process from the individual level, to the upper levels, might not be so easy to trace, and thus research is needed, in order to clarify the functions of these formation processes.

Sixth, in this study the whole relationship quality perception is presented as consisting of cells. The was something new, not covered by previous studies. As this is a finding of only this study, more research is evidently needed in this area.

All in all the empirical study concerning different kinds of relationships is needed. This study offered only limited perspective to phenomenon with one unique case relationship. My personal opinion is that the framework is not yet ready for the quantitative analysis, more qualitative study is needed in order to really understand the process of relationship quality evaluation.

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GOODS QUALITY

On the definition of goods quality

There are many ways to define quality. For instance, Garvin (1988) has presented five different ways to define quality. According to him, quality definitions can be transcedent, product based, user-based, manufacturing-based and value-based (ibid., p. 40-41). Lillrank (1990) in his turn has found six different categories for quality definitions. The categories according to him are product oriented, production oriented, value oriented, customer oriented, competition oriented and environment oriented quality definitions (ibid., p. 41). Lillrank´s (1990) product oriented, production oriented, value oriented and customer oriented definitions correspond to Garvin´s (1988) product based, manufacturing based, value based and user-based definitions. Common to both Garvin´s (1988) and Lillrank´s (1990) definitions is, that the roots of the definitions can be traced to the thinking related to manufacturing companies. In the following paragraphs a short preview of different quality definitions is to be presented.

The transcendent quality definitions state that quality is something excellent, superior, or something that cannot be defined, but yet be experienced. The transcendent definitions are very vague in nature, and thus the quality is not manageable. Also, the lack of uniform definition has been criticized (e.g. Crosby 1979, p. 17).

The product quality is the oldest quality concept, nearly seventy years old. The product quality "boom" began in the 1950´s when the Japanese began an interest in quality. The product quality definitions are numerous, but they are all characterized by objectivity. The product oriented quality definitions are based on certain product characteristics. The manufacturing based (or production oriented) definitions, in turn, see quality as a fulfillment of certain predefined requirements. Perhaps the most popular definition in this category is the one by Crosby (1979): "quality is conformance to requirements". Both the product-based and manufacturing-based definitions focus on the firm itself and they fail to take into account the customers´ experiences. The focus on the firm means that quality assessment and management are easy to carry out with the help of statistical methods.

The user-based (or customer oriented) definitions state that the quality must be determined according to needs of the user. One of the most cited user-based definitions is "quality is fitness for use" by Juran (1974, p. 2-2). User-based quality definitions are subjective and market driven. This means that quality becomes difficult to measure and manage. The manufacturing based definitions tell the firm, how to do things, the user-based definitions, in turn, tell what things to do. Putting these two together we get customer-perceived quality, which does not neglect the internal processes of the firm. (See more Gummesson 1991, p. 4-5).

The value-based (or value oriented) definitions state that quality must be assessed against its price and costs (Garvin 1988, p. 45). According to this view, there are no goods which are both low priced and of good quality. Although it is acknowledged that price plays an important role in customers' quality assessment, it has been very difficult to apply these definitions in practice. Blending together two related, but yet very distinct concepts: excellence and worth, has proven to difficult. The result of this combination, is very difficult to manage; and it has no well-defined limits and it is always highly subjective (see Garvin 1988, p. 46). Despite of these difficulties, some researchers have attempted to relate these two concepts together (see e.g. Liljander and Strandvik 1992, 1994).

The first famous competition oriented quality definition was presented by the legendary president of General Motors Alfred P. Sloan in 1920´s. According to him, the quality of every component and product has to be in the same level as their competitors. The quality that exceeds this levels leads to the squandering of resources. The additional view that the competition oriented approach brings to the quality definitions is, that the customers always evaluate quality against the quality of other available alternatives. Thus, this definition is a relative quality definition. It can also be seen as a strategic definition. The problems related to this approach are also strategic; applying this definition easily leads the firm to imitate its competitors. (See more Lillrank 1990, p. 44).

Environment oriented approach defines quality according to its total effect on society and nature. It aims to fit the needs of customers, society, and nature together. In principle, these definitions work same as the customer oriented definitions; the only difference is the broadened view of customers. The problems related to these definitions are quite obvious; how to manage and measure the quality of these very different customer groups. (See more Lillrank 1990, p. 47-49).

Lillrank (1991) has put together different ways to define quality (see figure 1). In figure 1, different definitions are compared on two dimensions. Firstly, how definitions are situated on absolute-relative scale and secondly, how much emphasis is put on the external or internal factors.

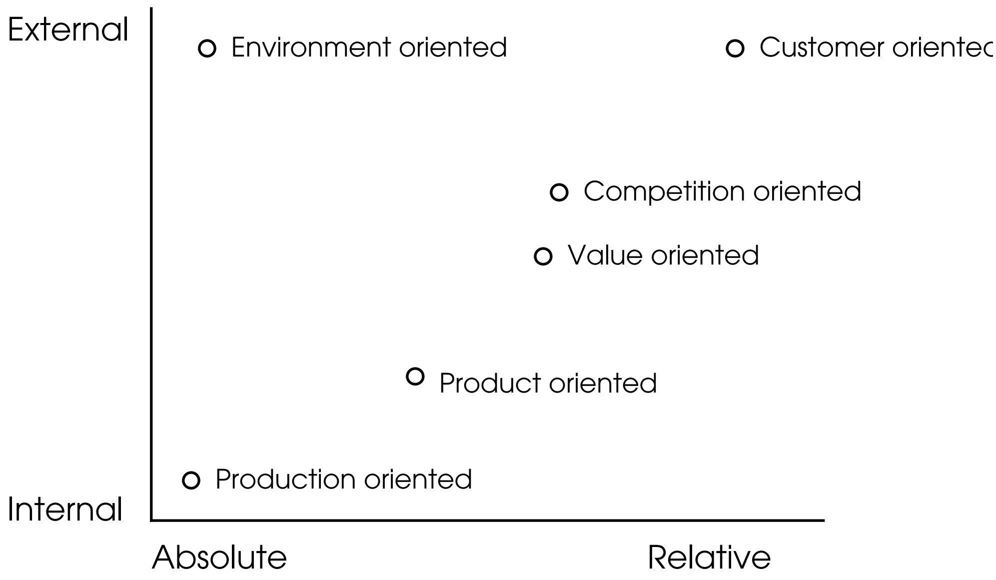

Figure 1. Lillrank´s comparison of quality definitions. (Lillrank 1990, p. 50).

Quality management

The literature of goods quality mainly concentrates on the quality management. The measurement of quality is a kind of by-product of quality management: what gets measured, gets done. The quality management has preferred statistical, quantitative measures in measuring quality of both external and internal processes of the company. The focal point of the measurement has long been the internal processes, but currently the main interest has been in the external, customer-related processes (see more Gummesson 1991, p. 8).

Along with the concentration on internal processes, was the statistical quality control. By this method, the requirements which management has put to the goods were measured during the production process. Deming (1986) expanded this way of thinking from production processes to personnel and other management processes. According to Deming, the management is responsible for the changes in quality, because most of the variation is caused by factors, which the individual employee can not affect. (See more Deming 1986).

Total Quality Control was the next step towards a more holistic quality management. This new approach was developed in Japan in 1950´s and Armand Feigenbaum brought it to the United States. For the first time, it was realized that all the functions of the firm affect quality, and quality control must be expanded to all functions of the firm. The leading phrase of TQC was "quality is everybody's job". Thus, the quality control focus was transferred from the inside to the outside; it included operations that were not directly connected to the production, for instance, marketing. (See more Feigenbaum 1983).

Total Quality Management was the next step further in managing and controlling the quality of industrial firms. TQM is very closely related to TQC, but it offers a even more holistic way to manage quality. TQM concentrates mainly on the management of all the operations in a way that quality of the products and customer satisfaction are achieved. TQM is merely a way of thinking, the practical methods to achieve quality and customer satisfaction are diverse.

The main stream of quality management of industrial firms has traditionally concentrated on elaborating methods for managing and controlling the acceptable quality level. The other main stream, in quality management, is the one that aims for zero defects. According to zero defects strategy, a company should design its production system so that there will not occur any defect, and if defects occur they should not be repeated. Recently, the quality management in industrial firms has focused in managing and controlling these two things together; how to produce good quality (in customers opinion) and at the same time reduce quality defiences. (See more e.g. Juran 1992).

The 1980´s witnessed a great expansion of different quality standards. The most famous one is the ISO 9000 standard, which aims at ensuring the quality that fulfills the expectations and needs of the customer. ISO 9000 standards are based on the systematic way of developing and managing the quality of several operations of the firm. Compared to other quality standards, ISO 9000 takes customer's perspective into account in developing quality assurance system. ISO 9000 has its roots in the TQC thinking.

ISO 9000 standard can be seen as a solid basis against which to compare quality assurance systems of different companies. Improvements in productivity and competitiveness, along with customer satisfaction, can be achieved by using the standard. The ISO 9000 standards give, however, only minimum requirements for a quality assurance system. To be able to fully utilize the benefits of the standard, the company has to take into account all internal, industrial and customer based requirements.

The ISO 9000 standards are average standards, and thus, they do not encourage the companies and the individuals for creative, new ideas. Different quality award criteria has been developed to encourage the companies and individuals to aim at excellent performance. The purpose of quality award criteria is to point out those factors and operations, in the quality development, that are the most crucial for the company.

Case relationship description

History

The case relationship between the Avionics division and the depot started in the year 1973. Before that time, depot had its own repair workshop for the different meters and devices of the aircraft. In 1972, the depot was finishing its own repair workshop in Tikkakoski and was looking for new solutions for repair and maintenance of its aircraft. At that time, some of the mechanics discovered that the company in question had a new industrial plant with free space. They started to negotiate with the company and as a result the relationship was established. In the beginning, some of the mechanics from the depot formed the entire Avionics department and took care of all the possible tasks from engineering and planning to the actual repairing and testing. In the beginning, the relationship with the depot was very close, because the mechanics had worked there before. Gradually the Avionics department grew and got new responsibilities from the depot as well as from other customers (e.g. Boarder guard detachment, Finnair and numerous private aircraft owners).

The seller (Avionics division) is part of a family owned company, which in addition to the Avionics division has five more departments. In 1996 the company employed over 450 persons.

Relationship in numbers

In 1996 the Avionics department employed approx. 60 persons and over 80% of its work was contracted to the depot. The depot employed approx. 250 persons and its responsibilities consist of the repair and maintenance of the aircraft of the Finnish Army Airforce. This includes, acquiring spare parts, manuals and special testing devices together with the planning of the actual repairs and maintenance. The depot is characterized as merely being an engineering and planning office and the Avionics division, in turn, sees itself as a central repair workshop for the Finnish Army Airforce.

The legal base and daily operation

The legal base for the relationship is defined in a so called general agreement, which defines the general commercial terms for the co-operation. The general agreement also sets limits for the yearly profits for the Avionics division. This kind of limitation is quite rare in relationships between enterprises, but in this particular relationship the buyer is a public organization and it tries by the limitation to ensure that the seller does not benefit too much from the relationship. If this kind of limitation does not exist, there is a chance that the seller spends tax payers money for its own selfish purposes. The general agreement was done in the year 1979. It is completed once a year by negotiations which concern topics like the amount of devices that need repair and the price per hour.

The relationship concerns the repair and maintenance of different aircraft devices such as meters, gyroscope devices, display units, oxygen apparatus, different electronic devices and optical instruments. The maintenance and repair of these kind of devices require special equipment, testing devices and training. The aviation is also highly regulated, and the repair of aircraft devices requires licenses and certificates including quality certificates. These licenses and certificates are audited regularly. In 1996, the quality system of the Avionics division was successfully audited by Finnish Land Forces and American civil aviation authorities.

Investments and adjustments

The relationship also includes different planning and development projects, which are carried out in co-operation. The last large project was the planning and development of the repair and maintenance system for the Finnish Air Force F-18 Hornet fighters. This project was carried out together with the manufacturer of the F-18 Hornet fighters. The Avionics division takes responsibility for 65% of all the different devices on the F-18 Hornet Fighters (Finnair and Valmet takes care of the rest). The F-18 acquisition meant investments in both training and facilities for the Avionics division. The traning was partly funded by the Finnish Air Forces. The Depot also buys all the special testing devices needed for the testing of the devices included in their aircraft. The depot owns these testing devices, but they are located in the Avionics division.

The F-18 project brought along an enlarged responsibility for the Avionics department, it was given part of the planning and engineering responsibilities that used to be the responsibility of the depot. The depot also wants to see the Avionics department in the future merely as a planning and engineering office. But at the moment they do not believe that the Avionics department has all the required facilities for the radical changes in responsibilities. Partly it is also a question of funding; the depot wants to have many additional services free of charge but they do not want to pay any higher prices for the actual repair and maintenance services.

The Avionics division was seen by the interviewees as a partner which adjust its operations to the depot's requirements. This is quite natural because the depot is the major client of the Avionics division whose whole operation and future is dependent on the depot. The adjustments made concern mainly the ways of working as the depot is a public organization and has bureaucratic ways of working. The Avionics division is in a way, forced to adjust to the depot's order, material and spare part systems together with funding. The effects of the adjustments made, can be seen on all organizational levels. The depot is in a way also adjusting its operations when it tries to keep the work load stable in the Avionics division and thus according to its own funding either increases or decreases the share of the Avionics division. This kind of adjustment characterize the whole nature of the relationship, both partners see themselves as being a part, a unified part of the larger whole.

Dependence, power and responsibility

As mentioned in the previous chapter the Avionics division can be seen as highly dependent on the depot. Both partners saw that they are dependent on each other, but that the Avionics division is more dependent than the depot. A split in the relationship would mean a catastrophe for the Avionics division, but only short term difficulties for the depot. As a result of this, the depot is in the more dominant position in the relationship, i.e. the depot has the power. At the same time, the Avionics division emphasized that they make their own decisions quite independently and that the depot is only one of the instances that effect its operation. The Avionics division also had to consider the whole company and the aviation regulations when making decisions. Although the Avionics division is trying to prove its independence the fact remains that over 80% of its work comes from the depot.

It seems to be, that the power is not the actual fellow of the dependency in the case relationship, although the power positions between partners are clear. In turn, dependency means that the partners take care of each other in a way that the needs of the other are considered as being at least important as their own needs. For example, if the budget given from the Finnish Air Forces means that the depot has to decrease its hours in the air, which in turn means that the amount of devices that the Avionics division repairs and maintains decreases. So the depot tries to keep the amount of devices in the Avionics division quite stable by giving the Avionics division devices from other repair workshops. Of course the depot also has its own reasons for doing this, i.e. it secures the expert knowledge of the Avionics division by keeping the amount of devices stable. Consequently, the responsibility for each other would be a term that describes the dependence situation between partners better than the power positions.

Commitment and trust

Both parties, can be seen as committed to the relationship. They both share a common past and are willing to continue the co-operation in the future. Partly, the commitment is defined from the outside: the feasible alternatives are very rare, and that determines partly the behavioral aspect of the commitment. Partly the behavioral aspect is determined through the co-operation done in past. But the partners are also attracted to each other and that fulfills the emotional requirements of the commitment.

Trust is often treated as the key element that keeps the partners together (Morgan and Hunt 1994). In this relationship, the basis for trust can be found from the long common history of working together. Trust was not based on personal relationships, although good personal relationships can enhance the credibility. The base for trust was more in knowing the way the partner organization works, being familiar with routines and the ways to react in different situations. Trust was seen as important, but the importance of it was merely linked to the daily operations than to the crucial questions of being together. Trust was seen as a prerequisite for the fluent daily operation. Trust (or rather trustworthiness) can wither, for example, due to a change in personnel. It might cause problems in daily matters, for example written contracts are requested for a while, instead of agreeing upon the terms by phone. However, trust (credibility) was not taken for granted in spite of the long common history, it had to be earned over and over again by improving and developing the operation in relationship.

Institutionalization

The relationship between the Avionics division and the depot can be characterized as institutionalized. Both parties had, at the time of research, clear responsibilities which were partly defined in the general agreement and partly in the yearly basis. They had clear systems for negotiations, for handling problems and pricing the services. The other possible partners were known, but for the Avionics division changing a partner would mean a radical decline in the amount of repaired devices (and in employees, turnover etc.) and for the depot it would mean difficulties in repair and maintenance of its aircraft in the short term and probably a more expensive partner in the long term. Consequently, either party was not considering changing a partner very seriously, although the depot in some cases was obligated to ask for alternative bids. The depot also wanted to be aware of the competitors of the Avionics division (partly in order to set a right price level) although it was very committed to the relationship. In spite of the long co-operation, the partners were willing and ready to develop their ways of operation. Both the awareness about the competitors, and the willingness to further develop the relationship are characteristics of the institutionalized relationship (see Ford 1990, pp. 50-51).Taking together, the relationship can be seen as a institutionalized one from the surface, but a closer look also reveals patterns which are not completely in line with the traditional ways of defining institutionalized relationship (see more Ford 1990, pp. 50-51).

Organizational cultures

Most of the interviewees agreed that the organizational cultures of the depot and the Avionics division differed. At the division manager level, these differences in organizational cultures between private enterprise, and public organization, were in a way smooth over by the aviation culture. The people operating in higher levels in organizations felt that they spoke the same language and were interested in same matters, accordingly they felt that the differences did not have any effect on the operation at the level on which they operated. On the lower levels, however, the aviation culture was not dominant and the differences in organizational cultures seemed to have some influence on the interaction. Especially for the interviewees from the Avionics division the bureaucratic operation of the depot sometimes disturbed the smooth operation. It caused, for example, increased waiting times and forced the process to follow the ”official way”. The interviewees from the depot in turn stated that the differences in organizational cultures did not affect the operation and interaction, because the partners had learned to work with each other. If the differences had any effect it would only be positive: ”working with active, dynamic private enterprise only hustles us to work a little bit more actively and quicker than what we are used to”.

Consequently, the differences in organizational cultures between the Avionics division and the depot were evident, but they only had an effect on the operation and interaction on the lower levels of organization. The Avionics division experienced these differences as being more negative than the depot.

Summary of special characteristics of case relationship

The case relationship has lasted over 20 years. The long period of co-operation forms the basis for many special characteristics together with the fact that the buyer (the depot) is a military organization. The **legal base** of the relationship is defined in general agreement, and it is completed once a year by negotiations. Unique aspect of the general agreement is that it sets limits for the yearly profits for the seller (the Avionics division). The **daily operation** in relationship concerns the repair and maintenance of the different aircraft devices and also for different planning and development projects.

The major **investments** that both partners have done during the past few years concern the development of repair and maintenance system for the Finnish air force F-18 hornet fighters. The investments done to the system were at least for the most part investments for the relationship. In addition to this project, the buyer invests continually in the form of different testing devices, although the ownership of these device stays with the depot. The **adjustments** to the relationship were mainly done by the Avionics division as the depot is the major client of the Avionics division, the whole operation and future is dependent on the depot. The Avionics division is in a way forced to adjust to the depot’s order, material and spare part systems together with funding. The depot also in a way adjusts its operation by trying to keep the workload of the Avionics division stable. *This kind of adjustment characterizes the whole nature of the relationship, both partners see themselves as being part of an unified part of the larger whole*.

Both partners see themselves as being **dependent** on the other, but the Avionics division as more dependent than the depot. A split in the relationship would mean a catastrophe for the Avionics division, but only short term difficulties for the depot. Thus it can be said that the depot is in a more **powerful** position in the relationship than the Avionics division. It seems to be, however, that the power positions do not have a great importance in the relationship, but the **responsibility** and concern about the partner mean more for the partners.

Partners are **committed** to each other both emotionally and in a behavioral way. In this relationship **trust** operates in the level of daily matters and does not form a powerful bond between partners. It seems to be that the strong dependence and long common history have in a way faded the importance of trust in the relationship.

Although the relationship have lasted over 20 years, it does not fulfill all the common characteristics of the **institutionalized** relationship. Partners have clear responsibilities and systems for negotiations, for handling problems and pricing the services, but they also have assessed the relationship and possible other partners.

There exists clear differences in **organizational cultures** between the partners. These differences are mainly based on the differences in organizational cultures between private enterprise and public organization. These differences were partly covered by the common aviation culture. Although the differences in organizational cultures are evident, they affect the operation and interaction only on the lower levels of organization.

INTERVIEW GUIDE

BACKGROUND INFORMATION ABOUT THE FIRM

* Turnover in year 1995? Personnel?
* Age of the firm?
* Products, markets, customers?
* Amount of each product group, market and customer of turnover?
* Amount of the most important customer of the sales?
* Competitors?

GENERAL INFORMATION CONCERNING RELATIONSHIPS

* What kind of customer/supplier relationship strategy in general?
* Ingredients of satisfying relationship from the point of view of customer?
* Ingredients of satisfying relationship from the point of view of supplier?
* Good/bad in long-term relationships?
* Good/bad in short-term relationships?

HISTORY AND FUNCTIONING OF THE RELATIONSHIP

* Start of the relationship (when, why, how, who were involved, competitors, what were the reasons?)
* Base of the relationship (written contract or ?)

* Competing relationships?
* Planning and decision making in the relationship?
* Subject of the relationship?
* Have the relationship continued without interruptions?
* Reasons for staying together?

* Projects (nature, number, how often, interaction in-between projects)?

* Org. cultures, do they differ between parties, does the difference affect the relationship?

PERSONS INVOLVED IN THE RELATIONSHIP

* Persons in contact with the partner? Key persons?
* Key persons of the partner?
* Turnover of the persons? Turnover of the persons of the partner?

STATUS OF THE INTERVIEWEE

* When start to work with the partner?
* Working history in the company and in the relationship? Current duties?
* Involvement in other relationships?
* Interaction with the partner: with whom, how often, concerning what, how often face-to-face?
* Contact taking: by whom, how often, how?
* How the interaction with the partner is perceived? Any problems in interaction?

* What is important in continuos interaction with the partner?

POWER, DEPENDENCY, INVESTMENTS, TRUST, COMMITMENT, FAIRNESS AND EQUITY (IN RELATIONSHIP. LEVEL)

* How important is the relationship for your organization and for the partner? Present, past, future?
* Is your org. dependent of the partner? In what way?

* How would You describe the position of your org. and the partner in the relationship? How these show in practice?
* Any changes in these positions during the relationship?

* What kind of investments have you and the partner made in the relationship? Past, present, future?
* Are the investments and the gains in balance? Why not?
* Does any of the partners gain more than the other? With respect to the investments?

* Does the partner keep the promises it makes? In what kind of situations not?
* Do trust the partners ability to fulfill the requirements of the relationship?
* How important is the trust with the other partner?
* On what is the trust based? How does it show in practice?

* Have you adapted your ways of operation according to the partner's? How? The other way around?
* How big are the adaptations? Adaptations in the future?

* Are you going to continue the relationship? Any changes?

* What is quality in the relationship?

EPISODES

Normal episode (project)

* Description of normal episode?
* Description of evaluation of normal episode? How, who is involved, official/unofficial? how does the partner evaluate?
* Is the episode compared against something? Is the comparison standard know by the partner? Have cs changed? Does the partner have its own cs?
* How you individually evaluated the episode? Do You discuss about the evaluations with others?
* Evaluation together with the partner?
* Have the cs set for the normal episode fulfilled? Different kinds? When and why? Both partners?

* What factors affect the satisfaction concerning normal episodes?
* Does the fulfillment of cs affect the satisfaction? How?

* Have the investments made on normal episodes gained? Why? The other partner?
* Have one of the partners gained more from the normal episodes than the other? With respect to the investments made?

* Factors you are satisfied/dissatisfied in the normal episodes? The other partner?
* Satisfaction with the normal episodes as whole? Official/Unofficial? The other partner?
* What school grade would you give to the normal episode?

Failed episode

* Description of failed episode?
* Description of evaluation of failed episode?

* What is normally demanded in order to recover the situation? In what kinds of situations are the mistakes allowed/ not allowed?

* How are the problems handled satisfactorily/dissatisfactorily? What happened? How often? effects on the relationship?

* Describe a situation when you/the partner have made a mistake? What has happened? how the situation is handled? Was the result satisfactory?

* Have you/the partner ever though of terminating the relationship as a result of failed episode? In what kind of situation would you terminate the relationship?

RELATIONSHIP EVALUATION

* Description of relationship evaluation? Official/unofficial? Discussion about goals and evaluations? Is relationship compared against something? Individual evaluation and discussion with others?
* How does the partner evaluate the relationship?
* Evaluation made together?

* Have the relationship evaluation changed? Have cs changed? How? Cs concerning future?
* Have the cs set for the relationship fulfilled? Different kinds? When and why? Both partners?

* What factors affect the satisfaction concerning the relationship?
* Does the fulfillment of cs affect the satisfaction? How?
* Are the cs set for the relationship likely to be fulfilled?

* The biggest gain of the relationship? Other gains of the relationship? Loses of the relationship? The partner?
* What is good/bad in the relationship? Good/bad compared to what?

* Factors you are satisfied/dissatisfied in relationship? Off./Unoff.? The other partner?
* Satisfaction with the relationship as whole? Official/Unofficial? The other partner?
* What school grade would you give to the normal episode?
* Have the satisfaction changed? Why? The partner?

* What kind of factors have change the satisfaction into positive/negative direction?

* What kind of feelings you have concerning the relationship?

Network effect

* What outside instances/relationship affect your perception/evaluation of the relationship?
* Concerning what factors are the perceptions of others decisive?

CIT

For a moment ago you described positive and negative situations that affect the perception concerning relationship in general level. In the following these kinds of situations are handled more deeply.

First I asked you to describe a single situation/episode that according to your view has positively affected your perception concerning the relationship. Why this situation was decisive? How it get started, developed and ended? What were the consequences? Who were involved, who affected? The role of personal relationship? Effects from the outside and to the outside? What really changed? Your feelings and their effect on the situation?

Second I asked you to describe a single situation/episode that according to your view has negatively affected your perception concerning the relationship. Why this situation was decisive? How it get started, developed and ended? What were the consequences? Who were involved, who affected? The role of personal relationship? Effects from the outside and to the outside? What really changed? Your feelings and their effect on the situation?

Appendix 4

FROM RESEARCH QUESTIONS TO MAIN THEMES AND QUESTIONS IN INTERVIEW GUIDE

Table 1. Examples of the questions related to sub problems and to the main themes in interview guide.

No of sub prob.	Main theme	Example of the question
1, 4	State of the relationship	How important is the relationship for your organization and for the partner? Does one of the partners gain more from the relationship than the other? Have you adapted your ways of operation according to the partner's? How?
1, 3, 4, 5, 6	Evaluation of normal episode	How do you evaluate the normal episode? Who is involved? Official/Unofficial? Is the episode compared against something? Have comparison standards changed? Does the fulfillment of comparison standards affect satisfaction? How? Have the investments made on normal episode gained?
1, 3, 4, 5, 6	Evaluation of problematic episode	How do you evaluate the problematic episode? Who are involved? How are the problems handled satisfactorily/dissatisfactory? What happened? How often? Effects on the relationship?
1, 3, 4, 5, 6, 7	Evaluation of the relationship	How do you evaluate the relationship? Official/Unofficial? Do you discuss about the evaluations with others? Is relationship compared against something? What is good/bad in the relationship? Good/bad compared to what? What kind of factors have changed the satisfaction into positive/negative direction?
3	Network effect	What outside instances/relationships affect your evaluation of the relationship? Concerning what matters are the perceptions of others decisive?

Nature of Episodes in Case Relationship

The repair processes

The repair process forms in a way the heart of the relationship between the Avionics division and the depot at the moment of the study. The amount of the devices that the Avionics division repairs for the depot is yearly over 2500. The role of depot in the process is to coordinate the functions between the actual wing where the devices come from and the Avionics division. The Avionics division is quite seldom in direct contact with the wing. The repair process is highly regulated due to the regulation, and the Avionics division has a standardized quality system for the repair process.

The questions concerning the repair process were in the interview guide divided into two categories: the normal repair process and the problematic repair process. The normal repair process were discussed in general level and the problematic repair process often with an example. In the following first the normal repair process and after that the problematic repair process are described.

The *normal repair process* actually starts when in the wing is noticed that some device in the aircraft is not working properly or at least it seems not to be working properly. After that the device is delivered to the Avionics division (if the device belongs to those devices that the Avionics division is obligated to repair) and the papers concerning that device are delivered to the depot. The depot then writes the repair or maintenance order for the Avionics division and also delivers the spare parts needed.

In the Avionics division the device first goes to the stock and the stockkeepers test the device superficially, write the papers concerning it, save the information to the computer and put the device on the waiting line. The information concerning that device then goes to the work planner who together with the group leader decides who repairs the device and when. The depot has defined the order of urgency for the device. After that when the right time comes the right mechanic takes the device and does actions the needed (testing, repair, change or combination of these). The certain procedures (usually set by the producer) has to be followed in this actual repair process. After taking all the actions needed the mechanic tests the device and documents it. The group leader or someone else authorized person then takes the device and tests it once again in order to give the device “permission to leave“. After this the papers go to the work planner and again to the stock where the information is again saved to the computer. The stockkeeper then fetches the device, packs it up and delivers the device to the depot (there is a daily delivery between the depot and the Avionics division). The papers and the bill are also mailed to the depot.

The above description about the repair process concerns so called normal or typical repair processes. It has to be noticed that the repair process described above is only a simplified version of the typical repair process. Depending on the nature of the device, the fault and the agreement concerning the device the process can have different forms. The agreement between the depot and the Avionics division (revised yearly) determines the devices that the Avionics division can repair and the amount of those devices (also the prices are included to this agreement). As mentioned earlier the aviation is highly regulated, and every repair workshop has to have, according to these regulations, a workshop manual which determines the duties and procedures. These regulations together with the quality system also guide the nature of each repair process. It has to be noticed, however, that all the devices are tested before they leave the Avionics division, and sometimes the depot also has its own tests for the devices.

The actual repair process has many processes that serve as supporting processes for the repair. For example delivery, stockkeeping, all the paper work and billing can be regarded as supporting processes. In this study they are not, however, handled as separate process but as a part of the repair process. Along site the repair process the interaction between partners is evident. Different persons involved in the process may interact several times during one normal repair process, for example the supervisor from the Avionics division can be in contact with persons from time control, type office and commercial office.

The problematic repair process takes place when something in the repair process goes not as anticipated. *The problems can occur during the repair process or after the device have been delivered to the depot or to the wing*. As the procedures of each repair process are documented it is quite easy to notice in the Avionics division if something is not as it should be during the repair process. For example, if the device does not pass the leaving tests, the process has not gone as it should have gone. The problems that occur during the repair process are noticed by the Avionics division, but they cause delays in delivery times, and are thus often considered as abnormal or problematic by the depot.

If the device is noticed to be out of order after it is delivered to the depot or to the wing, the depot will make a reclamation. After the reclamation is made, the origin for the fault is sought (i.e. whether the fault was in spare parts, in actual repair or in testing). After finding the origin the responsibility matters are agreed upon. The problem that leads to the reclamation procedure can exist during the first thirty flying hours after the repair. In that case it has to be solved whether problem has its origins in the repair, i.e. is it caused by the repair or should it be noticed during the repair? If it is caused by the repair or should be noticed during the repair the Avionics division takes the responsibility. Other origins for the faults are deterioration of spare parts, different faults in spare parts and erroneous method of use.

In many problems that occur during and in all that occur after the repair process the depot is somehow involved, and in many cases the problems are resolved together. The measures are also considered that hinder the problems to occur in the future. The depot has strict expectations concerning the way in which the problems are handled. It expects that problems informed and handled immediately as they have discovered, and that the actively is sought way to prevent problems in the future.

Development projects

Development projects aim at developing certain system, part of the system (for example a testing device) or at educating personnel. In this case development projects are guided by a separate agreement. In the beginning of the development project the depot is usually obligated to ask for the bids. Sometimes it is known already beforehand that the Avionics division gets the projects (for example in the case of developing a new testing device for the system that is developed by the Avionics division). After the Avionics division has been selected for the development project, the partners start together consider the details of the project, i.e. what equipment, devices and education are needed. When the agreement upon the details is reached, the actual work starts. The developing projects last from several months to several years.

Economic planning processes

The economic planning processes can be divided into two parts. The first part takes place inside the organization and the second inside the relationship between the partners. This two parts are related to each other so that usually the planning process takes first place inside the organization and after that the economic issues are discussed between partners. In the relationship the economic planning span is one year. In the organizations the plans and evaluations are completed before the partners discuss them together.

In the avionics division the economic matters are also evaluated once a month and they are discussed in the meeting between the division leaders. The negotiations between partners take place in the autumn. In addition to these the economic situation is often evaluated every half year in the Avionics division. It has to be noticed that although the negotiations between partners are concentrated on the economic factors, many other important factors are linked to them (for example the number of repairs next year). As a result of these negotiations the contract for the next year is concluded.