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Enhancing client-agency relationship quality in the advertising industry – an application of project management

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Abstract

Purpose – This paper aims to determine the dimensions of service quality of advertising agencies and their effects on relationship quality between an advertising agency and their clients through the social and economic exchange.

Design/methodology/approach – The intention was to target firms which use the services of an advertising or marketing solutions agency; hence, participants were recruited from a business database service providing details for key decision makers in Australia and New Zealand. An online survey was used in this study.

Findings – Creative competence, project management processes and project outcome influenced relationship quality through value and interpersonal relationships. However, only creativity had a significant direct relationship with relationship quality.

Practical implications – Although creativity plays a major role in relationship development, agencies must have efficient and effective project management processes in place to ensure successful project completion within timeline and budget to be able to maintain ongoing relationships with their clients.

Originality/value – The research draws upon literature from three key disciplines, service quality, relationship marketing and project management, to address the gaps in the current literature related to customer relationship management in the B2B client–agency context.

Keywords Project management, Relationship management, Agency relationship

Paper type Research paper

1. Introduction

The client–advertising agency relationship is an area where relationship management is highly relevant and easily applicable because of the ongoing and highly interactive nature of the service provision (Keegan *et al.*, 2017). The advertising industry is facing challenges making an investigation of the precursors to client loyalty in the current context timely. In addition, the advertising industry has reached maturity with low barriers to entry for new entrants (Levin *et al.*, 2016). Agencies are operating in a fragmented and challenging media environment with clients seeking maximum return on the investment. This, in turn, has led many advertising agencies to reconsider their business models as well as service offerings.

Previous research undertaken to investigate the client–advertising agency relationship can be categorised into two groups. The first group consists of studies focussed on the key drivers of relationship performance such as satisfaction, the

value of the exchange and structural factors associated with longevity (Turnbull and Wheeler, 2016). The second group focuses on dissatisfaction and factors that precipitate switching behaviour and reasons for termination of relationships (Vafeas *et al.*, 2016). However, Caceres and Paparoidamis (2007) claim that the determinants of relational exchange in the business environment remain unclear. There has been renewed interest in this topic among academic marketing researchers (Nyilasy *et al.*, 2013).

Service providers are primarily evaluated on two aspects of performance: the technical benefits or core services which they provide and processes, or how the service was delivered. In the advertising industry, the core service relates to creative and strategic thinking, whilst the processes can be classified as project management, especially when one adopts Turner's (1996) definition of project management as “the art and science of turning a vision into reality” (p. 6). Many believe that project management has become an important business skill and not simply a set of tools and techniques used by engineers

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(Carden and Egan, 2008; Kerzner and Kerzner, 2017; Mir and Pinnington, 2014). Project management has long been employed in a variety of business applications (Mir and Pinnington, 2014); however, its impact on business projects has not been formally investigated in non-traditional contexts such as advertising, which also employs the same project management techniques in when developing campaigns with clients (Levin *et al.*, 2016).

Advertising agencies are responsible for planning and implementing marketing campaigns for clients, which is considered a project-based environment. Every campaign (project) involves multiple resources (people and budget) and deadlines (project due dates) that must be met. As such, project management offers planning tools which enhance project processes and ultimately advertising agency success. Applications of project management in non-traditional areas are rarely studied (Carden and Egan, 2008) even though it has been acknowledged that agency performance could be enhanced through effective utilisation of established project management approaches (Arens, 1999).

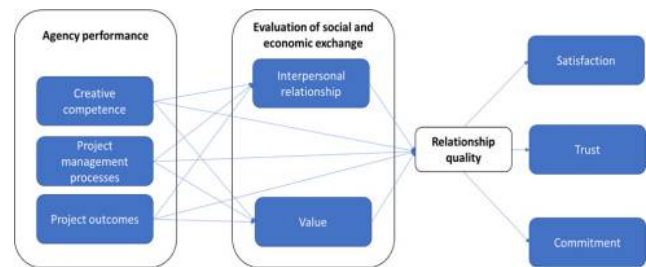
Indeed, this absence of research reflects an existing asymmetry in marketing theory between highly developed conceptions of how professional service providers produce market offerings and the service production context (Du Gay, 1997). The majority of research in the client–agency context focuses on creativity and overlooks other factors related to project management such as project processes and outcomes (LaBahn and Kohli, 1997). Beverland *et al.* (2007) and more recently Levin *et al.* (2016) are among the few to incorporate project management to further understand service quality as a determining factor in the client–advertising agency relationship. Furthermore, because of the nature of service encounter during advertising campaign development, both social and economic aspects, such as personal relationships developed during service encounters and value, need to be taken into account in conjunction with agency performance (Marcella and Rowley, 2015). Therefore, by blending relationship marketing, services marketing and project management literature, the current study aims to explore the use and benefits of project management within a specific marketing context. To be more specific, the current research seeks to address the identified gaps by determining the dimensions of service quality of advertising agencies and their effects on relationship quality between an agency and their clients through the social and economic exchange. The study contributes to the relevant literature and provides a fresh perspective on professional advertising services. Review of the relevant literature is as follows.

2. Literature review

2.1. Agency performance (service quality)

The theoretical model for the current study is shown in Figure 1. Informed by project management literature, the conceptual model commences with three dimensions relating to agency performance: creative competence, project processes and project outcomes. The term “agency performance” is used to represent the comprehensive set of elements that are incorporated to evaluate service quality,

Figure 1 Theoretical model for current research



including technical, functional and outcome quality (Szmigin, 1993). It is a broad construct and includes implementation considerations as well as creativity (LaBahn and Kohli, 1997). LaBahn and Kohli (1997, p. 500) define creative quality as “the client’s perspective of its agency’s level of creative performance”. Implementation “is defined as the client’s perception of the extent to which its agency executes the client’s advertising campaign according to the plan” (p. 500) and is aligned with the implementation phase in project management which includes project management processes and project outcomes (Mir and Pinnington, 2014). Hence, successful agencies would need to exhibit strong creative quality as well as the ability to efficiently and effectively implement advertising campaigns. In other words, technical quality is incorporated in the current study through the creative competence dimension; functional or process quality, which relates to the way a service is delivered, is being incorporated through the project management processes dimension; and outcome quality is assessed via the project outcome dimension.

The effectiveness of project management is assessed via the Iron Triangle which includes completion on time, within the specified budget and at the specified quality (Mir and Pinnington, 2014). Two indicators of project performance are time and cost. Although Pinto and Prescott (1990) stated that adherence to schedule and budget may be considered concurrently, Kerzner (1984) contends that they should be considered as separate aspects. This stance has been adopted for several reasons. First, there is a link between completion time and budget (Williams *et al.*, 2015). If a project is off schedule, meaning that tasks have not been completed within the originally scheduled time frame, this is likely to have an impact on the overall cost, particularly if resources and personnel are incurring real costs for the project. Second, if project management performance is assessed as a single construct it is not possible to identify the cause of poor performance (Levin *et al.*, 2017). In addition, time may not be a critical constraint in all advertising projects. Hence, even if a project took longer than the expected time frame there may be no detrimental impact on the client’s evaluation of the project. Finally, the project budget and ultimate project cost are always going to be of concern as businesses are accountable for the way in which the limited resources of an organisation are allocated, distributed and spent, hence adherence to the agreed-upon budget needs to be assessed independently of adherence to the project schedule (Williams *et al.*, 2015).

2.2 Evaluation of social and economic exchange – the role of agency performance

Czepiel (1990) contends that “Service marketers need to study how the economic exchange is played out against a background of social exchange” (p. 17). Given that services cannot be provided in the absence of person-to-person contact, the social/interpersonal aspects of the service encounters in agency contexts are significant. The process of briefing and planning an agency about an upcoming project requires extensive interactions between personnel from the client organisation as well as the advertising agency (Patterson, 2016). The production and implementation phases of producing a campaign also involve frequent communications between the client and the agency, during which time both professional and personal bonds may be developed (Czepiel, 1990; Turnbull and Wheeler, 2016; Smyth, Gustafsson and Ganskau, 2010). Smyth, Gustafsson and Ganskau (2010) discuss the social construction of business relationships and the development of social capital in such relationships, with responsible and ethical behaviour contributing to an appreciating asset. The importance of ongoing communication and close working relationships between clients and agencies is highlighted by Smyth *et al.* (2010, p. 118). “Projects have more complex and intangible requirements that are difficult to articulate and make explicit for the customer and hence supplier without cooperative dialogue”. LaBahn and Kohli (1997) found that creative quality improves working relationships between clients and agencies, while Wackman *et al.* (1986) found agency performance was important in developing personal relationships. Therefore, the current study contends that it is through the service encounters in which services are delivered that interpersonal relationships are formed:

- H1a. The creative competence of an agency impacts on interpersonal relationships between clients and agencies.
- H1b. Project management processes impact on interpersonal relationships between clients and agencies.
- H1c. Project outcomes impact on interpersonal relationships between clients and agencies.

Furthermore, a construct related to economic exchange is perceived value. Anderson *et al.* (2009) contend that value in B2B markets consists of a bundle of benefits that customers receive in exchange for the price paid. More specifically, Eggert and Ulaga (2002) define

Customer perceived value in business markets as the trade-off between the multiple benefits and sacrifices of a supplier’s offering, as perceived by key decision makers in the customer’s organisation and taking into consideration the available supplier’s offerings in a specific use situation (p. 110).

This economic-based conceptualisation is adopted for the current study. Previous research has shown that service quality positively affects perceived value (Nyilasy *et al.*, 2013; Arslanagic-Kalajdzic and Zabkar, 2017). In professional service relationships, the creation of client-perceived value is largely dependent on the expertise, skills and experience of contact personnel interacting in the exchange relationship with the client (Mencarelli and Riviere, 2015). In fact, when customers

perceive that they are receiving better quality service for their money they believe they are receiving “good value”, which in turn will increase their loyalty to the service provider (Fiol *et al.*, 2011; Venetis and Ghauri, 2004). Effective project management processes improve profitability (Kupakuwana and van der Berg, 2005) and hence “add value”. Successful projects are those which achieve the specified project objectives on time (Williams *et al.*, 2015), within budget (Mir and Pinnington, 2014) and resulting in a high-quality outcome (Levin *et al.*, 2016). Thus, project quality needs to be assessed by considering the objectives, completion time and project cost as well as the project outcome. From a marketing perspective, quality assessments are based on functional and technical aspects, as well as outcome; hence, evaluations of each of these elements need to be included:

- H2a. The creative competence of an agency is positively associated with client perceived value.
- H2b. Project management performance is positively associated with client perceived value.
- H2c. Project outcomes are positively associated with client perceived value.

2.3 Relationship quality

Relationship quality is a concept which has been previously utilised in relationship marketing to represent the depth or magnitude of a relationship and its ability to endure (Dant *et al.*, 2013). Within the relationship marketing literature, relationship quality has consistently been conceptualised as a multi-faceted, second-order construct consisting of trust and at least one more, distinct relational construct (Palmatier *et al.*, 2006). Satisfaction has previously been combined with trust and commitment as elements of relationship quality, which contributes to the continuance of business relationships (Caceres and Paparoidamis, 2007; Watson *et al.*, 2015). In the context of relational exchange, trust refers to “confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt, 1994, p. 23) and is a central determinant of co-operation. Commitment defined as “an enduring desire to maintain a valued relationship” (Moorman *et al.*, 1993, p. 316) represents another vital ingredient of cooperative and enduring relationships (Anderson and Weitz, 1992). Geyskens *et al.* (1999) defined customer satisfaction in the business-to-business context as “a positive affective state resulting from the appraisal of all aspects of a firm’s working relationship with another firm” (p. 224). Therefore, the widely-accepted three-dimensional operationalisation of relational quality within the advertising context, namely trust, commitment and relationship satisfaction, are adopted in this study aligned with Kumar *et al.* (1994), Palmatier *et al.* (2006, 2007), Weaven *et al.* (2017).

Rauyruen and Miller (2007) found that service quality predicts customer intention to continue a relationship. In line with this thinking, Levin *et al.* (2017) show that service quality is a significant antecedent of relationship intentions in the advertising context. Extant research shows a strong link between satisfaction, commitment, trust and perceived value (Hapsari *et al.*, 2016; Pandža Bajs, 2015). Perceived value represents cognitive evaluation which plays an important part

in B2B decision-making (Choi *et al.*, 2004). Therefore, it is plausible to assume that service quality and value are determinants of relationship quality. Furthermore, Dwyer *et al.* (1987) claim that “relational exchange participants can be expected to derive complex, personal, noneconomic satisfactions and engage in social exchange” (p. 12). Therefore, personal and interpersonal relationships should be included in studies relating to the maintenance of business relationships (Hapsari *et al.*, 2016). The importance of personal relationships in the creation of a long-term relationship is acknowledged in the services marketing literature by authors such as Crosby and Stephens (1987) and Guo and Wang (2015). Hence, the following hypotheses were formulated:

- H3. Agency performance, including creativity, project management processes and project management outcomes, is positively associated with relationship quality.
- H4. Interpersonal relationships are positively associated with relationship quality.
- H5. Perceived value is positively associated with relationship quality.

3. Research design

The method is discussed in two parts. The first details the data collection procedures and the second presents a discussion of the measures.

3.1 Data collection

The intention was to target firms which employ the services of an advertising or marketing solutions agency; hence, participants were recruited through a list purchased from a business database service providing details for key decision makers in Australia and New Zealand. This contained names and contact details for 937 marketing decision makers, including marketing managers and directors in Melbourne and Sydney from several industries: agriculture, construction, utilities, retail, insurance, other financial, professional services, consumer services, importer, manufacturing, communications, banking/finance, property, hospitality and government. The list contained contact details including the name and position of the contact person within each company, phone number and email address of the most senior marketing decision maker in the organisation. This is consistent with the key informant technique employed by Eggert and Ulaga (2002) and also Patterson and Spreng (1997) in an earlier study on the client-advertising agency relationship. According to Kumar *et al.* (1993, p. 1634), key informants “are chosen because they are supposedly knowledgeable about the issues being researched and able and willing to communicate about them.

Of the 937 company contacts, 239 were eligible to participate in the survey. Of the 239 respondents, 189 had been directly involved in a project of strategic importance with their advertising agency. The recency of project completion was set at two years or less to ensure adequate recall of the interactions between the client and the agency during project planning and implementation. Of the respondents who were able to

participate in the research study, 119 usable surveys were received, as the remainder of the surveys were only partially completed.

3.2 Measures

Scale items were adapted from previous research. Creative competence was adapted from LaBahn and Kohli (1997), project management processes and project outcome from Pinto and Prescott (1990), value from Doney and Cannon (2007), interpersonal relationships from Kumar *et al.* (1994), satisfaction from Lam *et al.* (2004), trust from Keh and Xie (2009) and commitment from Kumar *et al.* (1994). Relationship quality is operationalised as a second-order construct with trust, satisfaction and commitment being its dimensions (Weaven *et al.*, 2017). The survey instrument was administered online using the Web survey platform Opinio. The Web link to the online survey was sent to participants via email.

4. Analysis and results

4.1 Measurement model

As the study uses validated scales from previous research, CFA was performed to assess the dimensionality, measure reliability and validity for each construct. Table I indicates that average variance extracted, Cronbach’s alphas and composite reliability of each construct. The average variance extracted for each variable was over 0.50, indicative of adequate convergence (Fornell and Larcker, 1981). The composite reliability was acceptable for each of the factors. Factor loadings were positive and statistically significant. All items have significant loadings on their corresponding constructs, demonstrating adequate convergent validity. The average variance extracted from each construct exceeds the squared correlations between constructs, indicating discriminant validity. The results for means, standard deviation and correlations among study variables are shown in Table II.

4.2 Common method variance

The study adopted both *ex ante* (e.g. use of validated measures, anonymous response, pilot test) and *ex post* remedies suggested by Homburg *et al.* (2010) and Podsakoff *et al.* (2003) to reduce response errors and examine common method variance. Statistical methods recommended by Podsakoff *et al.* (2003) including Harman’s single factor test and controlling for the effects of an unmeasured latent methods factor were employed as *ex post* remedies. To test for common method bias, we first applied the Harman single-factor test (Harman, 1960). Applying the Harman single-factor test (Harman, 1960), the single-factor model yielded a total variance of 33.261 per cent, less than the 50 per cent cut-off. Therefore, it was concluded that no bias was present. In addition, a general common method factor was included in the structural model to test common method bias following Homburg *et al.* (2010). Every item from the constructs in the structural model was allowed to load on this factor. Thus, the common method factor reflects the variance common to all these indicators. To ensure model identification, we specified this general method factor to be uncorrelated with the other constructs in the framework. The difference between the standardised regression weights with and

Table I CFA results

Items		FL	AVE	α	CR
Creative competence	Our agency implemented our strategic project very effectively	0.81	0.709	0.922	0.823
	Our advertising agency consistently provides a high standard of creative work	0.92			
	Our advertising agency's creative work consistently meets our needs	0.98			
	Once a strategy is agreed upon, our advertising agency rarely deviates from it	0.75			
Project management processes	Our agency is proactive and offers new suggestions to improve our performance	0.72	0.561	0.844	0.862
	There was a detailed plan (including time schedules, milestones, manpower requirements etc.) for the undertaking of the project	0.85			
	There was a detailed budget for the project	0.76			
	Key personnel needs for the project (that is, who, what capabilities and when personnel were required) were clearly specified	0.85			
	A clear process was established for any changes initiated after the initial plan had been signed off	0.61			
	The results of planning meetings, such as decisions made, information received and needed etc., were available to the entire project team and relevant stakeholders	0.64			
Project outcome	The project came in on time (as originally planned)	0.59	0.583	0.788	0.803
	The project came in on budget (as originally planned)	0.89			
	All things considered, this project was a success	0.78			
Value	On this project our advertising agency delivered us superior net value	0.937	0.894	0.959	0.962
	Compared to the price we paid, we received good quality	0.929			
	We got value for money with this project	0.970			
Interpersonal relationship	It is pleasant working with our advertising agency	0.92	0.859	0.948	0.948
	My organisation genuinely enjoys working with our advertising agency	0.94			
	My interactions with our advertising agency are productive	0.92			
Satisfaction	In general, my organisation is completely satisfied with the services offered by our advertising agency	0.96	0.889	0.969	0.970
	Overall, my organisation is very satisfied with its relationship with our advertising agency	0.94			
	Overall, our advertising agency is a good company with which to do business	0.91			
	Overall, the services of our advertising agency meet my organisation's expectations	0.96			
Trust	Our advertising agency has a good reputation	0.70	0.677	0.886	0.891
	My organisation feels our advertising agency has been honest and open in dealing with us	0.97			
	The communication my organisation receives from our advertising agency is reliable and accurate	0.88			
	My organisation trusts our advertising agency not to misuse our confidential information	0.71			
Commitment	Our advertising agency has devoted so much time and effort to us that we would not feel 'right' in abandoning the relationship	0.88	0.661	0.846	0.853
	Our relationship with this advertising agency is a long term alliance	0.83			
	My organisation wants to remain a client of our advertising agency because we genuinely enjoy the relationship with the agency	0.72			

without the common latent factor is less than 0.01. An examination of the path coefficients in the resulting model indicated that the common variance was 19.36 per cent, which is lower than the 50 per cent threshold (Eichhorn, 2014). This suggests that common method variance is not a significant issue and thus is not likely to interfere with the inference of findings.

4.3 Hypothesis testing

As the sample size is quite small, the study uses item parcels to reduce the complexity of the model. Item parcelling requires fewer parameter estimates; thus, models are more

parsimonious (Kline, 2005). In addition, using item parcelling reduces the chance of spurious correlations as fewer estimates are required (Little *et al.*, 2002). Structural equation modelling (SEM) with maximum likelihood estimation is the appropriate method of data analysis (Hair *et al.*, 2006) with maximum likelihood estimation. The model has good fit indices: Chi-square = 37.553, $df = 34$, $p = 0.007$, $CMIN/df = 1.976$, $GFI = 0.943$, $TLI = 0.945$, $CFI = 0.977$, $RMSEA = 0.062$. The results of the final model are presented in Table III. Creative competence was the most significant predictor of value, interpersonal relationships and

Table II Results for means, standard deviation and correlations among study variables

Construct	Mean	SD	Creative competence	PM processes	Project outcome	Value	Interpersonal relationships	Satisfaction	Trust	Commitment
Creative competence	4.928	1.301	0.709	<i>0.089</i>	<i>0.136</i>	<i>0.672</i>	<i>0.567</i>	<i>0.719</i>	<i>0.501</i>	<i>0.394</i>
PM processes	5.173	1.183	0.298	0.561	<i>0.203</i>	<i>0.132</i>	<i>0.141</i>	<i>0.095</i>	<i>0.144</i>	<i>0.054</i>
Project outcome	5.501	1.044	0.369	0.45	0.583	<i>0.203</i>	<i>0.217</i>	<i>0.166</i>	<i>0.243</i>	<i>0.059</i>
Value	4.924	1.551	0.82	0.363	0.45	0.894	<i>0.546</i>	<i>0.645</i>	<i>0.554</i>	<i>0.399</i>
Interpersonal relationships	5.343	1.418	0.753	0.376	0.466	0.739	0.859	<i>0.805</i>	<i>0.624</i>	<i>0.365</i>
Satisfaction	5.0063	1.461	0.848	0.309	0.408	0.803	0.897	0.889	<i>0.640</i>	<i>0.507</i>
Trust	5.500	1.115	0.708	0.379	0.493	0.744	0.79	0.8	0.677	<i>0.342</i>
Commitment	4.350	1.433	0.628	0.233	0.242	0.632	0.604	0.712	0.585	0.661

Notes: Diagonals contain AVEs, values in italics are squared correlations; All correlations are significant at $p < 0.0$

Table III Hypothesis testing results

Hypothesis	Regression paths	Hypotheses testing results			Indirect effects using bootstrapping (Interpersonal relationship as mediator)				Indirect effects using bootstrapping (Value as mediator)			
		β	P	Result	Regression weight	Lower	Upper	P	Regression weight	Lower	Upper	P
1a	Creative competence → Interpersonal relationship	0.657	**	Supported	–	–	–	–	–	–	–	–
1b	PM processes → Interpersonal relationship	0.100	*	Supported	–	–	–	–	–	–	–	–
1c	Project outcome → Interpersonal relationship	0.178	**	Supported	–	–	–	–	–	–	–	–
2a	Creative competence → Value	0.745	***	Supported	–	–	–	–	–	–	–	–
2b	PM processes → Value	0.078	0.174	Rejected	–	–	–	–	–	–	–	–
2c	Project outcome → Value	0.140	*	Supported	–	–	–	–	–	–	–	–
3a	Creative competence → Relationship quality	0.311	***	Supported	0.274	0.169	0.401	**	0.093	0.031	0.175	**
3b	PM processes → Relationship quality	0.036	0.878	Rejected	0.056	0.018	0.107	**	0.046	–0.016	0.124	0.146
3c	Project outcome → Relationship quality	0.027	0.466	Rejected	0.092	0.012	0.197	*	0.109	0.039	0.210	**
4	Value → Relationship quality	0.178	**	Supported	–	–	–	–	–	–	–	–
5	Interpersonal relationship → Relationship quality	0.586	***	Supported	–	–	–	–	–	–	–	–

Notes: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

relationship quality when considering the three agency performance or service quality dimensions. Project management processes were a significant predictor of interpersonal relationship; however, the direct effect of project processes on value was not significant. Project outcome was only significantly related to value and interpersonal relationships. Value and interpersonal relationships are significant predictors of relationship quality. The model explains a large amount of variance in value ($R^2 =$

0.70), interpersonal relationship ($R^2 = 0.62$), relationship quality ($R^2 = 0.93$), commitment ($R^2 = 0.50$), satisfaction ($R^2 = 0.95$) and trust ($R^2 = 0.68$), demonstrating strong explanatory power.

To confirm the mediating effects, the method of bootstrapping indirect effects was used and is also presented in Table III. Recent research indicates that bootstrapping is more powerful than the Sobel Test (Sobel, 1982, 1986) and the causal steps approach by Baron and Kenny (1986) to testing

intervening variable effects (MacKinnon *et al.*, 2004; Williams and MacKinnon, 2008). Hayes explains:

Bootstrapping generates an empirical representation of the sampling distribution of the indirect effect by treating the obtained sample of size n as a representation of the population in miniature, one that is repeatedly resampled during analysis as a means of mimicking the original sampling process (2009, p. 412).

The results in Table III show that interpersonal relationship is a significant mediator, increasing the positive effect of creative competence, project management processes and project outcomes on relationship quality. Value only significantly mediates the relationship between creativity and project outcomes on relationship quality, increasing the positive effect of both antecedents on relationship quality.

5. Discussion of findings

The study provides evidence for B2B relationship continuance in a professional service context from three key areas: service quality, relationship marketing and project management. Service quality including creative competence, project management processes and project outcomes helps develop social ties between the two organisations – client and its agency. On the other hand, value perceptions are formed through an evaluation of all the agency's offerings, including creative competence as well as the results of the project. Working with their agency on the development of the creative for a campaign provides the client with an opportunity to cognitively assess the agency's performance and affectively engage in the working relationship subsequently resulting in economic benefits, which in turn leads to superior relationship quality (Briggs *et al.*, 2016; Levin *et al.*, 2016).

The three key service quality areas that have been empirically shown to either directly or indirectly lead to the continuance of the client–advertising agency relationship are creative competence, campaign results or project outcomes and project management processes, mirroring the findings of Besner and Hobbs (2006). These are the key drivers of social and economic exchange evaluations (i.e. interpersonal relationship and value), and ultimately relationship quality, supporting Beverland *et al.* (2007) as well as Levin *et al.* (2016). Levin *et al.* (2016) revealed that advertising agencies deliver value and create trust through creativity aspects as well as project management processes. Moreover, agency performance, especially creative competence, emerges as the most important determinant of ongoing business relationships in the client–agency context. Interpersonal relationship is largely formed on the basis of the execution and demonstration of creativity, project processes, and project outcomes. This aligns with findings of previous research such as Caceres and Paparoidamis (2007).

Finally, social exchange (i.e. interpersonal relationships) was a stronger predictor of relationship quality than the economic-based aspect (i.e. value). The critical role of interpersonal relationships and having an enjoyable and productive working association is highlighted, supporting previous research such as Venetis and Ghauri (2004) and Beverland *et al.* (2007). Interpersonal relationships are the precursor to satisfaction, trust and also commitment, therefore linked to relationship quality (Čater and Zabkar, 2009). Clients seek the services of agencies that are easy and pleasant to work with. Where these

synergies exist, the foundations of a long-term partnership will be laid and agencies will reap the rewards. In fact, Jayawardhena *et al.* (2007) concur that client–agency interactions (i.e. relationships) indirectly influence customer loyalty and attitudes towards the service provider as a whole.

6. Implications

According to Yuksel (2007), “it is a fact of corporate life that firms now and again change their advertising agencies” (p. 33). This study has identified several issues that can reduce a client's propensity to seek alternate providers and these are discussed in the following section.

6.1 Theoretical contribution

This study was among the first to develop a model for the drivers of relationship quality, drawing from literature in three key areas: service quality, relationship marketing and project management.

This study has provided evidence of the key drivers of relationship management in the client–advertising agency context. Caceres and Paparoidamis (2007) conclude that “the determinants of customer loyalty underlying relational exchanges in a business environment are still unclear” (p. 854). While some studies have started to embrace the importance of project management in a marketing context (Levin *et al.*, 2016) and recent research has confirmed a number of loyalty antecedents in a B2B relationship such as trust, value, commitment and satisfaction (Arslanagic-Kalajdzic and Zabkar, 2017; Čater and Čater, 2009; Ferro *et al.*, 2016; Watson *et al.*, 2015), there is still limited research incorporating all of these variables into one model or using them to test the precursors of B2B relationship quality. Therefore, the current study is able to contribute to the current literature by systematically integrating, testing and establishing the relative importance of agency performance (i.e. creative competence, project management processes and project outcome), value, interpersonal relationships and quality of the relationship established on trust, commitment and satisfaction.

Furthermore, Szmigin's (1993) conceptualisation of quality as consisting of functional, technical as well as output quality has been empirically supported by the current study. They play important roles in the development of interpersonal relationships and the creation of value for clients in the current context. The creative competence construct is a multifaceted unidimensional construct, expanding on the work of LaBahn and Kohli (1997) through the inclusion of an item relating to proactivity, as suggested in marketing literature by Beverland *et al.* (2007). Kupawana and van der Berg (2005) support the inclusion of proactivity when evaluating the quality of service provision. This is among few studies that incorporate proactivity in an assessment of creativity.

Finally, there is scant literature relating to both social and economic exchange between customers and service providers and the association of interpersonal relationships with relationship quality. Interpersonal relationships, the social interactions between two organisations, have been incorporated into the model and its antecedents and impact tested. Service encounters between clients and agencies facilitate the development of these bonds. More specifically, evidence has

been provided for the relationships identified in Beverland *et al.* (2007) study and Turnbull and Wheeler's (2016) qualitative study regarding the interpersonal and relational impact of agency proactivity.

6.2 Managerial implications

6.2.1 Project management.

Highlighting the role of project management in the continuation of business relationships between advertisers and advertising agencies, the findings suggest that the account manager at an advertising agency requires the same skills and knowledge as a project manager working in traditional project contexts (Stadler, 2011). Although creativity plays a major role in relationship development, agencies must have efficient and effective project processes in place and attempt to ensure project completion within timeline and budget to be able to consistently deliver the promised results for their clients. While agencies are not always able to achieve the desired outcomes, high creative competence and smooth and effective project management processes can improve interpersonal relationships and as a result, improve agency–client relationship quality. On the other hand, agencies that lack organisational skills and are poor communicators are unlikely to provide value or win the trust of their clients, hence will not benefit from long-term relationships. This is detrimental to the agency as establishing new relationships and constantly seeking new clients is very time consuming and resource intensive with no guarantee of returns. An agency with consistently poor processes is thus likely to fail, irrespective of the quality of its creative team and creative output.

Therefore, it is recommended that advertising agencies utilise project plans which provide a baseline for the monitoring and tracking of project progress in terms of activities and tasks which need to be completed, timelines as well as costs at various milestones. One such technique is earned value analysis (EVA) which assesses project progress by considering the amount of work completed, the amount of budget spent and comparing this with the amount of work yet to be undertaken and the remaining budget. An extensive project management toolkit has been developed by organisations such as the Project Management Institute (PMI), as well as communications and collaboration software such as Basecamp, Trello and ProWorkflow. Though not all projects will require the same attention to detail when it comes to project planning, monitoring and controlling, some level of project planning is critical to all projects (Besner and Hobbs, 2006) as poor planning and implementation processes will negatively impact relationships.

6.2.2 Relationship management.

Relationship quality depends on the total service package rather than on specific elements. Agencies need to focus their attention on aspects that matter to clients to maintain business associations and custom as well as to reduce churn and alternate seeking behaviour. The findings from the current study are equally applicable across the various forms of advertising agencies, as long as their services involve an element of creativity.

Agencies need to work on better marketing themselves and showing clients and potential clients how they are able to create

value for their organisations. Anderson, Narus and Narayandas (2009) claim that “Business market management is the process of understanding, creating and delivering value to targeted business markets and customers” (p. 4) yet many business clients do not fully appreciate the worth of the services they have commissioned and purchased. The findings show that advertising agencies create value for clients by offering superior services including creative quality, process quality and quality outcomes. It is recommended that to maintain and build on existing relationships, agencies expend effort on marketing their own businesses, with a particular focus on how to create and add value for their clients. Anderson *et al.* (2009) claim that it is the responsibility of the supplier to demonstrate the value of their services to their customers. This will facilitate the purchase/repurchase decision for the customer or client, hence maintaining business relationships between the agency and its clients. The impact of value on relationship quality should not be underestimated or ignored.

The services that agencies provide are predominantly intangible, yet this is where the bulk of the real expenses are. It was found that interpersonal relationships were a more significant antecedent of relationship quality than value. In other words, social exchange during service encounter should be the focus of a long-term partnership. Agencies need to involve clients in the creative as well as project management processes so that they fully understand how campaigns are created, and how much time and effort is required. It is recommended that service providers spend time getting to know their clients and understanding their needs and expectations, usually even before a project is planned or final sign-off has occurred. These interactions provide an opportunity to get to know one another and develop a working relationship. Tuckman's (1965) theory of group formation cannot be ignored here. Even if there are only two key people involved, one from each organisation, time needs to be taken to allow the formation of the group if productive interactions are to ensue.

7. Limitations and future research directions

Agency–client relationship develops over time and through a series of interactions and projects between the client and the service provider. Thus, it is difficult to model the precursors of relationship quality based on cross-sectional rather than longitudinal data. For example, Johnson *et al.* (2006) found that the drivers of loyalty vary over time, with performance assessments being more important initially and being superseded by attitudes over time. Hence, a longitudinal study would provide a dynamic perspective which cannot be achieved through a cross-sectional study. The current study only represents the views of clients and lacks recognition of the interdependent aspect of the client–advertising agency relationship. The account manager's role in establishing, developing and maintaining the relationship between the agency and the client is crucial. It is where the day-to-day relationship exists. It is therefore recommended that future studies consider dyadic pairings, rather than considering the client's, supplier's or service provider's perspectives and views independently. Using dyads rather than individual random samples facilitate investigation of the interdependence of the

relationship. Furthermore, the impact of company size could be studied, both from the client and agency perspectives. The sample size limited segmentation of the data set, however, the size of the client company, as well as the size of the agency, may influence the relationship. Although the final model presented provides a holistic framework for the client-agency relationship, it may not be easily transferable or generalisable to other services or industries. As Drennan and McColl-Kennedy (2003) point out, businesses across service sectors need to be regarded independently and autonomously rather than assuming a 'one size fits all' model can be applied.

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