

Evaluating Relationships in Business Markets: An Episode Level Operationalization

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ABSTRACT

Relationships have been traditionally looked at and managed as per the overview towards it. Though relationships have been established as a key aspect of the business market configuration, the process of relationship evaluation and management remains fairly underdeveloped. We try to address the issue of relationship evaluation by offering a dynamic relationship evaluation framework, which takes into account the interaction level information within the relationship. The interaction level data is aggregated to meaningful episodes, which is then evaluated as a satisfaction model.

In this paper, a conceptual dynamic relationship framework is presented and an episode evaluation model is operationalized and tested using primary data. The results of the test data at the episode is put to confirmatory factor analysis and the empirical results are discussed. Finally, the implications and scope for further developments are discussed.

RELATIONSHIPS IN BUSINESS MARKETS: AN INTRODUCTION

Relationships today form the backbone of business market structure. The growth in the business markets is highlighted by an increasing number of closer and well-defined relationships between the firms aimed at taking long-term perspective of the business (Achrol 1997). Looking at the business markets, one could notice that the structure of the markets is dominated by close relationships between firms. For e.g., the Indian market demonstrates that all firms have multiple arrangements with their buyers or suppliers (for e.g. vendors, dealers, and agents etc.) signifying close tie-ups along the value chain (Agarwal 1997). The scenario is not very different around the world. However, the understanding of the initiation, development, management and control of these relationships remains ad hoc if not ambiguous for the managers (Gummesson 1994). The current research for the relationships is motivated by the significance of the relationships in the business markets and the relative lack of conceptual understanding of the subject.

We see around us (relationships in our personal realm or the professional realm) an overall approach is adopted when trying to evaluate relationships. More often than not, the post mortem that is carried out when a relationship turns sour fails to explain why a relationship broke. It is argued that relationship like any business strategy is based on evaluating options that are available to the managers. A firm decides on the activities it would include in its

domain based on the associated transaction cost efficiency (Williamson 1981). Dwyer, Schurr and Oh (1987) develop similar long-term business relationships around the motivation of a firm to control the value adding activities along the value chain. Given that a firm would increase the transaction costs by including more activities into its organizational domain, Jap and Weitz (1995) view well managed relationships as a quasi-integration option that lends considerable 'control' to the firm over the critical activities.

The single most significant aspect of a relationship is its continuity. The idea of linking continuity to relationship has its roots in the conventional business philosophy. A business firm is often judged by its ability to sustain itself and grow enduring the changes in the environment. In a relationship, understanding of continuity becomes paramount to determine the behavior of the partners (Anderson and Weitz 1989). However, as discussed earlier, a possibility to attain the long-term goals set for the relationships exist only when the relationships are sustained and managed efficiently. This leads to the need for an evaluation procedure that links the idea of transactions and relationships to relationship continuity.

Relationships are not just continuous; rather they are continuously evolving processes. Understanding relationship as a dynamic phenomenon remains inadequate. Analyzing continuously evolving processes is greatly enhanced by looking at intermediate smaller independent and meaningful sub-units that maintain a relatively stable characteristic independent of time. Common examples illustrating such approach are analyzing evolution of life forms at genetic level, looking at meme in the social and cultural evolution process, and use of episodes in memory formation. The core unit of a business relationship is an exchange (as argued in the economic literature e.g. Milgrom and Roberts 1995). However, an exchange fails to provide clear linkages and criteria to draw a comprehensive basis for relationship evaluation. Ford (1980), IMP group (1982), and Anderson (1995) have initiated a view of looking at relationship at an intermediate level called episodes. Our paper takes the idea of episodes further by putting forward a nested episode framework for relationship evaluation.

The fundamental guideline drawn for the relationship evaluation revolves around the accepted strategy-structure-process approach used to isolate the different levels of decision making that interact to yield continuously evolving systems. We have developed a dynamic framework that tries to operationalize the process of dynamic evaluation by capturing the implication of a decision at the level of organization where the relationship decision is taken. The evaluation framework looks at the relationships as a dynamic progression of decision-making and decision-operationalization process. Evaluation of the relational strategy choice is similar to a "make-or-buy" strategy. The relationship design evaluation model is conceptualized by linking the relationship design factors to the likelihood of relationship continuity. The tactical or process evaluation is conceptualized by converging the basic premise of satisfaction.

In the following sections we enumerate an approach to relationship evaluation in the business market that incorporates the strategy-structure-process model for continuous processes. We then go onto operationalizing an episode evaluation by presenting a valid measurement model for episode level relationship evaluation.

RELATIONSHIP EVALUATION FRAMEWORK: THE THEORY

Having briefly outlined our approach to understanding the relationship process and its evaluation, in this section we now go onto present the conceptual relationship evaluation framework.

Relationship to Previous Research: The relationship of the current research to the existing body of knowledge has been outlined in Exhibit 1. Since we develop a part of the relationship model using meta-analysis procedures, existing literature is analyzed quantitatively to integrate earlier empirical work and design the relationship continuity model. Next sections discuss the models in detail.

Exhibit 1: Relationship to the Existing Literature

Theory	Concept	Contributors	Linkage
Relational Paradigm	Looking at the marketing not just as one facilitating exchanges but also the linkages between these exchanges and the relationships.	Grönroos 1994; Seth and Parvatiyar 1995; Gummesson 1988; Goldberg 1980	The basic idea of inter-firm relationships and its significance in business markets
Relationship Marketing	Marketing is initiating, developing and maintaining relationships with the customers	Heide and John 1992; Evans and Laskin 1994; Hunt and Morgan 1994; Seth and Parvatiyar 1995; Wilson 1995; McKenna 1992	The idea of marketing relationships, customer retention, and repetition of transactions
Strategic Alliances	The dynamics of initiation and maintenance of Inter-firm alliances	Vardarajan and Cunningham 1995; Heide and John 1990; Ohme 1989; Porter and Fuller	The motivations and goal for inter-firm alliances
Service Relationships	Retaining customers, building relationships	Crosby 1990; Bitner 1995; Blois 1996; Peterson 1999	Client retention, adaptations, communications and evaluation
Channel Relationships	Entering into long-term agreements with the channel members	Achrol, Stern and Reve 1983; Anderson and Weitz 1989; Anderson and Narus 1984; 1990; Ganesan 1994; Dwyer, Schurr and Oh 1987	Marketing structure, interdependence, and relational contracts
Socio-Political Theory	Effects of social and political structure of the business on the power, conflict, and dependence	Gaski 1984; Stern and El-Ansary 1972; Bucklin and Sengupta 1993, Jap and Weitz 1995	Relationship dynamics, fairness of exchange

Social Exchange Theory	The dynamics of interpersonal interaction and group interaction.	Thibaut and Kelly 1951; Ganesan 1994;	The link between episodes and relationships, episodic pay-offs
Interaction Theory	Assessing the process of marketing interaction between firms and networks.	IMP group 1989; Anderson, Håkansson and Johanson 1994	Relationship episodes, forms of episodes, markets and networks
Transaction Cost Analysis	The idea of firm-structure, market-structure based on transaction efficiency.	Coase 1937; Williamson 1975; Lohtia 1991; Dwyer and Oh 1988; Thorelli 1986	Development of relationships, economics of relationships and evaluation
Transactional Paradigm	Looking at the marketing process as a transaction led interactions	Seth and Parvatiyar 1995; Bagozzi 1975	The idea of episodes in the relationships
Industrial Marketing	The marketing process in business-to-business markets	Achrol 1998; Wilson 1987, Mummalaneni 1988, Ford 1980; Narus and Anderson 1986	Adopting the concepts of CS/D research to business markets
Research for Customer Satisfaction/Dissatisfaction	Formation of satisfaction response for consumers for product and service experiences	Oliver 1993; Swan and Trawick 1981; Fournier 1996	Operationalizing the episode outcome as a CS/D construct
Basic Models	Satisfaction as expectation-disconfirmation, Absolute performance, Attribute satisfaction	Oliver 1980; Parasuraman, Berry and Zeithaml 1985; Woodruff <i>et al</i> 1983; Bettman 1974	Developing the episode evaluation model
Dynamic Models	Linking the process of satisfaction response to attitude/belief towards the product/service	Tse and Wilton 1988; Westbrook 1987; Oliver 1993; Woodruff <i>et al</i> 1983	Linking the episodes to the relationships, satisfaction-quality and value links
Distributive Justice	The idea of perceived fairness of distribution of rewards in a transaction	Frazier, Spekman, and O'Neal 1988; Kumar, Scheer and Steenkamp 1995; Gassenheimer <i>et al</i> 1998	Distribution of rewards and returns, satisfaction response

Evaluation Research	Determination of the results attained by some activity designed to accomplish some valued goal or objective	Caro 1977; Suchman 1969; Schulberg and Baker 1968	Developing the evaluation framework
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The Relationship Evaluation Theory: Evaluation research defines evaluation as “*the determination of the results attained by some activity designed to accomplish some valued goal or objective*” Caro (1977). Evaluation essentially entails isolating the individual activities in a phenomenon and its ability to achieve the goals it is supposed to achieve. Following the developments in the field of evaluation research we design an evaluation framework on the following lines.

- An inter-firm relational setup is a conscious choice made by the business managers of the two partner firms motivated by specific goals (IMP group 1982).
- The relationship is expected to deliver these relationship goals, which in the long-term justify the choice (Ganesan 1994).
- The business managers would work towards designing a relationship that would endure in time. Continuity of a relationship is critical to relationship delivering the desired goals (Barton and Weitz 1987).
- On the basis of the relationship goals managers design the form and content of the relationship structure (Dwyer Schurr and Oh 1987).
- The dynamics of a relationship is determined by the design components and the interactions that take place within the relationship (Ford 1980).

Central to our idea of relationship evaluation is the concept of “*episodes*”. Before we get in to explaining our characterization and operationalization of episodes, brief outline of the driving logic behind proposing the ideas of episodes for relationship evaluation is presented here.

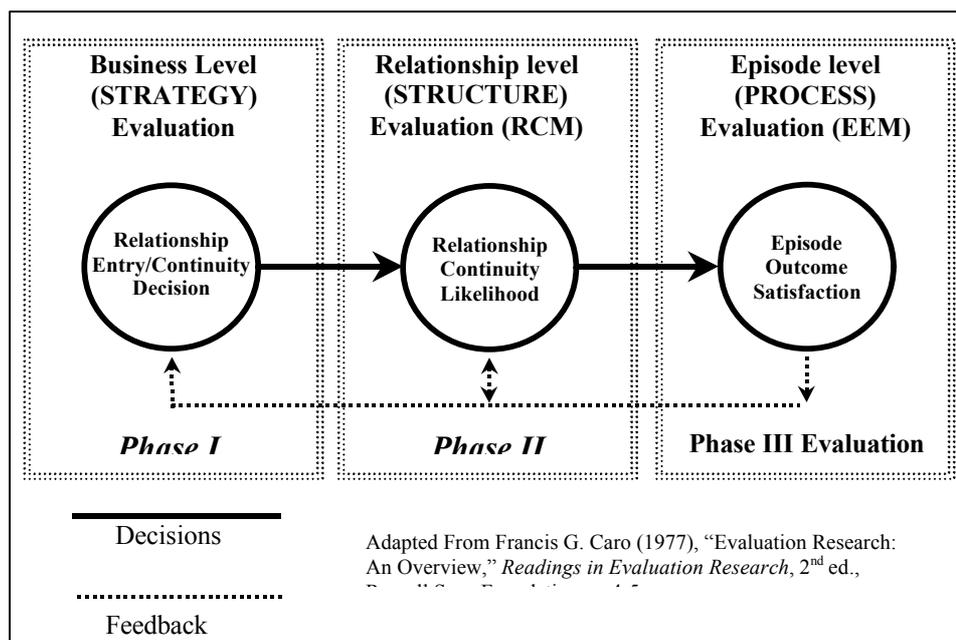
- Marketing as Exchange: the core conceptualization of the marketing process (Bagozzi 1979) remains the basis for conceptualizing relational marketing process as well.
- The practice of relationship marketing is based on the idea of “relational exchange” i.e. maintaining a continuity in exchange transactions (Ford 1980). Evans and Laskin (1994) operationalize relationship marketing is as a continuous process involving inputs, outcomes and continuous assessment.
- Within the relational paradigm, it is not just the repetition of transactions; rather it is the interdependencies and interactions to produce joint outcomes, subsequent mutual reactions, and future outcomes that make a relationship (Dwyer, Shurr and Oh 1987; Anderson and Weitz 1989; Ganesan 1994).
- The progress and perpetuation of these transactions are dependent on the efficacy of transaction and satisfaction partners derive from past outcomes (Anderson and Narus 1990; Ganesan 1994; Kumar, Sheer and Steenkamp 1995; Bitner 1995).
- The individual transactions vary in the characteristics, construction, and importance (IMP group 1982; Ford 1980; Anderson 1995), however, a series of interaction can be mapped on to an episode which has an intermediate goal, linked to the overall relationship goal.
- Within the domain of every individual episode, there exists a scope to influence the satisfaction response formation (Spreng, Mackenzie and Olshavsky 1996; Bolton 1998; Tax, Brown and Chandrashekar 1999; Anderson 1995).

- The concept of co-production and joint-outcome warrants looking at the satisfaction for all the parties involved (Bolton 1998).
- Though relationships can be of multi-party or network form, the episodes can be isolated as a dyadic exchange and outcomes attributed to the action within the transaction (Iacobucci and Hopkins 1992).

To summarize, theory suggests that relationship evaluation needs to question: a) the rationale behind the adoption of relational strategy; b) the rationale behind the designed structure, given to the relationship; and c) the outcome of every individual relationship episodes. We now go on to elaborate the proposed dynamic relationship evaluation framework.

Dynamic Relationship Evaluation Framework: Based on the points highlighted in the theory above, we conceptualize a three-stage relationship evaluation following the strategy-structure-process framework (REF, refer to exhibit 2). The **first stage** evaluation is the business level relational strategy evaluation. The business decision of adopting (and maintaining) a relational strategy can be seen as a “make-or-buy” decision. Thibaut and Kelly (1959) clearly outline the idea of “doing-it-yourself” as an alternative to relationships. The criteria of evaluation remains the long-term benefits that could be accrued as compared to the long-term costs associated with the relationship.

Exhibit 2: The Proposed Relationship Evaluation Framework (REF)

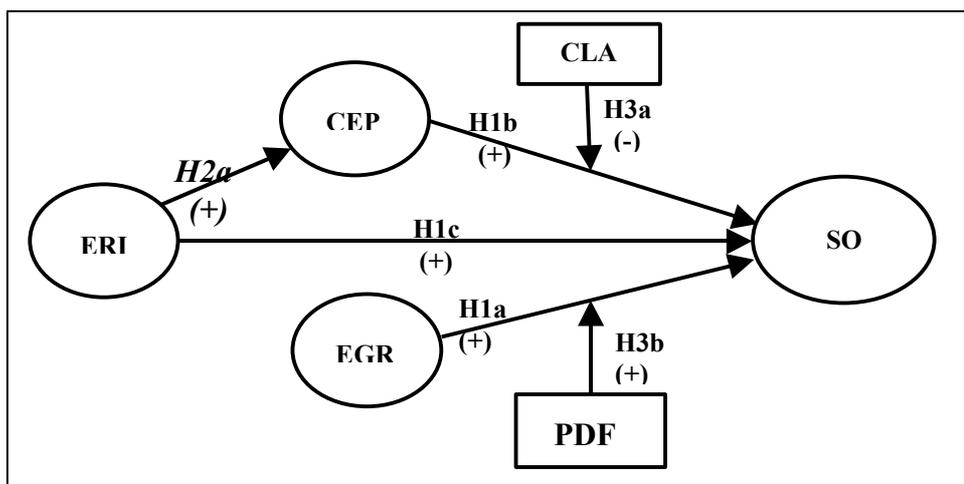


The **second stage** in the REF is the relationship level evaluation. The model developed to look at the relationship level evaluation is the Relationship Continuity Model (**RCM**). Once a firm favors entering into relationship with other firms the next step is to design and structure relationship so that it optimizes the returns for the two partners, thus ensuring continuity. The factors and components that get into deciding the relationship continuity are identified using the research in the area of relationships. There is an abundance of rich and diverse empirical studies that have looked at the relationship dynamics. Researchers have used multiple factor models to understand the relationship structure and its consequence. We model the relationship dynamics parameters with the likelihood of relationship continuity (L_{RC}) as the

dependent variable predicted by the levels of various relationship dynamics variables. The design of the relationship structure evaluation has not been included in the current paper.

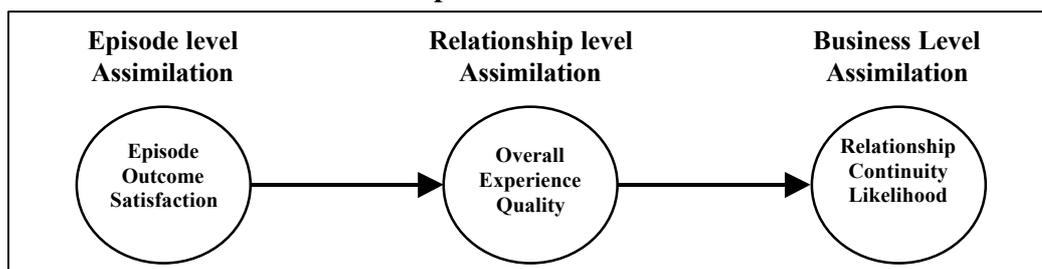
The *third stage* in the REF is the episode level evaluation. One of the factors that have been hypothesized to determine the relationship continuity in the earlier research is the satisfaction with the past outcomes. The critical nature of dissatisfactory outcomes leading to discontinuity in a relationship has been discussed in the literature. We look at the specific interactions grouped in an intermediate goal based packets called “episodes”. Episodes in a relationship are transient part of the relationships, which have a distinct beginning and end. The outcome of an episode essentially evokes similar emotional response as identified in the satisfaction research for any product/service usage (Oliver 1981). This forms the basis to model episodes using inputs from the satisfaction research. We develop the Episode Evaluation Model (EEM) as the outcome satisfaction of these episodes seen as a CS/D construct (refer to exhibit 3). The EEM integrates the three schools of satisfaction measurement – the expectation-disconfirmation model (Oliver 1981), the absolute performance model (Tse and Wilton 1988), and the attribute satisfaction model (Boulding et al 1993) to capture the satisfaction response from the individual episode in a relationship (refer to Exhibit 3). Comparison level of alternatives (Thibaut and Kelly 1959) and the distributive fairness moderates the satisfaction response within the episodic outcomes.

Exhibit 3: Conceptual EEM With All Hypothesized Paths and Effects



Finally, actual “success” in maintaining likelihood of relationship continuity and satisfaction with episode outcome becomes the feedback loop for the relationship evaluation and assuring the efficiency of relationship structure and the relationship episodes effectiveness (refer to exhibit 4).

Exhibit 4: The Overall Relationship Evaluation Model for Current Research



EEM: EMPIRIAL DESIGN AND METHOD

First stage of relationship evaluation – business level evaluation, has been researched and enumerated comprehensively in the strategic alliance literature (for e.g. see Varadarajan and Cunningham 1995) and the business strategy and policy literature (or e.g. see Porter 1985). We therefore, do not develop this phase of evaluation. The methodological detail of RCM is not included within the scope of this paper. However, for the information of the readers, we follow the meta-analysis procedure, specifically meta-analytical procedure used by Hunt, Schmidt, and Jackson (1982), suggested for social research to develop the RCM. We define the source of literature and qualification of the literature to be included in the meta-analysis. We run quantitative meta-analysis on the relationship continuity factors using the correlation values reported in earlier empirical studies of inter-firm relationships. These values are corrected for the sampling error to estimate the size of variation in qualitative terms. Methodology for EEM is discussed in detail here.

We develop EEM as structural equation model and test it using LISREL package. The outcome of an episode has an advantage in terms of relationship evaluation. Since the episodes are discrete by design and have a desired goal it comes close to the conceptualization of consumer satisfaction (CS/D construct). The methodology adopted for EEM validation is one of field research. The Exhibit 3 explains the hypothesized paths, the support, measuring instrument, and the sources of literature support. In the following sections, we first put forth the qualitative grounding based on the exploratory research. Discussion and the elaboration of the empirical study design for EEM is taken up in later sections.

Qualitative Research: Since the proposed idea of “episodes” in a relationship is new in terms of operationalization, we conduct an elaborate exploratory research aimed at establishing the existence of “episodes” within business market relationships. The process of exploratory research adopted is one wherein the theory and practice of relationship marketing and the practical relevance of relational paradigm are compared and contrasted. Two *pilot studies* conducted using managers from multiple industries are employed for this purpose. **Respondents** for the first pilot study are senior business managers (experts) who have the responsibility and authority to make business level decisions about the relationship. The respondents for the second pilot study are junior level managers with responsibility to manage the day-to-day functioning of the relationship. Inputs from the theory of relationship marketing were provided to the chosen “experts” while their views and opinions were solicited. Using this approach, we attempt to marry the theory and concepts of relational paradigm with the practice and reality of relationship marketing. IMP group has successfully employed this methodology. We use an open ended structured questionnaire for the purpose of stimulating a discussion and controlling the flow of inputs from the respondents. The initial responses suggested certain changes in the structure of the questionnaire with regards to the interaction of episode level measuring instruments with the relationship level instruments leading to sequential bias. Rearranging the questionnaire eliminates the problem. Responses from the adjusted questionnaire, administered to junior level managers, yield the empirical data for second pilot study.

Empirical Study Design: Empirical studies in the business markets have primarily employed field studies for observation and data collection. The *sampling frame* chosen for this study is the business relationships from business markets with a fair representation of all the industries (for e.g. Financial industry, heavy engineering, automobile, professional services,

defense ministry, franchise and retailing etc). My *sampling unit* is buyer/supplier side views of a completed episode in the relationship. We use the adjusted questionnaire to look at the latent variables and their measurement items to collect the data. The *unit of analysis* is buyer/supplier side of a completed relationship episode.

Prior to carrying out the data analysis, we inspected the responses for missing data. In the first pilot study, there were no missing data and all the 27 responses were used. Reverse coded items were recoded to maintain the direction of agreement with the scale items. In the second pilot study 87 responses were received. 7 responses had more than one missing data. These responses were discarded as cases of excessive missing data. 4 responses had one missing data. Standard means substitutions procedure (for e.g. Mishra, Heide and Cort 1998) was adopted to complete the data set. The second pilot study results are thus based on 80 responses.

We submitted sets of items to a common factor analysis to assess the construct validity. The set of items included in the particular factor model was based on pre-considered items that were expected to share common variance (Gerbing and Anderson 1988). The primary aim of this exercise was to determine the number of dimensions underlying the construct. Once the construct validity and dimensions of the measurement instrument were established, we subjected the measuring instruments to a series of psychometric and econometric tests assessed on criteria and standards developed in the literature.

In the following section, we discuss the preliminary findings from the empirical research and present a valid measurement model supporting our episodic approach to relationship evaluation.

RESULTS

The results from the exploratory research and the details of the sample frame are given in Appendix A. The results from the analysis of the pilot study are tabulated in Exhibit 5. The procedure suggested by Churchill (1979) and Gerbing and Anderson (1988) yielded unidimensional constructs. Cronbach alpha α and composite reliability measures fall within the acceptable limits.

Exhibit 5: Measurement Model Confirmatory Factor Analysis Results

Constructs Items	Scale Description	I*	α/α'	ρ_h	a	Comments
Episode Resource Inputs ξ_1 ERI1: ERI2: ERI3: ERI4:	7 point Likert scale Strongly agree to strongly disagree	0.769 1.118 0.932 0.963	.442 .242 .199 .226	.93	.74	$\mu = 3.56$; $\sigma = .089$ Unidimensionality established One item dropped form the initial scale. CFA statistics $\chi^2 = .73$; $df = 2$
Core Episode Performance η_1 CEP1: CEP2: CEP3: CEP4:	10 point ordinal scale 10 best 1 worst	1.031 1.264 1.042 1.443	.224 .303 .563 .432	.94	.76	$\mu = 6.9$; $\sigma = .089$ Unidimensionality established Three items dropped form the initial scale. CFA statistics $\chi^2 = 1.08$; $df = 2$
Realization of Goals η_2 EGR1: EGR2: EGR3:	7 point Likert scale Strongly agree to strongly disagree	0.648 1.118 0.932	.236 .235 .215	.80	.71	$\mu = 3.47$; $\sigma = .1$ Unidimensionality established All items maintained form the initial scale. CFA statistics $\chi^2 = .009$; $df = 1$
Outcome Satisfaction η_3 SO1: SO2: SO3: SO4:	7 point Likert scale Strongly agree to strongly disagree	0.556 1.136 1.106 1.329	.393 .209 .169 .249	.94	.76	$\mu = 3.19$; $\sigma = .097$ Unidimensionality established One item dropped form the initial scale. CFA statistics $\chi^2 = 4.43$; $df = 2$
Comparison Level of Alternatives CLA1: CLA2: CLA3: CLA4:	7 point Likert scale Strongly agree to strongly disagree	0.078 0.145 0.126 0.121	.004 .003 .003 .004	.94	.76	$\mu = 3.38$; $\sigma = .11$ Unidimensionality established Two items dropped form the initial scale. CFA statistics $\chi^2 = 2.19$; $df = 2$
Perceived Distributive Fairness PDF1: PDF2: PDF3: PDF4:	7 point Likert scale Strongly agree to strongly disagree	1.001 0.882 0.651 0.487	.192 .162 .237 .231	.92	.74	$\mu = 3.63$; $\sigma = .08$ Unidimensionality established One item dropped form the initial scale. CFA statistics $\chi^2 = 10.28$; $df = 2$

- * All t values for free parameters significant,
- # Composite reliability $\rho_h = \{(\sum \lambda_i)^2 / (\sum \lambda_i)^2 + (\sum \text{Var})\}$ (Fornell and Larcker 1981, p.45)

DISCUSSION

We developed the scales for episode level analysis using some of the established scales employed for marketing research. However, as mentioned earlier, to our knowledge this is the first operationalization of episode level analysis and hence it became necessary that the measurement model supported with high reliability and validity scores. The minimum reliability value was found to be .71 (given that the sample had a mixture of multiple industries we contend that the value is within the acceptable limits); measurement model thus fulfill this criterion. One of the issues that emerged strongly during the course of our data collection was identifying a correct and vivid interpretation of the episodes for the respondents in his industry. We could achieve this by projecting a generalized view of relationship episodes and providing some examples to illustrate the possible episode definition.

The issue of relying on the memory of respondents to isolate the subjective responses pertaining to a single episode was also considered. We realized that the level of managers and the choice of episode played a significant role in collecting coherent data. Senior level managers were prone to giving responses generalized over the complete duration of relationship. Junior level managers were found to be more conversant with the episode level details. Currency of the episode chosen to respond influenced the correctness of the responses.

IMPLICATIONS AND FUTURE DIRECTIONS

The basic idea behind the design of the relationship evaluation framework is an attempt to map the overall aspects of relationship progress into a logical and purposeful sequence. The idea of looking at relationships in the marketing research is now nearly two decades old. The practitioners lending a realistic insight to the subject have also fueled the developments in the area. However, much is left in disarray and ambiguity persists specifically in the area of relationship management and control. Another aspect of relationship that is ignored in the extant literature is the fact that relationships are dynamic phenomena. We enable the relationships to be seen as a continuously evolving process. Theoretically, the framework tries to integrate the diverse fields of research, which could help to consolidate and generalize the relationship research. Choice of meta-analysis as the model development and testing procedure takes the idea of generalization in the business market relationship research further.

The results from the exploratory research support the manner in which the relationship evaluation framework has been conceptualized. Agreeable inputs from the multiple industries ensure that the framework has implications across industries in the business markets. We maintain that most of the inputs have been collected from service intensive business markets. During the process of interacting with the business market practitioners we were strengthened in our belief that services paradigm has never been more seriously explored as a cutting edge strategy for the business markets.

Psychometric and econometric analysis of the pre-test data confirms the measurement model structure. The possibility of collecting subjective information at the episode level of the relationships broadens the scope of marketing research. Marketing in itself needs a fresh perspective in term of creating active and responsive procedures for effectively addressing the current unrelenting competitive markets. Episodes offer a possible way of designing and controlling such strategies.

We have not elaborated the conceptual basis to integrate the relationship level analysis and the episode level analysis. The path suggested in exhibit 4 needs conceptual basis and empirical validation. Research in dynamic satisfaction formation gives a possible operationalization method. We have already initiated research to capture the complete picture of relationship evaluation.

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Appendix A

Exploratory Research Findings

Each relationship is viewed independently in terms of the value realized in them as well as their importance to the whole value-chain in which the firm operates.
Overall relationship analysis fails to address the minutes of relationship process and hence offers limited inputs to manage them.
Overall relationship evaluations are the assimilation of multiple outcomes evaluated during the course of relationship progress.
The multiple outcomes refer to the outcome of individual transactions that are undertaken within the purview of a relationship.
"Episodes" highlighted by a collection of discrete but interrelated transactions yielding a significant purpose (or goal) aimed at achieving broader relationship goals and objectives.
Satisfaction plays an important role in shaping the relationship. Relationship satisfaction is viewed as an assimilation of the past outcomes within the relationship.
At the episode level, satisfaction can be viewed as the single qualification for the outcome to predict the way relationship shapes up.

The exploratory research findings support for our episodic study design and the framework established the contextual validity and conceptual soundness of our research. We now go on to present the measurement model to establish reliability and validity of our measurement model for the EEM.

Sample Profile

The sample respondents used for the measurement model pretests were chosen using a convenience sample of junior managers from different business market. The average years at the present job for the sample respondents was 2.2 years. They were quite a diverse group in terms of industries that was represented. They were directly responsible for organizing and managing relationship with the partner firm. The minimum duration of their association with the partner was 12 months. The sample also represented fairly equal number of respondents from the buyer side and seller side (57 % buyers).

Appendix B: The Constructs, Definition and Literature Support

CONSTRUCT AND SCALE DESCRIPTION*	DEFINITION	LITERATURE SUPPORT
Core Episode Performance (CEP) 4-item likert scale	The effectiveness of quality and quantity of planning and delivery of episode resource inputs in the relationship episodes.	Gruen 1998; Anderson 1995
Comparison Level of Alternatives (CLA) 4-item likert Scale	the standard the partner uses in deciding whether the performance as been comparable to industry standards	Morgan and Hunt 1994; LaTour and Peat 1979; Bolton and Drew 1991; Kelly and Thibaut 1959
Episode Resource Inputs (ERI) 3-item likert scale	The tangible and intangible inputs that the two partners make to the progress of an episode	Foa and Foa 1974; Brinberg and Castell 1982; Mummalaneni 1995
Episode Goals realizations (EGR) 4-item likert scale	Overall benefits sought by the partners that are negotiated between the two partners for the episode	Oliver 1993 Varadarajan and Cunningham 1995 Huffman and Houston 1993
Perceived Distributive Fairness (PDF) 4-item likert scale	firm's comparison of its actual outcomes to those outcomes the firm deems it deserves	Frazier, Spekman, and O'Neal 1988; Kumar, Scheer and Steenkamp 1995; Gassenheimer et al 1998
Satisfaction with the Episode outcome (SO) item likert scale	The response formed from the pre-episode goals and post-episode evaluation in the backdrop of standards set within and outside the episode domain	Andersen and Narus 1990; Oliver 1993; Swan and Trawick 1981; Fournier 1996; Mohr, Fisher and Nevin 1996, Smith and Barclay 1997