

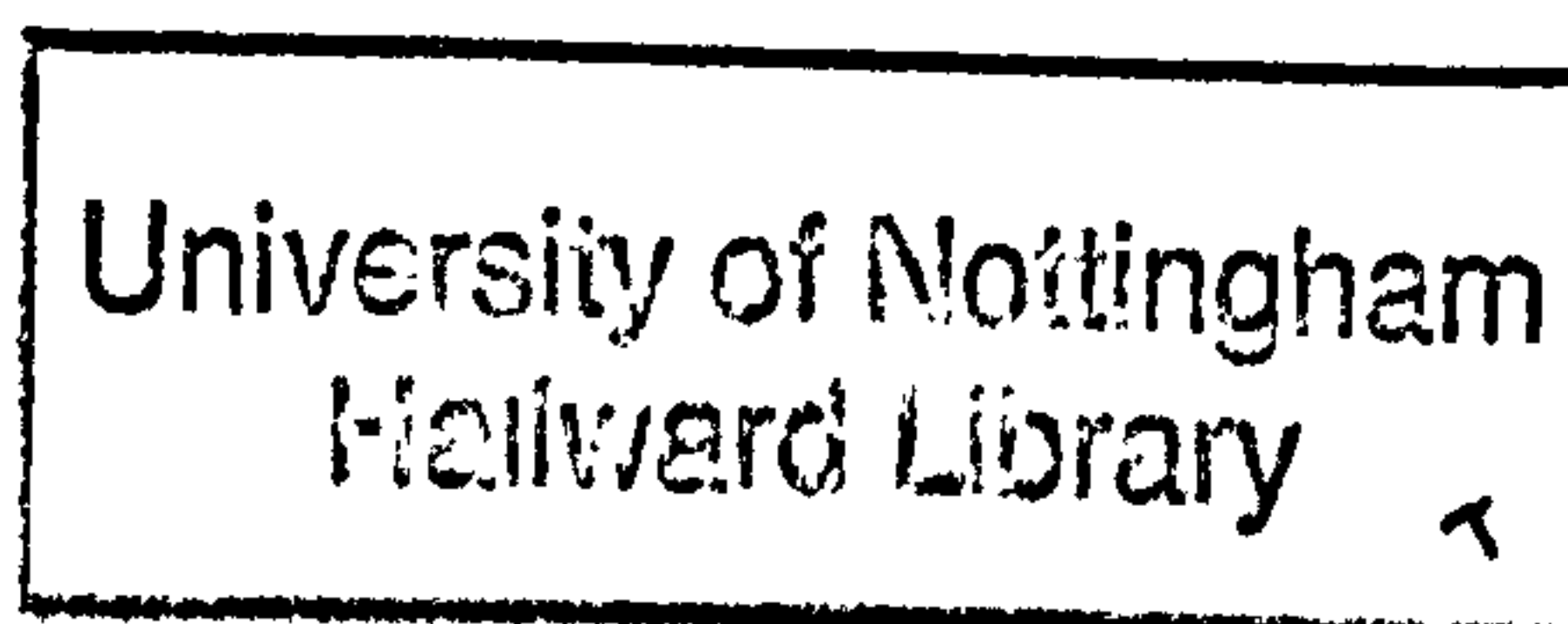
**Affect and the Role of Client Sophistication on Satisfaction Judgments  
within Business-to-Business Professional Services**

**By**

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**Thesis Submitted to the University of Nottingham for the Degree of Doctor  
of Philosophy**

**March 2008**



## **Abstract**

Evidence which demonstrates a link between the affective dimension and satisfaction in a tangible product based context is well documented. However, when placed in a credence service context the role of Affect becomes more complex insofar as research suggests that consumers will partly use their affective reaction to the service provider when evaluating overall satisfaction. However, previous research in this field has assumed consumer homogeneity when there is increasing evidence of consumer heterogeneity. Consequently, this research attempts to address this deficiency by exploring the role of Affect evoked among consumers of differing sophistication within the business-to-business credence service context of corporate legal services. To this end, a three-stage methodology is adopted incorporating explorative interviews, experimentally generated scenarios and a survey comprising of 252 users of corporate legal services within the UK.

The results suggest that the consumer's ability to form expectation and performance assessments about the core service may have a moderating influence on the way service expectations are set and how service relationships are evaluated relative to the technical, functional and affective components of the service. This in turn questions the validity of the SEC (search, experience, credence) frame of reference focusing on service attributes whilst disregarding the level of consumer sophistication.

The implications of this are that service organisations should devote effort to devising appropriate service delivery processes that are pertinent to the individual consumer. This has implications for the recruitment, training and empowerment of employees within such services which have traditionally focused on technical qualifications and experiential knowledge as the key drivers of HRM strategies.

Thus, this research contributes towards an understanding of the moderating influence of consumer sophistication on the role of Affect evoked on satisfaction judgments within business-to-business professional services markets.

## **Acknowledgements**

I would like to take this opportunity to thank everyone who helped me in the course of this research. In particular I would like to mention:

- My wife Mel and 'the boys' (Joe, Matt and Sam) for all their help, understanding and patience!
- My parents, John and Mary Garry, for all their encouragement.
- My supervisors Christine Ennew, Jim Devlin and subsequently Sally McKechnie for all their guidance, advice and above all, their forbearance over the years!
- Caroline Tynan and Sally Hibbert for their valuable feedback and comments during my transfer panel and viva.
- All my colleagues within the Department of Marketing at De Montfort University for their help, advice and support.
- All the people who made the time and effort to be interviewed or respond to the questionnaires.

Almost all are aware that the longest journey begins with the first step. However, some journeys are longer, more intense, perhaps more meandering and certainly more self-fulfilling and enriching than could ever have been anticipated before that first step is taken!

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# 1 Introduction

*“Feelings are conditions that cause us to change and alter our judgments....when people are feeling friendly and placable, they think one sort of thing; when they are feeling angry they think either something totally different or the same thing with a different intensity.”*

Aristotle (c. 330BC)

Affect is one of the most pre-eminent and pervasive aspects of human existence and yet it is an extremely nebulous phenomenon. Humans can experience a diverse range and intensity of emotions<sup>1</sup> in a relatively short period of time. Moreover, while Affect<sup>2</sup> may intensify and enrich human experience, it may also exert a subjective and potent influence on our cognitive capabilities and in particular on our judgments and resultant coping mechanisms (Nyer, 1997). This has important implications for marketers because coping mechanisms most commonly used by consumers may include complaint behaviour, word-of-mouth recommendation, repurchase intention and relationship continuation or termination. Thus, the importance *“of how customers are made to feel in their dealings with their provider”* (Barnes and Howlett, 1998: p. 21) may become critical when consumers are forming overall satisfaction judgments.

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<sup>1</sup> It should be noted that on reviewing the marketing literature, there is little consistency in the use of terminology related to Affect and its inter-changeability with emotion and even mood. The use of Affect related terminology within marketing is defined and explained during an in-depth exploration of the affective dimension in Chapter five (5.2) of this thesis.

<sup>2</sup> Following a reviewer's comments on a paper submitted to the Journal of Consumer Behaviour based on a part of this research, a distinction is made between the term 'Affect' when used as a noun and its use as a verb by capitalising the first letter when it is used as a noun.

Despite its long history in general psychology, Affect and more specifically, emotion, was largely ignored within the marketing literature until relatively recently (Oliver, 1997). To quote Bagozzi *et al.* (1999), "*An area neglected by marketers, but at the heart of the discipline, is the role of emotions in marketing exchanges and relationships*" (p.202). However, more recent literature has reflected an increased interest in Affect and its role within a range of marketing contexts. Examples of these include: the role of Affect in determining customer satisfaction development (Homburg *et al.*, 2006); emotional contagion within service interactions (Hennig-Thurau *et al.*, 2006); Affect infusion and word-of-mouth recommendations (Söderlund and Rosengren, 2007); customers' affective response to touch and its influence on persuasion (Peck and Wiggins, 2006) and crucially when considering the focus of this research; the link between satisfaction emotions and behavioural intentions (White and Yu, 2005).

A second significant area that has received comparatively little consideration within the marketing literature is business-to business services with even less focus on business-to-business professional services (Woo and Ennew, 2005). Corporate legal services embody many of the characteristics that engender a favourable environment for the development of relationships between firm and client<sup>3</sup>. These services tend to be intangible, complex, require a relatively high degree of technical expertise and adaptability and are difficult to evaluate even after purchase. All these factors contribute to a high degree of uncertainty of outcome and hence, perceived risk. It is therefore apparent that there is scope to

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<sup>3</sup> Whilst it is recognised that there is some inter-changeability related to the use of the terms 'consumer', 'customer' and 'client', within the context of this research 'client' is used in either a professional services business-to-business or a professional services business-to-consumer context.

provide empirically-based research on the role of Affect within this context. More specifically this research has the following objectives:

- Firstly, to identify which existing theoretical concepts are the most appropriate to describe credence services generally and the law firm-corporate client service interaction and associated relationship in particular.
- Secondly, to identify new concepts which may be “*descriptively more powerful*” (Halinen, 1997: p.181) to depict this context.
- Thirdly, to undertake a detailed investigation of the role of Affect in terms of the priority and functionality accorded to it within the context of service interactions between law firms and their corporate clients.
- Finally, to propose a model of the law-firm corporate client interaction and associated relationship.

Consequently, this thesis is able to make a contribution to the academic literature in three particular areas: Firstly, there is a detailed review of the relevant academic literature relating to the focus of this research with the various perspectives being presented and analysed and gaps within the literature being identified. This has been done by drawing on and integrating the IMP Group literature, the services marketing quality/satisfaction literature, the trust-commitment literature and subsequently, the Affect and emotion literature.

Secondly, there is a detailed investigation of the role of Affect evoked among consumers of differing 'sophistication'<sup>4</sup> within a business-to-business credence service context and an examination of how this affects overall satisfaction judgments. Evidence that demonstrates a link between the affective dimension and satisfaction in a tangible product based context is well documented (e.g. Westbrook, 1987; Oliver, 1993; Bagozzi, 1999). However, when investigating the role of Affect in evaluating satisfaction within a credence service context, Alford and Sherrell's (1996) results suggest that consumers will partly use their affective reaction to the service provider when evaluating overall satisfaction.

Notwithstanding, previous research in this field has assumed that consumers are homogeneous (e.g. Smith and Bolton, 2002). More specifically, it assumes consumers are either qualified or have experiential expertise and are therefore in a position to gauge the attributes of the service or product (e.g. Oliver, 1993) or, as typically associated with credence service markets, they are not (e.g. Alford and Sherrell, 1996). There is however, increasing evidence to suggest that consumers within certain credence contexts are heterogeneous. In such cases, consumers may possess the ability to form expectation and performance assessments about the service they are receiving and they may have pertinent technical qualifications, skills, knowledge and experience that enable them to do so (e.g. Hanlon, 1997). Thus, this research attempts to clarify some of the ambiguities

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<sup>4</sup> Reviewers' comments from the Journal of Consumer Behaviour also questioned the appropriateness of the term 'sophistication' as opposed to 'expertise'. Whilst the definition of expertise pertains to knowledge in a particular field, knowledge is only one consumer attribute that should be considered within this context. Sophistication was considered to be a more encapsulating descriptor insofar as it more appropriately reflected the experiential awareness and ability to appreciate complex legal issues that some consumers possessed as well as relevant knowledge acquired through some form of educational qualification.

and contradictions within the literature and to contribute towards an understanding of the role of Affect evoked within a business-to-business credence services context and its impact on satisfaction judgments.

The third and final contribution is an examination of a context largely neglected by marketing academics: the activities of the legal profession and in particular, business-to-business legal services. To this end, the thesis is structured as follows (see Fig. 1.1).

Chapter two sets the thesis in context by examining the legal services environment. It does this by initially exploring what the characteristics of a 'professional' and professional service are at a more general level. Subsequently, it explores the structure of the UK legal services market and why it has undergone a rapid transformation in recent years. To understand the wider influences that affect corporate legal services in particular, it is necessary to outline the evolution and development of the legal profession and to identify and explain the key drivers of change within this context. Finally, the implications of these changes on the organisational structures and values of law firms are examined.

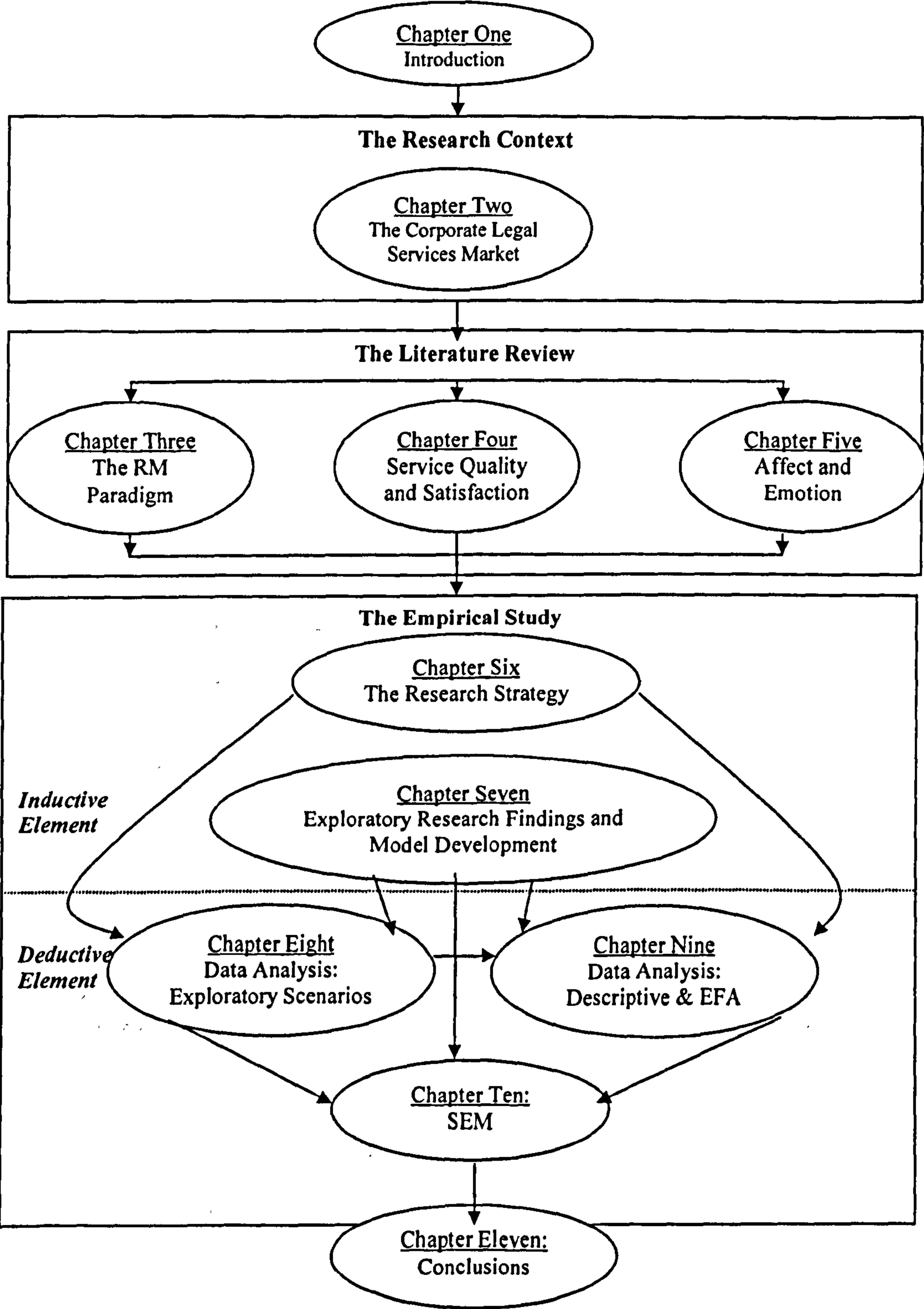


Figure 1-1 The Structure of the Thesis

A major predicament that the researcher in the field of Relationship Marketing (RM) is confronted with is that there is no universally acceptable definition of RM and no fully recognised conceptual framework for it. This in itself results in '*difficulties in identifying appropriate contexts for empirical research and exacerbates conceptual problems within the emerging discipline*' (O'Malley and Tynan, 2000: p. 809). To explain the reasons for this, Chapter three identifies the weaknesses of the traditional marketing paradigm and how this contributed to the emergence of the relational paradigm along with other key drivers that contributed to its development. Subsequently, there is an exploration of the parameters of RM in terms of the diverse range of RM related themes within the literature to emerge and the various RM classification systems researchers have proposed in an attempt to encompass these various strands. The chapter subsequently provides an in-depth examination of the Interaction approach and assesses its relevance to this research context.

Prior to exploring the link between Affect and satisfaction it is necessary to review the leading studies in the area of quality and satisfaction and the key findings to emerge from these with the intention of gaining a greater understanding of quality, satisfaction and Affect within a professional services context. To this end, chapter four reviews the literature on services quality, satisfaction and, more specifically, the affective dimension of satisfaction. Initially, a distinction is made between the constructs of quality and satisfaction and each is subsequently defined. There then follows an evaluation of the components of service quality and the tools available with which to measure these. Next, the role of satisfaction within a relational context is explored. Finally, the chapter draws

these strands together by examining the affective dimension of satisfaction within a credence service context.

Chapter five of the thesis is concerned with defining Affect, emotion and mood and exploring the literature surrounding affective frameworks. Initially, a distinction is made between the dimensions of affect, emotion and mood. Subsequently, the debate surrounding the universality of emotions as responses to stimuli is discussed. Next, there is an examination of the literature on the nature and intensity of emotions so as to provide a foundation for distinguishing between cognitive and physiological, discrete and blended evoked Affect. There then follow as an exploration of appraisal theory and the components of appraisal are identified. Finally, drawing primarily on the advertisement based and consumption based literature, the role of Affect within a marketing context is evaluated.

Chapter six begins by summarising the gaps in the literature identified in the previous chapters. It then briefly considers what methods and methodologies are available more generally and philosophically to researchers, and subsequently describes and justifies the methodological framework chosen for this particular research and the steps taken and methods adopted to collect the data. Initially, there is a brief discussion of ontological and epistemological issues surrounding the choice of research design. Next, the research strategy and its operationalisation are described and justified in detail. The research for this study comprised of three key stages. Initially, exploratory interviews were conducted. Subsequently, scenario based research was used. Within this section, the appropriateness

of scenario based testing is examined. Subsequently, the process adopted for this stage of the research from the design of the scenarios and the development of the questionnaire through to the collection of the data is explained. Finally, the details of the methodology pertaining to the main survey are explained. This includes the design of the questionnaire, its piloting, its distribution and any sampling issues related to this.

Chapter seven incorporates the key findings from the theoretical discussions considered in the literature review with the findings of the exploratory fieldwork interviews that were conducted. This was done in order to expand upon and check the theoretical developments that were emerging. The key findings presented revolve around the identification of the technical, functional and affective components of the service interaction and how their role and functionality is moderated by the level of consumer sophistication. Subsequently, the service interaction atmosphere and environment are examined in terms of their influence in defining the nature and characteristics of the client-solicitor interaction. Finally, a model and propositions for further investigation are presented consistent with these findings.

Chapter eight presents an analysis of the data collected through experimental scenarios to test the propositions developed in the previous chapter. The results of appropriate manipulation tests are presented followed by the findings of an exploratory factor analysis. Subsequently, the reliability of the scales is ascertained prior to the presentation of the results of multiple regression analysis. There then follows a discussion of the

results of the analysis and hypotheses are developed consistent with these findings for the next stage of the research.

Chapter nine presents the first part of the results of the empirical data analysis of the main survey and provides an overview of the key considerations that influenced the choice of analytical methods used for the analysis. Subsequently, there is a presentation of the results pertaining to an analysis of the response rates and representativeness of the data. Next, the features and characteristics of the respondents are presented through the application of descriptive statistical techniques. Finally, exploratory factor analysis is conducted and the reliability of the scales ascertained.

Chapter ten continues the empirical data analysis by initially conducting a confirmatory factor analysis. Subsequently, two appropriate path models are developing based on the hypotheses proposed. Next, the two sets of respondent groups comprising of lawyers and non-lawyers are tested for invariance against the two proposed models. Subsequently, each of the two models is tested for 'fit' against each set of data so that the hypotheses may be evaluated in the light of the findings obtained. Finally, a best fit model is specified for each set of respondents.

Finally, in chapter eleven conclusions are drawn, management implications discussed, potential limitations are identified and areas of further research proposed.

## 2 The Corporate Legal Services Market

*“These are difficult times for the legal professions; not only are they suffering from a highly publicised legitimisation crisis, but they are also undergoing considerable change within their organisation in terms of their traditional concepts of legal professionalism”*  
(Wall and Johnstone, 1997: p.95)

### 2.1 Introduction

The contextual focus of this thesis is the study of interactions and relationships within the English legal services market. The legal services market is estimated, in terms of gross fees for firms in private practice, to be valued at £15,987 million<sup>5</sup> annually. To set this study within this frame of reference and to understand the wider influences that affect legal services, it is necessary to outline the evolution and development of the legal profession and the major changes that have occurred within the legal environment in recent years. For many firms, these changes have necessitated and culminated in what Harris (1997:p.413) describes as *‘the impetus to develop genuine professional services marketing’*.

This chapter aims to explore the issues which have brought about this transformation and evaluate what the consequences of these may be. It begins by examining the concept of ‘the professional’ and professional services in general. It then moves on to focus on the evolution and development of the legal services market and the business-to-business legal market in particular. The next section of the chapter reviews how recent complex and

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<sup>5</sup> Source: The Law Society: Key facts on the solicitors’ profession (2005)

inter-related factors have affected the market. The implications of these factors on law firms are evaluated before the chapter concludes.

## 2.2 A Definition of Professional Services

Similar to other services, professional services are intangible, heterogeneous and production and consumption occur, to a large extent, simultaneously (Koelemeijer and Vriens, 1998). Thus, the provision of a professional service is synonymous with the provider of that service, namely 'the professional'. There is, however, no qualified definition of a professional or indeed, a professional service and what it embraces (Yorke, 1990). As a result, clarifying the extent to which services should be considered 'professional' or not has been the subject of some discussion (Thakor and Kumar, 2000). For example, Wheeler (1987) used banking as 'an exemplar' of a professional service whereas Bean (1991: p. 170) classifies banking as a '*balanced product/service rather than a professional service*'.

However, when analysing the characteristics encompassed in a professional service, a number of distinctive and reoccurring themes have been identified within the literature. There is usually a narrow and well-defined body of knowledge (Yorke, 1990) which is typically intangible (Shostack, 1977) and is used in an advisory capacity (Gardner, 1986) as 'the provision of a solution to a problem' (Gummesson, 1979). The service is usually provided by a qualified professional known for their speciality under a specific title such as 'Doctor', 'Lawyer' or 'Accountant' (Gardner, 1986). The provider of the service possesses a set of technical skills which are guaranteed and controlled. Where

appropriate, a particular approach is taken in carrying out an assignment (Gummeson, 1979). To quote Hill and Motes (1995: p.7) *“the expertise of the professional is often the outcome of extended academic preparation rather than the result of technical/on-the-job training”*. A formal body or institution attempts to define the nature of the profession, set its levels of competence, control its practice and enforce codes of ethics where appropriate (Gardner, 1986). There may exist a sense of responsibility to the public. Finally, there is a degree of independence from those not admitted to the profession. This may include government, any external organisations and particular individuals (Hanlon, 1997). The traditional nature of professional services and its credence properties are succinctly summarised below:

*“The raison d’etre of professional services is providing expertise in the form of qualified and experienced professionals to formulate solutions to problems that are usually beyond the technical capacity of the user, e.g. an individual will approach a law firm to provide a service.....Being unable to perform the service themselves leads clients to be uncertain about the process and the timing, cost and even the nature of the outcome.”*  
Morgan (1991:p.31)

Until the 1970s, theories of the professions were generally functionalist in perspective (Parker, 1994). Within this theoretical framework, professionals were viewed as altruistic, working to serve society by using their specialised knowledge and skill to help people. However, more recently, research has reflected more controversial perspectives (e.g. Parker, 1997) which view the relationship between professionals, their clients and society as one which is based on monopolies of power; namely expert power (technical

knowledge), social power (social status) and economic power (market control through regulation).

To understand and clarify why these perspectives have emerged within professional services and the legal services literature in particular, it is appropriate to examine its evolution and development.

### **2.3 The Evolution and Development of the Legal Profession**

The development of professions and more specifically, that of the legal profession may be traced back to the Middle Ages (Hart and Hogg, 1998). During this period, the aristocracy largely led a 'leisured life' without active work. However, this lifestyle was only viable for the eldest son of the family. The professions of the Law, the Church and the Army provided the younger sons with a socially acceptable way of making a living. As a result, the professions became synonymous with the upper classes (Hart and Hogg, 1998). However, towards the end of the Middle Ages and beyond, a number of converging factors began to dissipate the market for professional expertise: the Reformation separated the Church and state in the 16<sup>th</sup> Century; the Renaissance and the scientific advancement associated with it developed new boundaries of knowledge; the discovery of 'new worlds' and the expansion of commerce led to the growth of the merchant class in the 16<sup>th</sup> Century and the subsequent industrial revolution.

These factors led to the development of a newer set of 'occupational professions' including medicine, pharmacy and accountancy. In response, the traditional professions

attempted to differentiate their labour markets from others in society. This was achieved by engendering certain principles which became part of the defining characteristic of their professions (Hart and Hogg, 1998). From reviewing the literature a number of these defining characteristics may be identified.

Firstly, there was an intrinsic assumption that the professions were essentially altruistic and that professionals were not motivated by commercial gain. Elliot (1972) refers to "*the superiority of the motive of service*" (p. 52) and Parsons (1954) refers to a "*fiduciary responsibility*". Larsen (1977) suggests the professions were seen as "*the anti-thesis of commerce, distinguished from other categories of labour because they defined the needs of their clients, they were to be trusted as they were less interested in material reward*" (Hart and Hogg, 1998: p. 56). The market operated upon what Snizek and Crocker (1985:p. 103) called the '*credot of caveat-emptor-credat empter: let the buyer beware; let the consumer trust*'. As a result, the professions were elevated to a special position in society because they embodied the values necessary "*to prevent decay and anarchy*" (Hart and Hogg, 1998: p. 56).

Secondly, because of this privileged role in society and because of their specialised knowledge, the professions, over the course of the 18<sup>th</sup> Century, were able to develop exclusionary practices and barriers of entry. As a result, professions became specially regulated to ensure its practitioners "*.... were all suitably trained and certified to interpret, develop, improve and supply this tradition for the benefit of others*" (Parsons, 1954: p. 7). The professions evolved codes of ethics and standards that members were required to uphold. The results of these were to give the governing body of these

professions power of control over the development of their profession thereby gaining economic prestige (Larsen , 1977) and to enhance the social prestige of its member (Larsen , 1977).

To summarise, the professions had a privileged place in society, within a regulated market with no requirement for competitive practices. This was as true of the legal services market as of any other profession. However, complex and inter-related factors have resulted in the rapid transformation of the structure of the legal services market (Hanlon, 1997). These drivers are explored in more detail in the next section.

## **2.4 Structural Changes to the Legal Services Market**

The legal services market has undergone rapid transformation in recent years. There is much debate as to the causes of these changes. Examples cited include: *'the alteration of the socio-economic structure in a post-Fordist capitalist society'* (Hart and Hogg, 1998: p.57); the removal of protectionist barriers so as to reduce the monopoly of an *'inherently self-serving profession protected by ideology and a lack of accountability, which should be distrusted'* (Parker, 1997: p.385) and new managerial philosophies which embody the *'logic of industrialisation and seek to continually rationalise productive activity'* leading to what some have termed the *'commoditisation'* of the law (Wall and Johnstone, 1997: p.95) .

The reality is likely to be both complex and perplex and an extensive discussion of these is beyond the scope of this thesis. However, to understand the current disposition of the

business-to-business legal services market, it is essential to provide at least a cursory insight into these factors.

#### 2.4.1 *The De-Regulation of the Legal Services Market*

The immunity of the legal profession from market forces has been a contentious issue in recent years (e.g. Baldwin *et al.*, 2004). The debate about whether reform should take place or not has already been largely determined. The key areas of contention now revolve around the nature and extent of reform to the regulatory and organisational structures of the legal profession. There are two, essentially diametrically opposed, philosophical positions. At one extreme, the ‘traditionalists’ advocate the profession should remain completely independent and self-regulating (Parsons, 1954; Goode, 1957). They portray lawyers as *“a learned, community of specialists who must be trusted to govern themselves”* (Parker, 1997: p. 385).

At the other extreme, the ‘reformers’ (Parker, 1997: p.385) advocate the deregulation of the legal profession to the extent that it becomes a fully competitive market (e.g. Larsen, 1977). They portray the legal profession as an *“autonomous collective organisation aimed and organised to secure its economic and social self interest through the control of entry, competition and internal regulation.....a conspiracy of laity inherently unworthy of trust”* (Parker, 1997: p.385). Each of these competing positions and the issues surrounding them are now explored in more depth.

From the traditionalists’ perspective, the legal market is essentially different from other forms of business insofar as the service it provides has a number of inherent and unique

characteristics (Parker, 1997). According to Parsons (1954), professionals are “*trained in and integrated with, a distinctive part of our cultural tradition, having a fiduciary responsibility for its maintenance, development and implementation*” (p.381). Protective regulation ensures clients receive a quality service within this context and this is more important than competition. As Hughes (1963) states “*Professionals profess. They profess to know better than others the nature of certain matters, and to know better than their clients what ails them or their affairs....Since the professional does profess, he asks that he be trusted*” (p.656).

To summarise the traditionalist perspective, the regulation of the profession is a social bargain characterised by trust and “.... *of a group with great knowledge and expertise performing a function of great significance to society and swiftly regulating themselves to make sure they perform in the interests of clients and the public*” (Parker 1997: p. 388 ).

The reformers’ contentions revolve around socio-economic issues which focus on whether the profession is different to any other industry or market. At its most extreme, the reformers suggest the legal profession is a cartel in the image of the neo-classical economic model of Milton Friedman. Exceptional regulation becomes ‘*a tool in the hands of a special producer group to obtain a monopoly position at the expense of the rest of the public*’ (Friedman, 1962: p.148).

The reformers also cite the issue of social power through collective mobility and suggest the professions are in fact ‘*occupational groups attempting to maximise their power and privileges*’ (Johnson, 1972: p.45). This is achieved through the control of professional

education and hence the dissemination of technical knowledge and expertise within that profession. The profession provides a clear pathway for individual members to achieve power and prestige and this acts as an incentive to remain committed to the current status quo. This, in turn, leads to a restriction of the supply side of the market so as to maintain this status quo. To quote Larsen (1977):

*'In a perfect market situation, the sovereignty resides, theoretically, in the consumer. The professions ultimately depend on the public's willingness to accept and legitimise the superiority of their knowledge and skills. The singular characteristic of professional power is, however, that the profession has the exclusive privilege of defining both the content of its knowledge and the legitimate conditions of access to it, while the unequal distribution of knowledge protects and enhances this power.'* (p.48)

To summarise, the reformers argue traditional self-regulation is no more than support for the self-interested professional elite. It ensures minimum competition and a united front for the achievement of its collective goal of economic and social status and should therefore be deregulated and free competition introduced (Larson, 1977).

The consequences of accepting the neo-classical economic argument of the reformers is to reform the market by breaking down professional organisation and self-regulation thereby forcing more competition. However, as Abel (1989) suggests, this perspective is far from universally accepted: *"though more stringent regulation of incompetence and discourtesy surely is needed, the profession consistently opposes the most effective cure – free competition, particularly with non-lawyers"* (p.302).

An evaluation of the debate surrounding deregulation suggests that each side reveals part of the truth but fails to reveal the complexities and ambiguities surrounding the

profession's wide and varied segments of needs and interests (Parker, 1997). The reality of the situation however, is that reforms within the legal services market are occurring. The nature of these reforms and their consequences for the legal services market is explored in the next section of this chapter.

#### 2.4.2 *The Nature of Reform*

As early as 1975, the Monopolies and Mergers Commission had already reported on professional practices in general and on the legal profession in particular. However, it was during the 1980s that Thatcherite economics began to have a more radical effect on the legal services market culminating in a number of reforms.

The Thatcher government introduced legislation breaking down the Solicitors Conveyancing monopoly in 1983. The Courts and Legal Services Act (1990) further reduced the Conveyancing monopoly and the probate monopoly whereby barristers had previously had exclusive rights of audience in the higher courts (Smith, 1989; Crownie, 1990)

Further reforms culminated in the Green paper on Legal Services published in 1989.

Viewed by some as 'a radical document' (e.g. Lee, 1992) It:

*"promised to ensure that a market providing legal services operates freely and efficiently so as to give clients the widest possible choice of cost effective services". It also stated that "consumers should be entitled to choose from the largest possible number and spread of competent providers. Depending on the area of legal services in question, such providers may or may not need to be lawyers" (p. 31).*

More recently, in the period 2002-2003, the Government published a consultation paper followed by a report that manifested its commitment to review the regulatory framework as a whole. In 2003, the former Lord Chancellor's Department set up a review chaired by Sir David Clement to examine the regulation of legal services in England and Wales. Sir David had made it clear that maintaining the status quo was not an option suggesting the possibility of radical institutional reforms in the future. As well as deregulation, a number of other drivers were affecting the demand for legal services. These are explored in the next section.

## **2.5 Changes in the Demand for Legal Services**

A number of factors affect the demand for lawyers and legal advice (Wall and Johnstone, 1997). These include 'individual and social decline' in terms of crime, divorce etc.; lawyer created demand; globalisation; greater population diversity (e.g. anti-discrimination legislation); changes in wealth levels; increasing complexities of business transactions and financial innovation and changing technologies. The outcome of this has been threefold. Firstly, the growth of an '*advice culture*' (Smith, 1996:p. 52) which is defined as "*the increasing trend for people to seek advice in relation to both the material and psychological aspects of their problems*". He cites increases in requests for assistance from agencies such as Alcoholics Anonymous, Citizens Advice Bureaux, Relate and the Samaritans as examples of this.

Secondly, the overall growth in the volume and complexity of legal procedures. Wall and Johnstone (1997) highlight the fact that although the number of Acts of Parliament and

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almost ten fold increase since the 1950s. This increase is reflected in the total number of solicitors ‘on the roll’ (see Table 2.1).

<u>Year</u>	<u>Solicitors on the Roll</u>
1960	23, 565
1970	30, 463
1980	49, 806
1990	69, 748
2003	116,110
2004	121,165
2005	126, 142

**Table 2-1 Number of Solicitors on the Roll Since 1960**

Source: The Law Society (2005)

However, the increase in the number of solicitors has not been universal in all spheres of the law and indeed, while some areas are expanding, other areas are contracting. The implications of this for the legal profession has been profound and is fundamental to an understanding of the context of this thesis; the supply of business-to-business legal services rather than legal services per se. This is now explored in more depth.

**2.7 The Supply Structure**

Consensus among researchers (Hanlon, 1997; Parker, 1997) suggests that legal professionals are engaging in one of two generalised spheres:

- Those primarily engaged in commercial work.
- Those engaged in work for individual clients.

statutory instruments has remained fairly constant since 1951, the number of pages covered by the acts has tripled. Similarly, the number of pages covered by statutory instruments has almost doubled in this period. European Union legislation is further compounding the situation.

Thirdly, there has been an overall permeation of the law at every level of society. Galanter (1992) goes as far as to describe this as a legal explosion and Barton (1975) uses terms such as '*excessive litigation and liability crisis*' resulting from our "*recondite anxieties about the bureaucratisation of the world*". Examples cited include access to Legal Aid and increased home ownership together with the associated demand for conveyancing. This has resulted in a marked increase in the demand for legal services in recent years and changes to the supply structure associated with this. In short:

*'the law itself is plural, decentralised and now comes from multiple sources and more rules and more standards are being applied by more participants to more varied situations.'*

(Wall and Johnstone, 1997: p. 99)

## **2.6 Changes in the Supply of Legal Services**

These trends have led to an overall increase in the number of practising lawyers. Skordaki (1996) has demonstrated that the number of annual admissions to the Roll of Solicitors has increased from 784 in 1959 to 1,877 in 1970 and to 4,265 in 1990. The Law Society Annual Report (2005) states that 7,356 were admitted in 2005 indicating an

Previous empirical research conducted in this field suggests a strong correlation between the size of a law firm and the types of work it conducts (Hanlon, 1997). The larger firms operate in fields dominated by large organisational clients and smaller firms work with individual clients in areas such as conveyancing and family law.

Analysing the legal services market is problematic in itself. More traditional techniques for evaluating markets and the organisations that supply them (such as turnover, profit, and return on investment) may be inappropriate. This is primarily attributable to the fact that the legal identity of law firms (i.e. sole practitioners or partnerships) means there is no legal obligation for them to provide annual, published and audited accounts for the public domain.

There are, however, other benchmarks that have evolved. One of the primary tools used to gauge the size of a firm is its number of partners. Another is that of the number of 'fee earners'. A fee earner may be defined as any person who charges their time direct to clients (commonly in blocks of fixed minutes) whilst working on client cases and thus earning income for the firm. This will include partners, solicitors and legal executives. Fee earners may be differentiated from support staff (e.g. secretaries, accountants etc.) whose function is to support the fee earners in their tasks but do not directly earn income for the firm and may be categorised as 'overheads'. Using these benchmarks, the supply structure of the legal services market may be decomposed into a number of sub categories of firms.

The 'Elite firms' (Hanlon, 1997) comprise of the largest law firms in England and Wales. Commonly known as 'the magic circle' within the legal sector, they nominally employ over 1000 fee earners or have in excess of 100 equity partners (see Table 2.2). Their primary location is within the financial centre of London ('the City'). The City of London is also headquarters to the top twenty largest public limited companies in the UK. Their location reflects the services they provide. These may include legal advice on such matters as finance, corporate affairs, property, tax, company, commercial, banking and capital insurance, intellectual property etc. Their clients are often large, publicly quoted firms or state organisations.

Medium sized firms are considered to be those firms with between five and twenty five partners. Historically, many were viewed as large regional firms based in 'the provinces' (Hanlon, 1997) and focused on local business-to-business market needs within distinct geographic regions. However, there is an increasing tendency for these firms to compete nationally as a result of advances in Information Technology making accessibility more important than physical distance (Wall and Johnstone, 1997). This, coupled with the increase in fees charged by 'City' based firms has made them more attractive from a client perspective. Many regional firms have also established national reputations in niche markets such as shipping law, immigration, insurance law and commercial fraud.

<b><u>Position</u></b>	<b><u>Firm</u></b>	<b><u>No. of Equity Partners</u></b>	<b><u>No. of Lawyers</u></b>	<b><u>Turnover (£ millions)</u></b>
1	Clifford Chance	392	3,200	915
2	Linklaters	320	2,350	805
3	Freshfields, Bruckhaus and Deringer	515	2,348	780
4	Allen and Overy	335	2,275	666
5	Lovells	246	1,349	366
6	DLA Piper	125	1,716	322
7	Eversheds	164	1,960	302
8	Herbert Smith	115	1,017	265
9	Slaughter and May	121	729	264
10	Norton Ross	155	1,021	203

**Table 2-2 The Top 10 UK Law Firms Based on Turnover (2005)**

Source: The Legal 500 UK Edition (2005), Eds: Freeland, R. and Kelly, D., Legalease

Small firms and sole practitioners (less than five partners) are primarily ‘general practice’ solicitors who focus on the provision of legal advice on such matters as family, criminal, personal injury and conveyancing etc. to private individuals. As a result, a large

proportion of their income may be dependent on Legal Aid. They are often referred to as ‘High Street lawyers’ because of their location and availability.

Whilst medium and large firms represent a relatively small percentage of the total number of firms (see Table 2.3) they appear to dominate the employment structure and training of the profession (see Table 2.4)

<u>Year</u>	<u>1</u> <u>Partner</u>	<u>2-4</u> <u>Partners</u>	<u>5-25</u> <u>Partners</u>	<u>26 or more</u> <u>Partners</u>
1992-3	39.4	42.6	16.7	1.3
1997-8	42.2	41.4	15.0	1.4
2004-5	45.9	40.0	12.6	1.4

**Table 2-3 Size of Firm Measured by Partner Count (% of firms)**

Source: Distribution of firms, solicitors and turnover since 1993 in England and Wales, Fact Sheet Information Series, The Law Society (2005)

This is particularly the case with firms with over 25 partners. According to Hanlon (1997), these firms account for 30% of all partners, 63% of all trainees 75% of all trainees in a commercial context and appear to be “*the training ground for the profession, at least in its commercial sectors*” (p 805).

<u>Year</u>	<u>1</u> <u>Partner</u>	<u>2-4</u> <u>Partners</u>	<u>5-25</u> <u>Partners</u>	<u>26 or more</u> <u>Partners</u>
1992-3	9.2	26.1	37.4	27.3
1997-8	9.4	24.1	33.4	33.1
2004-5	8.3	22.3	31.3	38.1

**Table 2-4 Distribution of Solicitors by Size of Firms (% of solicitors)**

Source: Distribution of firms, solicitors and turnover since 1993 in England and Wales, Fact Sheet Information Series, The Law Society (2005)

To summarise, it would appear that medium and larger firms tend to be predominantly engaged in business-to-business legal services provision for commercial clients and smaller firms, and sole practitioners tend to be engaged in largely general practice law to individual clients or generalised commercial law to much smaller commercial clients such as sole traders. As the context of this thesis is Interaction and Relationship Marketing within the business-to-business legal market, the next section of this chapter will focus on this area in more detail.

### **2.8 The Business-to-business Legal Services Market**

The market for business-to-business legal services has expanded rapidly in recent years. This, in turn, has led to the expansion and consolidation of many law firms specialising in this area. A number of factors have contributed to the growth of larger law firms. These may be categorised as follows:

### *2.8.1 The Companies Act 1967*

Lee (1992) highlights how, historically, legal firms were prevented from expanding by what the legal restrictions imposed by being a 'partnership' entailed. More specifically, firms were unable to exceed 20 partners. The Jenkins Company Law Committee report of 1963 suggested this constituted a major impediment to economic growth and expansion. The subsequent Companies Act of 1967 exempted some partnerships (including law firms) from this restriction and paved the way to the much larger firms (up to 500 equity partners) that dominate the market today.

### *2.8.2 Location*

Geographical location has, to a certain extent, also determined which firms have had the opportunity to grow and which have not. Market de-regulation in the 1980s particularly affected Financial Services primarily located in the City of London. This coupled with the abolition of market barriers such as exchange controls and fixed commissions (a process that was termed 'Big Bang!') meant there was an accompanying and increasing demand for comprehensive legal services which the City law firms expanded to provide. This situation was exacerbated by the large-scale privatisation of public utilities and these privatised companies becoming consumers of legal services in their own right. During the same period, the demise of traditional heavy industries associated with particular regions of the UK diminished demand for legal services within these regions.

The European Union also contributed to the expansion of some law firms in two ways. Firstly, the amount of European Union legislation increased. Secondly, with the advent of the European free market, inward investment, particularly from the United States and Japan increased enormously. Larger London based law firms became attractive to use because of their size (larger than most continental law firms) and their specialisms. They essentially became one-stop shops for corporate legal services. They were also more '*linguistically attractive*' to overseas investors (Lee, 1992: p. 34).

### 2.8.3 *The Changing Nature of the Client*

A critical area of change to affect the business-to-business legal services market has been the transformation of the nature of the relationship between firm and client. Hanlon (1997) suggests that, historically, the relationship between clients and lawyers, whether in terms of a commercial or private professional capacity, was essentially between individuals. This was because companies were effectively operated as private companies with the owners and a small number of managers running the firm. Thus, although there were different markets, solicitors would largely have similar relational experiences when dealing with clients. Hanlon (1997) summarises these as follows: solicitors would have been viewed as social equals (or even inferiors) by their clients; solicitors were generally acting for clients who were '*articulate middle class landowners and business people*' (Hanlon, 1997:p. 801) ; the relationship would have been on a long term, personal basis as traditionally, people rarely changed lawyers (Hanlon, 1997).

However, the advent of Legal Aid and increasing home ownership coupled with the changing demands of commercial organisations during the 1960s meant the relationship between different client types and their solicitors changed in a number of ways and for a number of reasons. Firstly, there was a marked increase in the number of mergers and take-overs taking place in 'the City'. Between 1957 and 1967, 30% of all publicly quoted firms in the UK were acquired by other publicly quoted firms (Hanlon, 1997).

Secondly, as a result of this increased activity, some law firms began to focus on expanding their services to corporate clients and downgrading or eliminating other areas of legal work perhaps involving private clients.

Thirdly, the organisational structure of many client firms moved away from that of an owner-manager structure to that of a large multi-divisional management structure increasingly dominated by professional, non-owning personnel. Larger business organisations also began to establish or expand their in-house legal departments. Spangler (1986) suggests that, very often, the psychological mindset of the in-house lawyer was that of a 'career orientated corporate officer' rather than that of a legal professional.

The result of this has been that commercial clients have become increasingly sophisticated in terms of their purchase of legal services. They may possess a high degree of resources and legal knowledge [an in-house legal department, for example] and may be in a position to make increasing demands in terms of commercial and legal criteria. The result of this is that the purchase of professional services is increasingly being treated in a way similar to other commodities. To quote Hanlon:

*'It is my contention that these clients are not the ignorant consumer which much of the sociology of the professions has written about, rather they are sophisticated buyers who treat legal services as a commodity which they are relatively comfortable purchasing. They are comfortable demanding that certain legal and non-legal criteria are met by the professional providers of these services and thus have forced these providers to alter their organisational structures and patterns.'* (p. 817)

These altering 'organisational structures and patterns' mentioned by Hanlon are now explored in more detail.

## **2.9 Changing Organisational Values and Structures of Law Firms**

As a result of the changes mentioned in the previous sections, larger law firms are increasingly adapting their cultures and organisational structures to deal with the changing demands facing them. As Hanlon (1997) points out, these changes are largely based around 'entrepreneurial and managerial criteria'. This section explores these adaptations in more detail.

The traditional archetype of the professional partnership firm has been referred to as the P2 Model (Greenwood *et al.*, 1990) and exhibits the following features. Authority is widely distributed across the partners and there is an emphasis on consultation over major decisions affecting the partnership. There is relatively loose control over the activities of the senior professionals. Coordination of work is accomplished through the standardisation of inputs achieved through extensive training which provides both the necessary technical skills and creates an 'appropriate' attitude (Hall, 1968). The strategy of the firm is broadly in line with partners' individual interests with little centralised

strategic planning (Greenwood *et al.*, 1990). Finally, individual partners' financial performance (fee billing) is closely scrutinised to '*limit the risks of free-riding or negligence*' (Pinnington and Morris, 2003: p. 86).

However, as a result of the influences discussed previously, this archetype is generally acknowledged to have been superseded within many law firms by a '*more consciously managed organisation, the managed professional business (MPB)*' (Pinnington and Morris, 2003: p. 86). This embraces a different value system and may exhibit the following features: a decline in collegiality insofar as the partners retain formal ownership rights but tenure is conditional on performance; strategic decision making is accelerated by reduced consultation and increased centralised decision making; an emphasis on efficiency of the firm in terms of optimising value added provision rather than deployment of expertise in public-interest activities (Pinnington and Morris, 2003).

In essence, operating controls are increased by the development of explicit, centrally defined standards of quality, the standardising of processing of legal matters and centralised coordinated marketing. These management systems and techniques are implemented and maintained by the recruitment and deployment of non-lawyer specialists from other management disciplines such as management accountancy, human resources and marketing (Pinnington and Morris, 2003).

More specifically, Hanlon (1997) has identified two key 'organisational structures and patterns' which have emerged within such firms: firstly, the implementation of marketing cultures and secondly; reward systems based on key commercial issues.

Despite research suggesting that *'marketing' continues to be viewed as a shoddy endeavour by many members of the legal profession'* (Harris and O'Malley, 2000:p. 65), within some firms there is increased effort to understand business and commercial issues facing clients rather than providing purely technical solutions. To quote Hanlon, many firms now *'..... promote themselves as business advisers in things legal as much as they promote themselves as lawyers'*. (1997:p. 811). Often, this has meant a re-structuring of the firm so that departments based on legal specialisms have been replaced by multi-disciplinary groups of solicitors based on client or market sectors. This has allowed a greater understanding of the commercial and technical issues faced by clients and gives much more scope for cross selling.

Consistent with these changes are changes to human resource practices and rewards. Historically, the P2 model revolved around the 'up or out' promotion as the norm (Malos and Campion, 1995) and profit sharing between equity partners being based on the seniority principle (Morris and Pinnington, 1998). Hanlon's research (1997) suggests that potential partners in some firms are now assessed on their ability to increase the firm's business through the promotional process rather than fee earning and technical experience alone. Increasingly, assessment is based on entrepreneurial talents. These commonly include: fee earning; practice development (i.e. new clients and more business from existing clients); management and development of staff and management of self.

The MPB archetype firm permits the inflow of 'fresh blood'. In particular, senior professionals with new or scarce skills or other professionals who are skilled at acquiring client contracts (Boxall and Steeneveld, 1999) are hired from the external labour market. In short, there is more tolerance of the 'up or out' promotion principle and profit sharing relies more on methods of productivity assessment and comparative evaluation of individuals' specific contributions. Table 2.5 attempts to represent a simplified list of the pertinent characteristics selected to indicate the major difference between the professional archetypes.

Research has suggested that these categories of firms are not mutually exclusive but that organisational values and forms are dynamic and often inherently unstable (Gray, 1999). As a result firms are likely to be inconsistent in their values, systems and structures and therefore comprise elements of both archetypes (Gray, 1999). Whilst recognising that the models of the archetypes of firms may be oversimplified, it does give an indication of the organisational value systems and norms that are relevant and how these may be adapting or reacting to the variables that are affecting such organisations.

P2 Archetype	MPB Archetype
<p><u>Governance</u></p> <ul style="list-style-type: none"> <li>• Fusion of ownership and control</li> <li>• A form of representative democracy</li> <li>• Revolving managerial tasks among the owners</li> <li>• Local offices at centre of commitment</li> </ul> <p><u>Primary Tasks</u></p> <ul style="list-style-type: none"> <li>• Professional Knowledge</li> <li>• Work responsibility as indivisible</li> <li>• Strong links with clients</li> <li>• Widely distributed authority</li> <li>• Minimum hierarchy</li> </ul> <p><u>Strategic Control</u></p> <ul style="list-style-type: none"> <li>• Interaction</li> <li>• Consensus decision -making</li> </ul> <p><u>Marketing-Financial Control</u></p> <ul style="list-style-type: none"> <li>• Specificity of precise financial targets</li> </ul> <p><u>Operating Controls</u></p> <ul style="list-style-type: none"> <li>• Primary focus of involvement</li> <li>• Professional standards and quality of service</li> </ul>	<p><u>Effectiveness / Efficiency</u></p> <ul style="list-style-type: none"> <li>• Management</li> <li>• Client service</li> <li>• Competition</li> <li>• Marketing and growth strategies</li> <li>• Rationalisation</li> <li>• Productivity</li> </ul> <p><u>Strategic Control</u></p> <ul style="list-style-type: none"> <li>• Interaction</li> <li>• More directive decision-making</li> </ul> <p><u>Marketing-Financial Control</u></p> <ul style="list-style-type: none"> <li>• Specificity of precise financial and marketing targets</li> </ul> <p><u>Operating Controls</u></p> <ul style="list-style-type: none"> <li>• Primary focus of involvement</li> <li>• Professional standards and quality of service, planning, marketing and compensation, quality standards</li> </ul>

**Table 2-5 Characteristics of P2 and Managed Professional Businesses (MPBs)**

Based upon: Hinings, Greenwood and Cooper (1999), 'The Dynamics of Change in Large Accounting Firms' In: Brock, D., Powell, M. and Hinings, C. (Eds), Table 7.1, p.134 'Restructuring the professional Organisation: Accounting, Health Care and Law', pp131-153 Routledge, London

## 2.10 The Context and the Empirical Research

A critical question to emerge from the changes detailed in this chapter thus far is how these are related to the empirical research. The legal sector has historically relied on relationships and networks to function (O'Malley and Harris, 1999) Indeed, participants within interpersonal and organisational relationships fulfil a number of roles at a personal, professional or organisational level. Crucially, since the “*reputation of the firm is closely aligned with the qualities of its employees*” (Harris *et al.*, 2003: 15), interaction and relationships become critical to the success of law firms. An examination of current trends within business-to-business legal services suggest the emergence of some sophisticated customer relationship arrangements coupled, in some cases, with sophisticated enabling tools in the form of, for example, IT systems. However, the IMP model (discussed in detail in the next chapter) continues to be an underlying platform, albeit implicitly, in the close cultivation of corporate clients through an extension of corporate relationships into the social domain. Joint firm activities, such as corporate hospitality events, are all now part of the wooing of relevant and influential clients. The goodwill generated by the attendance of a select client group at such events becomes a mediating element in the interaction atmosphere that is created within the corporate relationship.

Corporate hospitality is not just about maintaining brand reputation and presenting a window on to corporate values, its premise is very much based on the IMP model of improving the atmosphere of the interactions and tying in the client to a closer relationship by encouraging them to get to know, trust and care about the people that they

are interacting with. In essence, relationship managers are attempting to evoke positive affective reactions among clients when considering their interactions with their law firms (Affect and Emotion are discussed in detail in Chapter five).

However, there is increasing evidence, particularly among larger more sophisticated client organisations, of an attempt to rationalise and formalise more robust procedures to manage and evaluate service quality, service delivery and service recovery as part of the management of the client-firm relationship culminating in preferred supplier status or 'panels' of solicitors. Panels are reviewed periodically and law firms that are perceived as providing poor quality of service or poor value for money are replaced. Thus, concepts of monogamy, mutual trust, enduring client loyalty and of strong relationship commitment and development that traditionally characterised relationships within the business-to-business legal services market are increasingly being replaced by a more calculative approach with a focus on resource maximisation.

That said, it may be concluded that the recognition of the relevance and importance of RM to law firms has led to significant changes in organizational structures and processes particularly among larger law firms. While some of these are in the self-interest of the organization and their profitability, they have also encouraged greater consideration of the relational client satisfaction and an increased level of client orientation.

## 2.11 Conclusion

The belief that professional self-regulation in legal services is self-serving and not in the interest of consumer and public interest objectives is now firmly embedded (Baldwin *et al.*, 2004). The question is not whether change will be introduced into legal services regulation but how radical it should be. As a result, the traditional homogeneity of the legal profession has been lost in recent years. To use Bourdieu's (1984) terms, there has been a fragmenting of the '*unified habitués*' which has historically united the profession in terms of its internalised beliefs and practices. These shared '*unified habitués*' of status improvement, limited competition and a public service ethos which led to the homogeneity of the profession has been eroded by a number of factors previously discussed.

Whilst the legal sector has '*traditionally eschewed marketing activities*' (Harris *et al.*, 2003: p. 15), evidence suggests (Hanlon, 1997) that larger law firms operating in the business-to-business sector are now endorsing the commercialisation of legal services. This is culminating in such firms reorganising their structures and redefining their perception of professionalism to incorporate and engender a stronger commercial/entrepreneurial element. On the one hand, this involves a downgrading of values such as public service and citizenship and on the other, an increasing priority being attached to market values such as ability to generate profits, providing the paying client with what they need or want and control of budgets.

In contrast, smaller firms primarily involved in work for individual private clients, appear to face different pressures and, according to Hanlon (1997), do not appear to be driven by

client demands in the same sense as larger firms. Consensus suggests these smaller firms wish to retain at least some elements of the older form of professionalism in terms of providing a social service ethos and are, in the main, hostile to the '*managerialist values of the commercialised professional*' (Hanlon, 1997:p 821) prevalent in larger firms. What is clear from the research conducted for this chapter is that business-to-business legal services have evolved sufficiently differently from personal legal services to warrant investigation as a separate field (Hart and Hogg, 1998).

Much of the work conducted on the nature of professionals has examined the ability such professionals have to interpret and transform client difficulties into some form of technical solution. However, in recent years, the level of resource and knowledge power within some segments of organisational client markets has altered and clients may no longer be viewed as homogeneous.

This has fundamental implications for the way service expectations are set, evaluations of service delivery are made and the relationship is managed by either party. At one end of the continuum, small owner-managed organisations that are largely unfamiliar with the law may require a different type of interaction and relationship with their solicitor than larger, more sophisticated clients with in-house legal expertise. This assessment of service quality and satisfaction is discussed in subsequent chapters. However, the present study will initially proceed with a detailed review and discussion of the existing relevant literature on Relationship Marketing.

### 3 The Traditional and Relational Marketing Paradigms

#### 3.1 Introduction

*“The Relationship Marketing literature reveals little consistency in how researchers define relationship marketing and even less in how practitioners apply the concept”* (Barnes and Howlett, 1998: p15).

Barnes and Howlett (1998), very succinctly, highlight one of the major predicaments that the researcher in the field of Relationship Marketing (RM) is confronted with. There is no universally acceptable definition of RM and no fully recognised conceptual framework for it. Indeed, there is much debate as to what constitutes RM, when it is appropriate, who should be included and even when a relationship may actually be deemed to exist between the ‘relevant’ parties (e.g. Harker and Egan, 2006; Barnes, 1994). As a result, it is increasingly acknowledged that the label of ‘Relationship Marketing’ covers a ‘broad church’ (Egan, 2003:p. 149) encompassing many differing strands of relational philosophies. This in itself results in *‘difficulties in identifying appropriate contexts for empirical research and exacerbates conceptual problems within the emerging discipline’* (O’Malley and Tynan, 2000: p. 809).

Consequently, the purpose of this chapter is to explore the ‘histories’ (Lovelock and Gummesson, 2004) and development of RM and identify and evaluate the *relevant* conceptual aspects given this ‘broad church’ that is RM and given the context of this thesis. It does this by initially carrying out a brief evaluation of the traditional marketing paradigm. It then proceeds to explore the development of the RM paradigm. Often

viewed as nebulous in nature, this section attempts to identify and categorise the various evolving strands of RM using definitions and classification criteria developed by researchers in the field. The final section identifies and evaluates the key features of the Interactive approach and assesses its usefulness within the context of this thesis.

### 3.2 The Traditional Marketing Paradigm

Ever since the marketing mix was proposed by McCarthy (1960) it was '*the dominant marketing paradigm of the twentieth century*' (Harker and Egan, 2006: p.215). Its validity was rarely questioned. Indeed, Ford (1990) goes as far as to term the marketing mix 'normal marketing' and Kent (1986) describes the marketing mix as: "*The holy quadrifid ... of the marketing faith ... written in tablets of stone*" (p. 146). Interestingly, Grönroos (1994) posits a possible explanation for the widespread acceptance of this approach insofar as the original idea of a list of marketing variables was shortened for pedagogical reasons to the familiar four (or seven) we have today. This was because a more limited number of marketing variables appeared to fit the typical situations facing marketing managers of the period. Specifically that of:

*"Consumer packaged goods in North America with huge mass marketing, highly competitive distribution systems and very commercial media systems"* (p. 349).

However, the traditional or classical marketing paradigm has been both questioned and challenged. Criticism by authors over the years (e.g. Håkansson *et al.*, 1976; Grönroos, 1994; and more generally, the Industrial Marketing and Purchasing (IMP Group, 1982)) have questioned the validity of the traditional marketing mix with particular reference to its 'one-size-fits-all' contextualisation approach.

Dixon and Blois (1983) succinctly state the crux of their contention:

*“.... it would not be unfair to suggest that far from being concerned with a customers’ interests (i.e. somebody for whom something is done) the views implicit in the four P approach is that the customer is somebody to whom something is done!” (p. 4)*

More specifically, criticisms suggest that the traditional marketing paradigm:

- assumes that customers are homogeneous and may be treated in a standardised way ( e.g. Håkanson *et al.* ,1976)
- assumes consumers are passive (e.g. Ford, 1990)
- assumes short-term economic transaction based marketing ( e.g. Dwyer *et al.* , 1987)
- over simplifies the variables required within certain marketing contexts and fails to capture the broader complexity inherent in particular markets (Grönroos, 1994)

In summary, the traditional marketing paradigm does not encapsulate the essence of ongoing exchanges. Grönroos (1994) sums up the constraints of the traditional marketing mix approach as follows:

*“Marketing in practice has been turned to managing this tool box [the marketing mix] instead of truly exploring the nature of the firm’s market relationships and genuinely taking care of the real needs and desires of customers.” (p. 348).*

The consequences of this historical focus on the classical marketing approach have meant other, possible less compliant, variables have been neglected. In many cases, these

variables were more relevant to particular market contexts. It is now widely accepted (e.g. Grönroos, 1994; Moller, 1992; Gummesson, 1987) within the contexts of business-to-business and inter-organisational marketing that the marketing mix perspective is too restrictive and fails to capture the broader complexities inherent in these markets. As a result of these criticisms, the context within which the research of marketing occurs has broadened.

### 3.3 The Evolving Focus of Marketing

Christopher *et al.* (1994) highlight how this broadening focus manifested itself by identifying ‘the *developing central themes of marketing interest*’ (p.9) over the last five decades which have culminated in current marketing thinking. Whilst this focus on ‘central marketing themes’ may be both generalised and simplistic in nature, it does adequately represent the changing of emphasis within the marketing literature over recent years and reflects Aijo’s (1996) comment that ‘*throughout its history...marketing has been generally dominated at any one time by one prevailing perspective*’ (p.9) . As Moller (1992) states:

*“From the functional view of marketing mix management, our focus has extended to the strategic role of marketing, aspects of service management, political dimensions of channel management, inter-relations in industrial networks ; to mention just a few evolving trends.”* (p. 197)

In the 1990s, academic and practitioner interest in RM took off to the extent that ‘*it became the key marketing issue of the decade*’ (Ballantyne *et al.*, 2003:p. 160). Webster (1991) views the impact of these developments and, in particular, the focus on RM and networks as a “*fundamental reshaping of the field*” (p. 1). Indeed, a number of authors

(e.g. Grönroos, 1994; Moller, 1992; Gummesson, 1987) propose that there has been a 'paradigm shift' within the field of marketing away from the traditional transaction based approach towards a more relationship orientated approach. To appreciate the intensity of the terminology used by these authors in relation to RM, it is important to examine its development in more depth.

### **3.4 Factors Influencing the Development of Relationship Marketing**

The developments that have led to the emergence of RM are complex in nature, largely interrelated and cannot be considered in isolation. However, a number of '*convergent influences*' (Berry, 1995: p. 237) may be identified, namely: the maturing of Services Marketing (Berry, 1995); a recognition of the benefits of RM for firms and customers (Berry, 1995); advances in Information Technology (Berry, 1995) and the concept of sharing value (Ballantyne *et al.*, 2003).

Whilst recognising these influences are primarily drawn from a services perspective, their usefulness and applicability to any business-to-business context is evident when evaluating them, and for this reason each of these is now briefly examined.

#### **3.4.1 The Maturing of Services Marketing**

Historically, services marketing was an area that had '*received remarkably little attention in view of its overall importance in the economy*' (Christopher *et al.*, 1994:p. 8) The result was a scholarly focus on this area that allowed a '*breaking free from good-marketing*' (Swartz *et al.*, 1992: p.2) and culminated in '*legitimising the domain of*

*services through the definition and delineation of four characteristic differences between services and goods - intangibility, inseparability, heterogeneity and perishability'* (Vargo and Lusch, 2004b: p.324)

During this '*crawl out period*' (Fisk *et al.*, 1993: p.64) academics would suggest additional elements or variables to the traditional marketing mix in an attempt to reflect the ever more complex nature of marketing interfaces. At a simplistic level people, physical evidence and processes relating to services marketing are now widely accepted extensions of the traditional marketing mix (e.g. Booms and Bitner, 1982; Grönroos, 1994; Christopher *et al.*, 1994). The importance of people has been repeatedly emphasised within services marketing literature because "*The service product is a performance and the performers are employees*" (Berry, 1995: p. 24). Indeed, Gummesson (1987) coined the phrase 'part-time marketers' to stress the critical marketing role performed by customer contact employees within service organisations and their contribution towards delivery and service satisfaction.

Related to the recognition of the importance of people in a service context was the emergence of customer care and quality philosophies during the 1980s. Christopher *et al.* (1994) highlight how there was a shift of focus, particularly within service industries, towards customer care and quality as dimensions that overlap with the marketing philosophy.

More recently researchers have questioned whether services marketing is sufficiently unique to warrant its own sub-discipline (e.g. Vargo and Lusch, 2004 (a, b); Lovelock and Gummesson, 2004) challenging the relevance of its defining characteristics (this is discussed in more depth in section 4.3 of the next chapter). However, the debate surrounding the differing future directions services marketing should take, there is a general acknowledgement as to its enormous contribution towards the development of Relationship Marketing.

#### *3.4.2 Increasing Recognition of the Benefits of RM for Firms*

There has been an increasing recognition of the benefits of RM from both a firm's and customer's perspective. From a firm's perspective, increased competition through the globalisation of world markets, market fragmentation and the de-regulation of certain service markets (e.g. banking, law, airlines etc.) has meant that protection of the customer base has become paramount. As Buttle (1996) stresses, RM is not based on any philanthropic foundation but on two sound economic arguments: firstly, it is more expensive to win a new customer than it is to retain an existing customer and secondly; the longer the association between company and customer, the more profitable the relationship for the firm.

It has been demonstrated across a variety of service industries that profits increase if a firm retains its existing customers rather than attempts to acquire new ones. For example, Reichheld and Sasser's (1990) analysis of more than 100 companies in 24 industries

found that firms could improve profits from 25 percent to 85 percent by reducing customer defections by 5 percent. This may be attributable to a number of factors. For example, ongoing relationships may have a direct impact on financial outgoings by helping to reduce transaction costs associated with repeat ordering (e.g. Marshall *et al.*, 1979).

However, there is an increased questioning of the validity of such findings at both a processual and outcome level. Reynard and Kumar (2003) highlight the difficulty in ascertaining relationship length insofar as a customer rarely '*signs off*' (p.79) thus questioning the validity of calculations of lifetime value. A second issue relates to research which demonstrates that both short-term and longer term customers may be profitable (Reinartz and Kumar, 2000) and that the value of long-term customers varies '*substantially with the category*' (East *et al.*, 2006: p. 12). Finally, Dowling and Uncles (1997) and Reinartz and Kumar (2002) argue that long-term customers may not always be cheaper to serve and are just as price sensitive.

Some authors suggest RM adds value to a service package. This added value is achieved by providing certain 'demand peripherals' such as social exchange and customer care (e.g. Crosby and Stephens, 1987). As a result of this added value, a premium may be charged to the customer. Value perspectives are suggested which revolve around supplier-managed relationships, mutually interactive processes and values emerging from within networks. How the parameters of the relationship are defined will affect the nature of the value perspective.

As well as retaining customers, it is proposed by some authors (e.g. Reicheld, 1996) that RM may go beyond creating mere customer loyalty and, as the relationship strengthens, create 'customer advocates' of the company. As Christopher *et al.* (1994) state "*The objective of relationship marketing is to turn new customers into vocal advocates for the company, thus playing an important role as a referral source*" (p.22). They suggest the existence of a conceptual RM ladder of customer loyalty. Customers are moved up the ladder by enhancing and developing long-term relationships with the customer. However, as has been highlighted previously (Reinartz and Kumar, 2000), studies that have focused on relationship length alone as a measure of loyalty are increasingly being questioned. Instead, other measures of loyalty that recognise customer polygamy and serial monogamy (Rust *et al.*, 2004) such as 'share of wallet' are increasingly being proposed (e.g. Cooil *et al.*, 2007).

The association between relationship length and recommendation is also questionable insofar as some studies show no association between the two (e.g. East *et al.*, 2005; Verhoef *et al.*, 2002). Indeed, East *et al.* (2005) state that they '*do not support Reicheld's claim and.... in a minority of fields, significantly more recommendations will come from recent recruits than from long-tenure customers*' (p.11).

### 3.4.3 Increasing Recognition of the Benefits of RM for Customers

From a customer's perspective, if a product or service is variable in quality and/or complexity and if the product is of an intangible nature, these combine to create risk and uncertainty. Risk reduction and reduced uncertainty are posited as potential outcomes that customers find particularly important within the context of some markets (Morgan and Hunt, 1994). Berry (1995) suggests a relationship allows service providers to become more knowledgeable about customers' requirements and needs.

To summarise proponents of the virtues of RM suggest having a long term, ongoing, stable relationship with a service provider may reduce uncertainty and risk and hence stress as the relationship becomes more predictable. As a result, problems are solved, special needs accommodated and the expectation levels set to the extent that "*in some cases, customers may even be aware of competitors who might provide the same or better service but yet they choose to stay in the relationship due to their predictability and comfort*" (Bitner 1995 p: 249). However, empirical evidence which substantiates many of the purported advantages of RM for both customers and suppliers is questionable. There is increasing evidence to suggest that customer retention strategies may only be

appropriate within certain market contexts and the financial gains from customer acquisition may be larger than for customer retention

#### *3.4.4 Advances in Information Technology*

Rusk and Chung (2006) summarise a number of ways that Information Technology (IT) may enable and facilitate the effectiveness of a relational perspective. These are: tracking the buying patterns of existing customers; customising services, promotion, and pricing to customers' specific requirements; co-ordinating or integrating the delivery of multiple services to the same customer; providing two way communication channels (company to customer and customer to company); minimising the probability of service errors and breakdowns; augmenting core service offerings with valued extras and personalising service interactions as appropriate.

However, Barnes (1998) highlights that the use of IT as a facilitator for relationships may have created a situation where some practitioners and authors have drawn a close link between relationship marketing and database marketing. Thus, the distinction between the two may be an area of some contention (e.g. Petrison and Wong, 1993) with some organisations implementing a form of database marketing that may then be passed off as relationship marketing.

This is part of a much wider debate as to how RM may be defined, what it actually constitutes from both a conceptual and contextual perspective and indeed whether it is paradigm or perspective. These issues are now explored in more depth.

### 3.5 Relationship Marketing: Paradigm or Perspective?

Aijo (1996:9) suggests that “*Throughout its history....marketing has been generally dominated at any one time by one prevailing perspective*”. As has been highlighted by the review of the literature within this chapter thus far, considerable amounts of research have been devoted to advancing the conceptual and empirical bases of RM whilst simultaneously emphasising the inadequacies of transactional marketing and traditional marketing mix theory. As a result, RM has been interpreted by some as a paradigm shift away from the marketing mix approach or ‘Kotlerism’ (Zineldin and Philipson, 2007) possibly to the detriment of a full evaluation of its theoretical inadequacies (e.g. Grönroos, 1994).

However, more recently, there has been a focus on the ‘*burden of relationships*’ (Håkansson and Snehota, 2002) with elements of the marketing literature reflecting an increasing tendency to question many of the assumptions implicit within the RM perspective (e.g. Barnes, 1994; O’Malley and Tynan, 2000). As a result, some authors are reevaluating the extent to which a paradigm shift has indeed occurred. Three major strands of contention may be identified. These revolve around conceptual, contextual and empirical issues surrounding RM.

### 3.5.1 Conceptual Issues

A number of contentious conceptual issues may be identified relating to RM. At the core, is the debate surrounding whether RM is indeed a paradigm shift and whether it is ‘a *discovery or re-discovery*’ (Zineldin and Philipson, 2007). If one takes the literal definition of a ‘paradigm shift’ being that of ‘*a change in a set of background assumptions taken for granted*’ (Mautiner, (1996:309) then this is questionable. Indeed, Berry (1995) suggests RM is “... an ‘old new’ idea but with a new focus now at the *forefront of services marketing practice and academic research*” (p. 236). Palmer and Bejou (1994) cite how sole traders and small businesses have always had an intimate knowledge of customers culminating in outcomes such as product suggestions, credit provision and social interaction. As a result, close, complex, long-term relationships between buyer and seller have often been a natural outcome of commercial interactions (e.g. Grönroos, 1994). More recently, Zineldin and Philipson (2007) drawing on the research of Drucker suggest many of the core principles of RM (e.g. a cross-functionalist approach and customer retention) are based on re-discoveries of earlier managerial writings.

A second contentious issue revolves around the definition of RM related concepts and constructs. Blois (2003) suggests that when attempting to examine the existence and nature of a relationship between two parties, ill conceived and poorly defined concepts and constructs may hamper any meaningful evaluation. So for example, whilst the literature suggests RM “*is built on the foundation of trust*” (Berry, 1995:242), Blois

(2003) questions how much trust must exist between participants before a relationship is deemed to exist and how should this trust manifest itself. Similarly, commitment may be demanded by one of the participants from the other but not necessarily vice versa. Thus, what is ostensibly 'a relationship' between a supplier and retailer is in fact a '*long-term exchange between economic actors*' (Blois, 2003:85).

Thirdly, there is increasing criticism within the literature of the use of the relationship metaphor. More precisely, O'Malley and Tynan (1999) suggest two key reasons as to why the metaphor may be inappropriate. Firstly, culturally insofar as it is overly reliant on the Judeo-Christian marriage model which has resulted in a very narrow conceptualisation of exchange. Tynan (1997) suggests other, more dysfunctional relationships between the sexes, (which include polygamy, prostitution; stalking, rape and seduction) may be more appropriate metaphors with which to analyse some relationships. Secondly, the juxta positioning of interpersonal relationship values with existing competitive values may be inappropriate. More specifically the use of a military metaphor usually associated with adversarial warfare together with the relational metaphor usually associated with co-operation, mutuality and trust suggests a '*fundamental shift in the role and purpose of marketing; from manipulation of the customer to genuine customer involvement*' (McKenna 1991: 68). However, as indicated above, this may also preclude other, more dysfunctional, relationships which possess characteristics better suited to encapsulate the features of a particular relationship (e.g. inherent imbalances within the relationship in term of power, dependency etc).

Fourthly, whilst many of the criticisms levelled at the TM approach revolve around the concept of defining, manipulating and extending lists of variables (e.g. Booms and Bitner, 1982; Wind, 1986; Judd, 1987), many such criticisms are increasingly being levelled at RM. As some protagonists attempt to capture the multidimensional characteristics that are the RM phenomenon, they attempt to define, manipulate and extend lists of characteristics and variables that define relationships (e.g. Christopher *et al.*, 1991; Morgan and Hunt, 1994; Gummesson, 2000). As Christopher *et al* state (1991) “*The objective of relationship marketing is to turn new customers onto vocal advocates for the company*”. Implicit within this is a manipulation of the customer (Blois, 1996).

### 3.5.2 Contextual issues

Contextually, some researchers suggest practitioners within particular markets appear to have ‘borrowed’ (O’Malley and Tynan, 2000) or even to be ‘taken-in’ (Blois, 2003:89) by the rhetoric of RM without addressing the conceptual and strategic issues associated with it. Harker and Egan (2006) suggest much Loyalty Marketing and Database Marketing (CRM) which has been introduced in consumer markets under the ‘guise’ of RM reflects many of the characteristics of TM including: an emphasis on finding customers for products as opposed to finding products for customers, (Pine *et al*, 1995); the assumed passivity of the consumer (O’Malley and Tynan, 2000); a concern with achieving short-term sales; customer monogamy and; accusations of ‘fake’ loyalty and commitment (Harker and Egan, 2006). Such schemes are therefore increasingly perceived as a short-term, tactical approach to retention (Dowling and Uncles, 1997) rather than in

any development of positive social dimensions such as trust and commitment more commonly found in business-to-business contexts.

To this end, O'Malley and Tynan (2000) suggest a number of contextual characteristics which need to be considered when evaluating the appropriateness of RM within particular market contexts. Indeed, individual relationships within some contexts may be sufficiently short-term and unimportant to warrant any significant investment or individual treatment by suppliers. Similarly, given the extent of alternative suppliers, the economic consequences of switching may be negligible from a customer's perspective (Kotler *et al.*, 2002). Within such contexts more overt and transparent traditional marketing approaches may be appropriate. Indeed, Christy *et al* (1996) suggest that TM has the generalisability, through its tools and concepts, to be applied to any marketing situation and that the extent of 'relationship friendliness' will be determined by the characteristics of the consumer and the nature of the product.

### 3.5.3 *Empirical Issues*

Within the RM literature, there are few empirically based studies that conclusively demonstrate that being in a relationship is profitable (Blois, 2003). Indeed, O'Malley and Tynan (2000) highlight that whilst a long list of potentially 'relationship friendly contexts' are identified in the literature, on closer examination, there is a lack of any empirical basis to substantiate this and thus this premise is at best 'highly speculative'. Similarly but from a customer perspective, a lack of conclusive empirical research on the perceived benefits together with contemporary debates surrounding 'intrusion of privacy'

versus 'relationship intimacy' (O'Malley *et al.*, 1997) have led to increasing consumer cynicism (Pressey and Tzokas, 2006) and reinforced practitioner doubts about its relevance and ease of application when compared to more traditional forms of marketing.

That said, much of the debate surrounding RM versus TM has primarily been fought on a theoretical rather than empirical level. As Fitchett and McDonagh (2000) state "*The fairly painless transition from exchange to relationship is testimony to the extent to which the two opposing paradigms are in fact compatible and, below the rhetoric, rather similar*" thus echoing the marketing strategy continuum originally suggested by Grönroos (1991). Indeed, where empirical research has been conducted within pertinent contexts (e.g. Brodie *et al.*, 1997; Zineldin and Philipson, 2007), results suggest that at a practitioner level, far from there being a 'paradigm shift' away from TM and towards RM, TM is relevant and integrated with an RM perspective (Carson *et al.*, 2004).

Whilst recognising much of the research conducted into RM '*is theoryless, a stack of fragmented philosophies, observations and claims that do not converge in the direction of an emerging RM theory*' (Gummesson, 1997:267) most would accept that the phenomena that is termed RM and all that that encompasses 'is here to stay' (Harker and Egan, 2006).

Indeed, markets are now characterised by three key attributes: fluidity, mobility and flexibility. Fluidity in terms of rapidly forming opportunistic partnerships, dissolving hierarchical monopolies and an increasing acceptance that a commercial proposition is

not necessarily related to a long term commitment. Mobility in terms of the rapid developments in consumer contexts brought about by the massification of broadband and other digital communications technologies, which underpins ongoing accessibility. Flexibility in terms of the increasingly dynamic way in which an organisation can operate and structure itself to reflect its market opportunities. Thus, the organisations may now capture and harness its information-based competences in order to develop or perhaps merely enable relationships with stakeholders.

Perhaps much of the conceptual, contextual and empirical contentions surrounding RM are related to its multi-disciplinary, multi-cultural and multi-perceptual roots. This is part of a much wider debate as to how RM may be defined and what it actually constitutes. These issues are now explored in more depth.

### **3.6 Defining the Parameters of RM**

More traditional definitions of Marketing have recently been criticised for not encompassing a relational approach. (see, for example, the Chartered Institute of Marketing definition). Buttle (1996) suggests that such definitions reflect what is essentially a *'traditional, transaction-orientated view of marketing'* and *'contain no explicit recognition of the long term value of a customer'* (p.2) As a result, other definitions have been developed in an attempt to embody the nature of RM. However, the precise meaning of the term 'Relationship Marketing' is a matter of much debate. Indeed, Ballantyne *et al.* (2003) state *'It is a sobering thought that there are at least 26*

*definitions of relationship marketing in the academic literature (Harker, 1999)' (p. 163).*

An explanation for this is proffered by Brodie *et al.* (1997) who state:

*"Multiple uses of the term RM (Relationship Marketing) are perhaps not surprising given the complexity of relationships themselves (Gummesson, 1994). However, this has led to the term being over used and prone to an abundance of vague interpretations" (p. 385).*

The next section explores what these themes and perspectives are in more detail and how they have emerged.

### *3.6.1 Emergent Themes of RM*

The phrase 'Relationship Marketing' was first used by Berry (1983) as a '*new rubric for services marketing*' (Ballantyne *et al.*, 2003: p. 159) It was defined as "*attracting, maintaining and - in multi-service organisations - enhancing customer relationships*" (p. 25). However, from studying the literature it becomes apparent that differing strands of RM have developed within different contexts and with differing perspectives. Various authors have attempted to categorise and classify these using a variety of criteria. Four examples of these are now listed.

Grönroos and Strandvik (1997) identify a number of what they term 'broad perspectives' that have evolved. These are: the Nordic School of services management (e.g. Grönroos, 1995); the Network approach within industrial marketing (e.g. Håkansson, 1976); the

Anglo-Australian approach integrating quality, customer service and marketing philosophies (e.g. Christopher *et al.*, 1994)) and Strategic alliances and partnerships.

Brodie *et al.* (1997) also identify multiple uses of the term and devised the following classification scheme: service contexts (e.g. Berry, 1983; 1995; Grönroos, 1990); inter-organisational exchange (including buyer – seller relationships in the context of resource dependence theory and social exchange (e.g. Håkansson, 1982; Ford, 1990)); channels literature; network relationships (e.g. Johanson and Mattsson, 1988) which focuses on industrial marketing and the network of relationships that connect multiple organisations; strategic management literature including value chains (e.g. Norman and Ramirez, 1993) and information technology related contexts (e.g. Morton, 1991).

Morgan and Hunt (1994) identify a number of what they term ‘relational strands’. These are : relational contracting (e.g. Macneil, 1980); relational marketing (e.g. Dwyer *et al.* 1987); working partnerships (e.g. Anderson and Narus, 1990); symbiotic marketing (e.g. Varadarajan and Rajaratnam, 1986); strategic alliances (e.g. Day, 1990); co-marketing alliances (e.g. Bucklin and Serigupta, 1993) and; internal marketing (e.g. Berry and Parasuraman, 1991).

More recently, Palmer *et al.* (2006) propose three key ‘schools of thought’;

- the Nordic school (e.g. Grönroos, 1995)
- the IMG Group and IMP (e.g. Håkansson, 1982, Ford, 1990)
- the Anglo-Australian school (e.g. Christopher *et al.*, 1991)

Palmer *et al.* (2005) compare the major components of each of these schools of thought to one another. A summary of their comparison may be seen in Table 3.1 below.

<u>Key Component</u>	<u>Transaction Marketing</u>	<u>IMP Group</u>	<u>Nordic School</u>	<u>Anglo-Australian Approach</u>
<b>Basis</b>	Exchange and the 4Ps	Relationships between firms	Services	Service/Quality/Marketing
<b>Time-frame</b>	Short-term	Short-term and long-term	Long-term	Long-term
<b>Market</b>	Single customer	Multiple Network	30 markets with four categories	Six Markets
<b>Organisation</b>	Hierarchical and functional		Functional and cross functional	Cross functional process based
<b>Basis of exchange</b>	Price	Product/service, information, financial and social	Less sensitive to price	Perceived value
<b>Product quality dimension</b>	Product/technical/output quality	Technological	Interaction quality	Function of value and cost ownership
<b>Measurement</b>	Revenue and market share	Customer profitability	Quality, value, customer satisfaction	Customer satisfaction
<b>Customer Information</b>	Ad hoc	Varies by relationship stage	Individual	Customer value and retention
<b>Internal Marketing</b>			Substantial strategic importance	Integral to the concept
<b>Service</b>	Augmentation to core product	Close buyer-seller relations	Integral to product	Basis for differentiation

Sources: Aijo (1996); Christopher (1996); Christopher *et al.* (1991); Ford (1994); Grönroos (1994); Kotler (1992); Ravald and Gummesson, (1996); Turnbull *et al.* (1996)

### **Table 3-1 A Comparison of the Main Components of the Major Schools of RM versus Transaction Marketing**

Source: Palmer *et al.*, (2005), Relationship Marketing: Schools of Thought and Future Research Directions. Marketing Intelligence and Planning, 23(3): 313-330.

Unsurprisingly, given such a plethora of differing interpretations of terms, perspectives and strands, there is much discussion not only as to what RM constitutes but who and what should be involved in the relational context and within what parameters. For example Hunt and Morgan (1994) adopt a broad approach to the context of relational exchange proposing:

*“Relationship marketing refers to all activities directed at establishing, developing and maintaining successful relational exchanges in .... supplier, lateral, buyer and internal partnerships”* (p. 23).

They classify the various types of relational exchanges into four broad categories: supplier partnerships, lateral partnerships, buyer partnerships and internal partnerships. Within this framework, these may be decomposed into other partnership categories. Similarly, Christopher *et al.* (1994) posit a ‘six –markets’ model and Kotler (1997) suggests a ‘ten player’ model. Gummesson (1999) extends the number of relationships further and identifies thirty separate relationships categorised by the level at which they occur (see Appendix 1). The common theme underpinning all these appears to be development of stable, long term relationships with all stakeholders so as to acquire competitive advantage (Egan, 2003).

From studying the literature, there are clearly some areas of commonality that have emerged (for example, a services context, strategic alliances, network marketing etc.). However, it is the diversity of these themes and their appropriateness and applicability to differing contexts that is problematic. As Brodie *et al.* (1997) suggest, the result of these various developments and interpretations has produced *"a plethora of conceptual and empirical research, and a number of books discussing the topic...however, the precise meaning of Relationship Marketing is not always clear."* (p. 384 –385)

Indeed, Egan (2003) suggests a 'schism' (p.151) has developed between those researchers who conceptualise RM as a holistic, multi-relational orientation and those who focus on a 'customer-supplier dyad' (Payne, 2000).

Given this background of debate, all the conceptual and empirical strands identified within the literature, by definition, will not be relevant to the context of this research. This is a fundamental criticism of RM in terms of attempting to develop appropriate conceptual models and contexts for empirical research (O'Malley and Tynan, 2000). Whilst recognising and understanding the importance of differences in RM concepts and contexts, from a pragmatic standpoint it is critical to identify and clarify which aspects of RM may be appropriate to the research context of this thesis. In an attempt to do this, Brodie *et al.* s' (1997) classification scheme is applied to the context.

### 3.6.2 Brodie *et al.*'s Classification System

Brodie *et al.* (1997) themselves stress the classification system is not infallible and that it is purely a conceptual framework. As they state “*it does not seek to place distinct boundaries between each type of marketing, nor does it imply they are independent and mutually exclusive*” (p. 386). However, it does suggest that differing relational perspectives may take on varying degrees of significance and relevance depending on the context and where the themes and dimensions suggested by Brodie *et al.* (1997) are placed.

Using content analysis of how previous researchers had defined and used various terms associated with marketing, Brodie *et al.* (1997) identified a number of themes and dimensions. Seven of these dimensions are relevant to the theme of relational exchange (see Appendix 2: Table 1 for definitions of these dimensions) and five dimensions are relevant to the theme of management activities and processes (see Appendix 2: Table 2 for definitions of these dimensions). They also identify two general marketing perspectives, which encompass four different types of marketing. Subsequently, Coviello *et al.* (2001) added a fifth marketing perspective; (see Appendix 2: Table 3 for definitions of these general marketing perspectives):

- (i) Transactional Marketing - Transaction Marketing
- (ii) Relational Marketing - Database Marketing <sup>6</sup>; Interactive Marketing; Network Marketing
- (iii) e-Marketing<sup>7</sup>

When applying this classification system to the research context, the author has noted Brodie *et al.*'s (1997) conclusions and implications. In particular, the suggestion that the twelve dimensions identified provide a useful way of understanding and distinguishing between the way marketing is currently being practised and "*can be operationalised to produce results which have face value* " (p.402). That said, the classification system does provide a useful starting point for setting the parameters of the research context.

On application to this research context, it is apparent that the relevant 'general marketing perspective' is relational as opposed to transactional and the 'distinct type of marketing' is nominally interactive as opposed to database, network marketing or e-marketing. The relationship is essentially dyadic between a solicitor and client. Communication is between individuals and pre-dominantly interpersonal and may be both of a formal or informal nature. There is a periodic and ongoing demand for legal services and managerial decisions focus on establishing and maintaining mutually beneficial longer-term relationships.

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<sup>6</sup> It should be noted that Ballantyne *et al.* (2003) describe database marketing as '*enabling technology rather than a marketing perspective*' (p. 164)

<sup>7</sup> Subsequently added by Coviello *et al.* (2001)

However, it should be recognised that there are elements of network marketing inherent in the relationships between law firms and clients, however, for the purposes of this investigation the focus will remain primarily on the dyadic relationship between client and law firm (see Table 3.2).

Having identified and classified the context of this research as primarily being in an interactive environment, it is perhaps appropriate to explain and evaluate the Interaction approach given its criticality to this research.

## Relational Exchange

<u>Dimension</u>	<u>Type:</u> <i>Interactive marketing</i>	<i>Corporate Legal Services</i>
<i>Focus</i>	Interactive relationships between buyer and seller	Interactive relationships between law firms and organisational clients
<i>Parties involved</i>	Individual sellers and buyers ( a dyad)	Often individual solicitors with individuals from buying organisation (frequently dyadic in nature in the form of, for example, client relationship partners and individual managers from purchasing organisation).
<i>Communication patterns</i>	Individuals “with” individuals (across organisations)	Individuals (solicitors, employees and clients) “with” individuals (solicitors, employees and client)( across organisations)
<i>Type of contact</i>	Face-to-face, interpersonal (close, based on commitment, trust and co-operation)	Involves face-to-face, interpersonal contact as well as other forms of contact (e.g. Post, e-mail, telephone etc.)(close, <i>may be</i> based on commitment, trust and co-operation)
<i>Duration</i>	Continuous (ongoing and mutually adaptive , may be short or long term)	Continuous Periodic demand for legal services (e.g. Insolvency, copyright, flotations, mergers, employment law etc. (may be mutually adaptive , may be short or long term)
<i>Formality</i>	Formal and informal (i.e. at both a business and a social level)	Formal (e.g. business meetings) and informal (e.g. corporate hospitality)
<i>Balance of power</i>	Sellers and buyers mutually active and adaptive (interdependent and reciprocal)	Yes but dependent on resource power and level of management sophistication of firms and clients

## Interactive Managerial Dimension

<i>Managerial intent</i>	Interaction (to establish, develop and facilitate a co-operative relationship for mutual benefit)	Interaction (to establish, develop and facilitate a relationship of co-operation and possible for mutual benefit)
<i>Decision focus</i>	Relationships between individuals	Relationships between individuals and at an organisational level
<i>Managerial investment</i>	External market assets (focusing on establishing and developing a relationship with another individual)	External market assets (focusing on establishing and developing a relationship with another individual in another firm)
<i>Managerial level</i>	Managers from across functions and levels in the firm	Partners, solicitors and mangers across levels and possible across functions.
<i>Time frame</i>	Short or long term	Usually long term but may be short term.

**Table 3-2 The Corporate Legal Services Markets Classified by Relational Exchange and Interactive Managerial Dimensions**

Adapted from: Coviello N., Brodie, R., J. and Munro, H., (1996), “Understanding Contemporary Marketing: Development of a Classification Scheme”, *Working Paper*, Department of Marketing, The University of Auckland, Also *Journal of Marketing Management*, Vol. 13 No. 6, 1997

### 3.7 The Interaction Approach

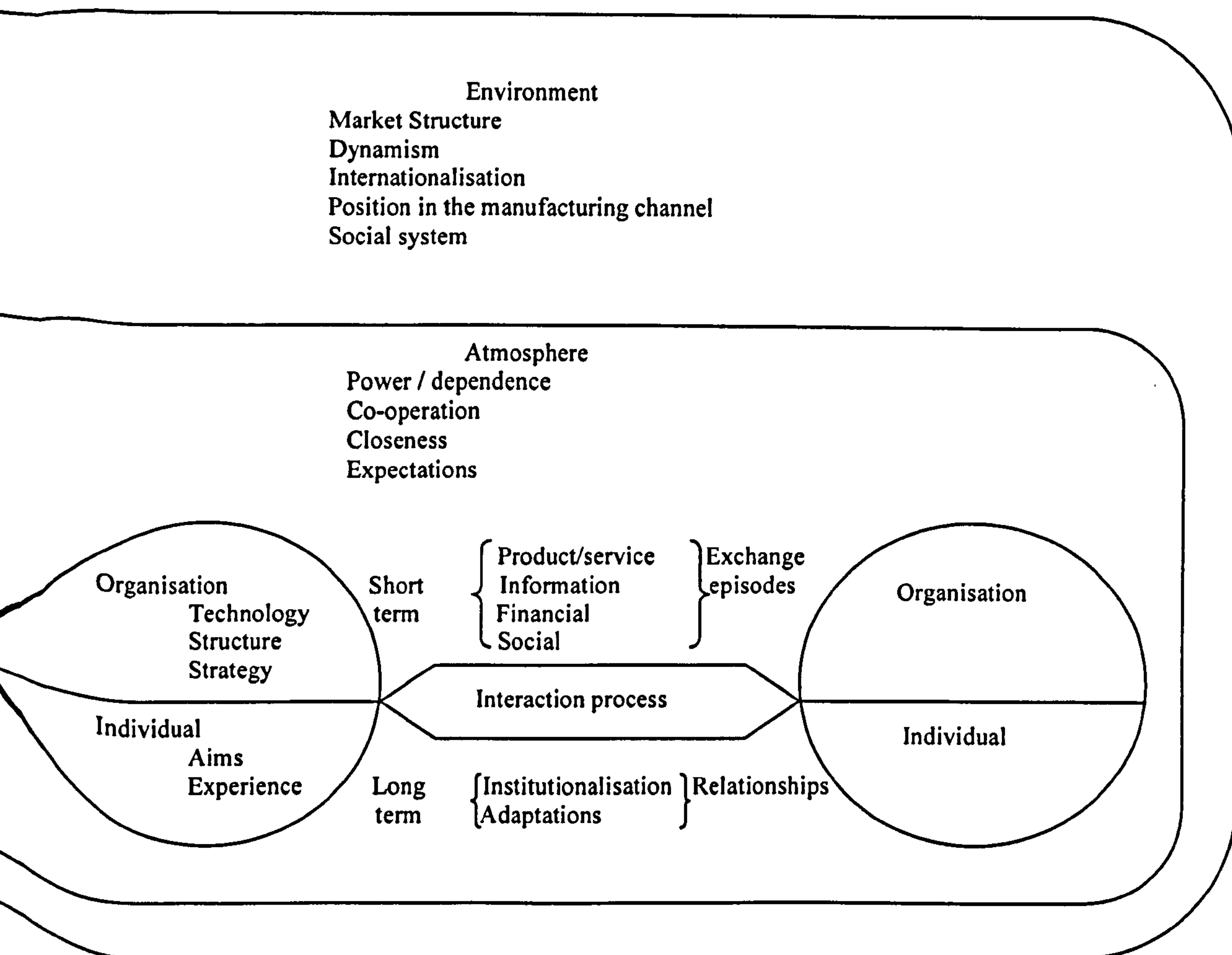
The theoretical foundations of the Interactive marketing approach are widely recognised as being the result of the inter-organisational research carried out by the Industrial Marketing and Purchasing (IMP) Group. This is largely credited as originating at Uppsala University during the 1960's and spreading to a larger number of European countries. The term 'Interactive marketing' was first used by Håkansson and Ostberg (1975). They summarise their approach as follows:

*"Our approach to describing the actual purchase transaction is an interaction between two active counterparts rather than merely a relationship between one active component and a passive market" (p. 114).*

The foundations of the Interactive approach are based on a number of empirically researched findings which *"appear to have been largely neglected in previous research"* (Håkansson *et al.*, 1982, p.11). Using an ethnographic methodology, the IMP Group interviewed 878 buyers and sellers from 318 firms in France, Italy, West Germany, Sweden and the United Kingdom. Their key findings may be summarised as follows: both buyer and seller are active participants in the market; the relationship between buyer and seller is frequently long term, close and involves complex patterns of interaction; links between buyers and sellers often become institutionalised into sets of roles which each party expects the other to perform and close relationships are often considered in the context of continuous raw material supply.

As a result of these findings, the IMP Group (1982) proposed a number of variables (see Fig. 3.1) which *'describe and influence'* (p.11) the interaction between buyer and seller

(the interaction process, the participants in the interaction process (both as organisations and as individuals, the environment within which the interaction takes place, the atmosphere which both affects and is affected by the interaction)



**Figure 3-1 The Interactive Model**

**Source:** 'An Interaction Approach: International Marketing And Purchasing Of Industrial Goods'. IMP Group, pp10 - 27. In D. Ford (Ed), Understanding Business Markets Interaction, Relationships and Networks (1990), Academic Press, London.

It is testament to the significance of the contribution made by the IMP Group that it has been so enduring and is still so widely referenced within marketing literature. Whilst recognising that many of the variables which 'describe and influence' the interaction

process are relevant within the context of this research, the IMP model is essentially a cross-sectional model within an industrial marketing context. When examining relationships within a service context, other factors need to be considered such as the joint production and consumption of services (inseparability), the demarcation of process from outcome within high credence services, the intangible nature of services to list but a few.

### 3.8 Conclusion

The chapter began by highlighting the inadequacies of the traditional marketing paradigm and the factors leading to the emergence of the RM paradigm. It then sought to identify and categorise the *‘variety of partial descriptors and theories focusing on the broad content of the phenomena researchers have labelled ‘Relationship Marketing’* (Moller and Halinen, (2000:p.149). It is, perhaps, RM’s broad multi-disciplinary foundations that have left it open to some of its most stringent criticisms. Critically, as a result of an increased focus on marketing accountability and marketing metrics (Egan, 2003), many RM protagonists are accused of being *‘happy-clappy, touchy-feely, weepy-creepy, born again zealots without any underlying process’* (McDonald, 2000: p. 29).

Whilst some proponents of RM recognise and embrace the nebulous and ‘fuzzy’ nature of RM and that *“no purist definition is possible or even practical”* (Egan, 2004: p. 20), others suggest that if RM is to truly establish itself as a paradigm it requires *“a substantial body of integrated theory, possessing shared and agreed understandings of all conceptualisations”* (Harker and Egan, 2006: p. 229). Part of this process is, arguable, the necessity of identifying and converting theory and concepts into practical tools whilst

recognising the imperative of developing guidelines that are both 'definable and flexible'.

A case in point is the IMP model and its relevance to this context.

The next chapter augments the literature reviewed so far by evaluating the nature of quality and satisfaction specifically within a services context.

## 4 Service Quality and Satisfaction

### 4.1 Introduction

Every time a consumer interacts with a service organisation by whatever means, a service episode or interaction occurs (Shostack, 1984). As discussed in the previous chapter, a service relationship may be built as a result of these interactions (Bitner, 1995). It is during those '*moments of truth*' (Bitner, 1995: p. 248) that consumers receive a 'snapshot' of the provider's quality. As a result, each interaction contributes towards the consumers' overall satisfaction (Bitner, 1990; Bitner *et al.*, 1990; Bolton and Drew, 1992). Thus, each service episode presents the possibility of influencing perceptions of quality and ultimately satisfaction with the entire relationship. To quote Turnbull (1979) "*Parties are able to seek out and evaluate information about the importance and credibility of the other party which may lead to mutual trust, respect and personal friendship*" (Turnbull, 1979:p.81).

This may be directly related to the Interaction literature (previously discussed in chapter three) and the Affect literature (subsequently discussed in chapter five) insofar as each interaction episode between the participants may evoke emotions that arise in response to the encounter. Psychological appraisals and interpretations may be aroused which result in a psychological and/or behavioural action undertaken by individuals to manage the demand of the emotions such as complaint behaviour or repurchase intention.

However, before exploring the link between emotion and satisfaction it is necessary to review the leading studies in the area of satisfaction and quality and the key findings to emerge from these with the intention of gaining a greater understanding of quality, satisfaction and Affect within a professional services context. However, as Palmatier *et al.* (2006) highlight, ‘*there is little agreement among researchers as to which individual or composite relational mediator best captures the key aspect of a relationship that most affects outcomes*’ [p. 139]. Bearing in mind this caveat, the chapter begins with distinguishing quality and satisfaction and then briefly reviews the literature on service quality. Thereafter, there is a review of the satisfaction literature before specifically focusing on the affective component of satisfaction and its relationship with the relational mediators mentioned by Palmatier *et al.* (2006). The chapter ends with a conclusion.

## **4.2 Quality and Satisfaction: A Distinction**

As services marketing evolved, researchers increasingly attempted to differentiate between consumer satisfaction and service quality (e.g. Cronin and Taylor, 1992; Oliver, 1993). Although a review of the literature suggests that the terms ‘quality’ and ‘satisfaction’ are often used interchangeably (e.g. Palmer, 2001; Lovelock, 2001), they are now commonly viewed as separate constructs (e.g. Shemwell *et al.*, 1998). This then raises the issue of the sequential order of quality and satisfaction within a services context (e.g. Spreng and Mackoy, 1996; Bolton and Drew, 1991).

The link between service quality and consumer satisfaction is not the primary focus of this research and an in depth appraisal of the debate surrounding the sequencing of these two constructs is beyond it. For the purposes of this research, it is appropriate to accept the perspective offered by Cronin and Taylor (1992) and Spreng and MacKay (1996) in which service quality is seen as an antecedent to satisfaction and that there is a causal relationship between the two. Following on from this supposition, the next part of this chapter explores the role of quality and then subsequently, the role of satisfaction and Affect within a services context.

### 4.3 Service Quality

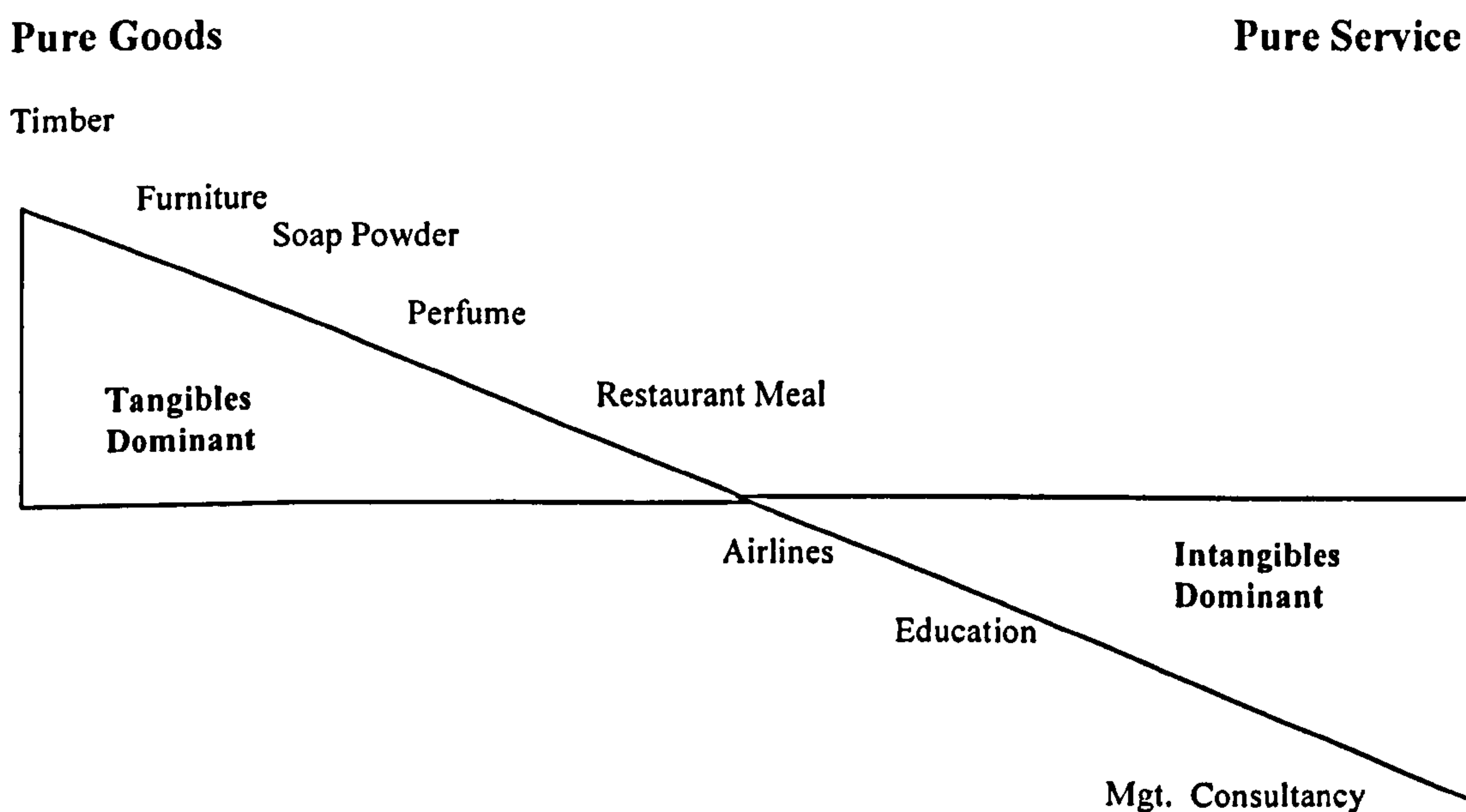
Historically, the marketing literature suggests that services cannot be conceptualised or evaluated by methods traditionally used in the production of tangible goods because of the inherent differences that exist between them (Parasuraman *et al.*, 1985). These characteristics, which Lovelock and Gummesson (2004) describe as '*the unifying theme for services marketing*' (p.25) are universally termed intangibility, heterogeneity, inseparability and perishability (IHIP). Whilst, the IHIP characteristics that distinguish more traditional product marketing from services marketing are increasingly being questioned in terms of their validity and generalisability within a services context (e.g. Lovelock and Gummesson, 2004; Vargo and Lusch, 2004a), an in-depth discussion of this debate is beyond the scope of this thesis. However, a brief summary of the resulting implications of each of these characteristics and of Vargo and Lusch's (2004a) critique of them is summarised below in Table 4.1.

<u>Goods</u>	<u>Services</u>	<u>Resulting Implications</u>	<u>Vargo and Lusch's (2004a) Critique</u>
<i>Tangible</i>	<i>Intangible</i>	<i>Services cannot be readily displayed or communicated. Consumers have difficulty in evaluating competing services. Pricing is difficult and therefore consumers use price as a basis for assessing quality.</i>	<i>Services often have tangible results. Tangible goods are often purchased for intangible benefits. Tangibility can be a limiting factor</i>
<i>Standardised</i>	<i>Heterogeneous</i>	<i>Service delivery and consumer satisfaction depends on employee actions. Word-of-mouth recommendations and tangibles are used as indicators of quality. Service quality depends on many uncontrollable factors.</i>	<i>Tangible good are often heterogeneous. Many services are relatively standardised</i>
<i>Production Separate from Consumption</i>	<i>Inseparability or Simultaneous Production and Consumption</i>	<i>The process of service delivery is as fundamental as its outcome. Consumers participate in and affect the transaction. Employees affect the service outcome. Mass production is difficult.</i>	<i>The consumer is always involved in the "production" of value</i>
<i>Non-Perishable</i>	<i>Perishable</i>	<i>It may be difficult to synchronise supply and demand. Services cannot be returned or resold.</i>	<i>Tangible goods are perishable. Many services result in long-lasting benefits. Both tangible and intangible capabilities can be inventoried. Inventory represents an additional marketing cost.</i>

**Table 4-1 Distinguishing Features of Services Incorporating Vargo and Lusch's (2004) Critique**

Source: Based upon: Zeithamal and Bitner (1996), Services Marketing, McGraw- Hill, p.19;  
Palmer, A. (2001), Principles of Services Marketing, McGraw-Hill, p. 17;  
Vargo and Lusch (2004a), 'The Four Service Marketing Myths: Remnants of a Goods-Based Manufacturing Model, *Journal of Service Research*, Vol. 6, No.4 p.327

The situation becomes more complex when one considers the perspective that when a good is purchased, there is usually a service element included. Similarly, a service is frequently augmented by a tangible product provided with the service leading to the concept of degrees of tangibility (Zeithaml and Bitner, 1996). Historical discussions about services concentrated on degrees of service orientation (Parasuraman *et al.*, 1985). This is represented schematically in Fig. 4.1



**Figure 4-1 The Intangibility Spectrum**

Source: Based upon Palmer, A., (2001), Principles of Services Marketing, McGraw-Hill, p. 21

However, '*noting the extent to which manufacturing organisations have reoriented themselves around services*' (Lovelock and Gummesson, 2004: p. 33) so as to gain differentiation in increasingly commoditised markets (Rust and Chung, 2006), such

distinctions are increasingly being viewed as overly simplistic given the increasing interaction and interdependence of good and services within markets. Indeed, some researchers propose that a ‘new dominant logic’ for marketing is emerging where the exchange is shifting towards *‘intangible, specialised skills, knowledge and processes... interactivity and connectivity’* (Vargo and Lusch, 2004b: p.1-2) and away from the exchange of goods based purely on economic transactions.

Indeed, there is no doubt that the service-dominant (S-D) logic has received notable attention within the academic literature (e.g. Grönroos, 2006, Gummesson, 2006, Peñaloza, 2006) However, there is some debate as to the extent it is an entirely new logic. As Ballantyne and Varey (2007:75) state “*some marketers may well have thought ‘Here comes another restatement of the blindingly obvious!’*”. Thus a focus of the debate surrounding the S-D logic revolves around whether, on the one hand, the “marketing elephant” (Ambler,2004) is changing and there is essentially a re-evaluation, broadening and reframing of what constitutes marketing thus implying “*radical opposition to 200 years of mainstream economic logic*” (Ballantyne and Varey, 2007:75). On the other hand, “*we are merely seeing the same beast [the marketing elephant] from different [e.g. economist v psychologist] perspectives*” (Ambler, 2004:2). Some authors cite the roots of the S-D logic in pre-industrial history proposing the advent of the industrial revolution transformed goods from being items of personal *value-in-use* to items of *value-in-exchange* (e.g. Smith 1759/2002) and as a result, the value-in-exchange mindset has subsequently informed and ‘constrained’ economic and marketing theory (e.g. Argo and Morgan, 2005).

The implication of a value-in-use logic on the roles of suppliers, consumers and intermediaries is fundamental. Key among these is the co-operation and the facilitating of joint value creation and adding processes between stakeholders and the implications this has for the role of marketing and for relationship development. A key implication of an acceptance of the S-D logic on marketing is that its role becomes one of “*managing communicative interactions across a variety of modalities*” and “*in facilitating key relationships*”. Traditional market exchanges are replaced by “*non-routine dialogical learning among supply partners of the ‘what if?’ variety*” (Ballantyne and Varey, 2007:77)

However, many are sceptical that the lexicon proposed by Vargo and Lusch (2006) does represent such a fundamental shift as it still retains many product-centred concepts (Rust, 2006). Indeed Schembri states that “*a focus on the product as either good or service negates any focus on how the customer experiences that product*” (2006:385). Others suggest that Vargo and Lusch’s attribution of a ‘*non-interactive, partisan and production push logic to goods*’ is an over generalisation and that an ‘interactive’ understanding may be applied and is indeed operationalised in many perspectives of marketing (Ambler, 2004).

Indeed, it may be observed that it is the operationalisation of these concepts that is problematic in some instances and passé in others. There is evidence to suggest practitioners have been implementing the S-D paradigm for some time within some

contexts. The I.T. industry for example, realised as early as the 1990s that it is the service that the computer provides that is important to the consumer and appropriately adopted its marketing practices to reflect this (e.g. Amazon.com 2007; IBM Corporation, 2002). Furthermore, whilst much practitioner debate revolves around techniques identifying the financial productivity of marketing, as marketers are facing increasing accountability, the S-D logic in its current format is unable to deliver specific, measurable metrics to the same extent that the marketing mix does.

Thus, whilst some consensus suggests the contribution of Vargo and Lusch's proposals is that they have merely applied "*different scholarly thinking to old themes with synergetic results*" (Ballantyne and Varey, 2007:75) rather than proposing any fundamental shift in marketing theory, they have succeeded in challenging marketing orthodoxy which will create a climate for innovative theoretical and applied marketing thinking and debate in the future.

However, pertinent to this research is the degree of consensus which suggests that quality characteristics related to the delivery of services within some contexts and in particular, credence services, are sufficiently distinct from tangible product based characteristics to warrant their own focus. These characteristics are further explored in subsequent sections.

#### 4.4 Defining Quality within a Services Context

The conceptualisation and measurement of service quality has been “*the most debated and controversial topic in services marketing literature to date*” (Brady and Cronin, 2001: 34). An early perspective suggests that service quality may be defined as ‘*conforming to requirements*’ (e.g. Crosby, 1984). This definition implies that the organisation is responsible for establishing quality requirements and ensuring that these are conformed to (Palmer, 2001). A criticism of this definition is that the organisation and not the consumer generate quality. From another perspective, a number of definitions imply that quality should primarily be based on satisfying consumer needs (e.g. Juran, 1982). More recent literature suggests that a synthesis of these two perspectives has occurred insofar as quality is defined by consumers’ perceptions and occurs when an organisation supplies services to a specification that satisfies these expectations (e.g. Palmer, 2001).

From this, it may be posited that if service quality is the extent to which the service deliverer meets consumer expectations, service quality is a highly abstract construct when compared to more tangible products. As a result, many conceptualisations of service quality begin by explaining the abstract and subjective expectations that consumers hold and distinguishing these from more objective measures of quality. As Carman (2000) states:

*“The perception of service quality is an attitude (Iacobucci et al., 1994). As such it involves combining perceptions or disconfirmation in a fashion to form an overall attitude regarding quality. The conundrum has been to determine what that fashion is” (Carman, 2000: p1).*

The next section of this chapter explores some of these perceptions in an attempt to clarify what this 'fashion' indeed may be.

#### **4.5 Components of Service Quality**

There are two generalised perspectives of service quality and its measurement based on disconfirmation theory around which much discussion has taken place. One is the North American perspective (Parasuramen, Zeithaml and Berry (1988) and focuses on service encounter characteristics such as (reliability, responsiveness, empathy, assurance and tangibles). The other is the 'Nordic' perspective based on the foundations of Fishbein's (1967) research. Augmenting this earlier research a number of academics have proposed that attitude is formed as a function of a combination of attributes that an individual considers to be components of quality. Grönroos (1984), augmenting Swan and Comb's (1976) previous research, suggests these attributes may be divided into two generic sets based on whether they are measuring the 'technical' or 'functional' attributes of the service interaction.

Technical quality refers to the quantifiable aspects of a service which consumers receive during the service interaction. As it can usually be measured by both consumer and supplier, it forms an important basis for judging service quality. Functional quality, Grönroos (1984) suggests, concentrates on the process of interaction between the provider and the receiver of the service and may be assessed in a more subjective manner. Sharma and Patterson (1999) succinctly express the differences between technical and functional quality insofar as they suggest that technical quality is concerned with "what"

is delivered or the “outcome” of the service and functional quality is concerned with “how” it is delivered or the “process” of delivery. Having identified the generic components of service quality, the next section will explore the literature surrounding its measurement.

#### **4.6 Measuring Service Quality**

There have been a number of comprehensive research programmes revolving around the dimensions of outcomes and processes suggested by Grönroos (1984). Based on the research of Holmlund (2001), Table 4.2 contains the most significant of these.

Pre-eminent among these has been the research of Parasuraman *et al.* (1985). Their findings supplement the two basic dimensions of the functional and technical product with a number of additional dimensions that transcend these. These are (i.e. tangibles, reliability, responsiveness, assurance, empathy)

<u>Researcher</u>	<u>Quality Dimension</u>
Grönroos, 1979, 1982	Technical quality, functional quality, image
Lehtinen, 1982	Output quality, process quality
Lehtinen, and Lehtinen, 1982	Physical quality, interactive quality, corporate quality
Albrecht and Zemke 1985	Care and concern, problem solving capability, spontaneity and flexibility, recovery
Parasuraman, Zeithaml and Berry 1985	Tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access communication, understanding of consumer
Parasuraman, Zeithaml and Berry 1988	Tangibles, reliability, responsiveness, assurance, empathy
Garvin 1987	Reliability, performance , features, conformance, durability, serviceability, aesthetics, perceived quality
Gummesson and Grönroos 1987	Design quality, production quality, delivery quality, relational quality, technical quality, functional quality, image
Gummesson 1987	Design quality, production quality, delivery quality, relational quality
Edvardsson, Gustavsson and Riddle 1989	Technical quality, integrative quality, functional quality, outcome quality
Grönroos 1990	Professionalism and skills, attitudes and behaviour, accessibility and flexibility, reliability and trustworthiness, recovery, reputation and credibility
Gummesson 1991	Design quality, service production quality, process quality, outcome quality
Olsen 1992	Design quality, service production quality, process quality
Ovretveit 1992	Consumer quality, professional quality, management quality
Gummesson 1993	Design quality, production and delivery quality, relational quality, outcome quality
Lapierre and Filiatrault, 1996	Competency, trustworthiness, tangibles, reliability, responsiveness, assurance and empathy
Brady and Cronin (2001)	Service quality evaluations are highly complex processes that may operate at several levels of abstraction.

**Table 4-2 Quality Researchers and their Developed Quality Dimensions**

Source: Based upon Holmlund, M. (2001), The D&D Model- Dimensions and Domains of Relationship Quality Perceptions, The Services Industries Journal, Vol. 21, No.3 pp, 13-36

Parasuraman *et al.* (1985) augmented this conceptualisation in an extensive exploratory investigation of quality in four businesses (namely retail banking, credit cards, securities brokerage and product repair and maintenance). From this they developed an instrument for measuring consumer perceptions of service quality compared to their expectations that subsequently became known as SERVQUAL (Parasuraman *et al.*; 1985). While the original SERVQUAL instrument has been revised, refined and reformed, its primary content has remained essentially the same (e.g. Parasuraman *et al.*, 1991).

Using the SERVQUAL methodology, levels of consumer satisfaction are calculated based on a 22 item scale that measures perceived quality based on the difference between a consumer's expectations of the service they "should" get and their perception of the actual performance of the service they receive. The results potentially identify a shortfall or gap between a consumer's expectations of service delivery and their perceptions of actual service delivery and may subsequently be used to identify which specific components of a service in which the gap or gaps are occurring.

The SERVQUAL instrument has a number of strengths (Buttle, 1996): it is consumer driven; it may be used in longitudinal studies; it may be used as a benchmark against competitors; it has greater diagnostic powers than a perceptions only measure because it

allows managers to understand how the overall service quality score is calculated in relation to its component parts; and related to the last point, it closely models its component parts and is therefore easy to understand.

However, despite its profound impact on business and academia, a number of criticisms may be levelled against the SERVQUAL model at both a conceptual and practical level. Conceptually, the inductive nature of the original research meant it failed to draw on economic or statistical theory (Buttle, 1996) and more specifically, given the context of this research, psychological theory. As a result, relatively little attention has been devoted to how perceptions are formed (Anderson, 1982) or emotions evoked. Another concern is that it does not differentiate sufficiently between quality and satisfaction (Iacobucci *et al.*, 1994). The debate surrounding the distinction between quality and satisfaction is discussed in more detail in the next section of this chapter (see Section 4.7). A further criticism is that SERVQUAL overly focuses on the ‘*how*’ or the functional component of the service rather than the ‘*what*’ or the technical outcome of the service (e.g. Richard and Allaway, 1993). Related to this, Brady and Taylor (2001) suggest that if service quality perceptions are representative of a latent variable, then something specific must be reliable, responsive, empathetic, assured and tangible and that any conceptualisation should recognise these dimensions relevant contribution to that “something”. Finally, SERVQUAL fails to capture the dynamics of changing consumer expectations and their experiential learning (Grönroos, 1993).

From a practical perspective, the questionnaire tends to be administered after the consumption of the service. Expectations are therefore measured retrospectively (Palmer, 2001). Related to the issue of expectations is Parasuraman *et al.*'s (1988) '*somewhat vague*' (Teas, 1993) explanation as to what an 'expectation' actually is. This may cause the term to be interpreted in a number of ways. Different interpretations may considerably affect the variance explained thus implying a lack of discriminant validity (e.g., Brown *et al.*, 1993).

More specific criticisms within the context of this research may also be identified. Although the SERVQUAL dimensions have been applied extensively in a general consumer service setting, their applicability in a business-to-business setting is limited thus questioning its contextual stability. It may be contested that within such a context, more emphasis should be placed on specific elements of the service delivery process because of the highly specialised nature often found within such contexts (Odekerken-Schroder *et al.*, 2000). As Edvardsson (1997: p. 491) states "*to be able to study quality in service companies one must first be aware of the characteristic features of those services and service production*". Indeed, relatively little research has addressed business-to-business service quality and even fewer have examined quality within professional services (e.g. Woo and Ennew, 2005).

Finally, SERVQUAL assumes that consumers are dealing with services in which they are high in search and/or experience knowledge. A problem may arise when consumers are asked to evaluate the quality of services that are high in credence characteristics

(Lovelock, 2001). The SERVQUAL instrument tends to measure the cognitive component of quality and is largely attribute based (Odekerken-Schroder *et al.*, 2000). It ignores the affective and emotional component which may be particularly important within certain service contexts (e.g., Chiu and Wu, 2002).

To summarise, whilst service quality evaluation instruments such as SERVQUAL may be appropriate within certain generalised service contexts, their adaptation to other service contexts may be questioned and careful attention should be paid to reliability and validity measures (Asubonteng *et al.*, 1996). This is especially pertinent in cases where the consumer does not possess a high degree of search and/or experience knowledge or in more complex and sophisticated business-to-business service contexts.

As a result of these inadequacies, alternative conceptualisations of service quality have been proposed. Three themes are evident from an examination of the recent literature in this area (Brady and Cronin, 2001). First among these are modified versions of the SERVQUAL model (e.g. Carmen, 2000). Secondly, there is an augmentation of the technical and functional quality dimensions (e.g. Rust and Oliver, 1994). Finally, research revolving around hierarchical conceptions of service quality may be identified (e.g. Dabholkar *et al.*, 1996). Indeed, research by Brady and Cronin (2001) consolidates the Nordic and American service quality perspectives and provides evidence that suggests service quality perceptions are formed on the basis of outcome, interaction and environmental dimensions which may, in turn, be decomposed further into related sub dimensions.

This part of the chapter examined service quality and explored and evaluated its components and evaluated. Having accepted that service quality is an antecedent of satisfaction, it is perhaps appropriate to now examine the satisfaction construct by initially comparing and contrasting it with the construct of quality.

#### 4.7 Satisfaction

Consumer satisfaction is a well established concept in a number of sciences: marketing (e.g. Fornell and Wernefelt, 1987; 1988; Kotler, 1991), consumer research (Yi, 1989) economic psychology (Johnson and Fornell, 1991), welfare-economics (Simon, 1974), and economics (e.g. Warnery, 1988). However, it is in the services marketing and consumer research arena that this review of the literature will focus as these are the most relevant to the research context of this thesis. Within this context, there is much theoretical and empirical research that links a firm's business performance to the satisfaction of its consumers and indeed, their willingness to pay (e.g. Morgan *et al.*, 2005; Homburg *et al.*, 2005). However, as highlighted previously, the nature of the relationship between quality and satisfaction is an '*intriguing issue*' (Tam, 2004: 900). Teas (1993) suggests that much of this confusion is caused by a lack of consensus on the definition and operationalisation of the two constructs. In attempt to clarify matters, Oliver (1997) suggests a number of comparison dimensions which may be used to differentiate quality and satisfaction (see Table 4.3).

<u>Comparison Dimension</u>	<u>Quality</u>	<u>Satisfaction</u>
<i>Experience Dependence</i>	None Required	Required
<i>Dimensions</i>	Specific to Characteristics defining Service Quality	Potentially all Service Dimensions
<i>Standard</i>	Ideals, Excellence	Predictions, Norms, Needs
<i>Cognitive/affective</i>	Primarily Cognitive	Cognitive and Affective
<i>Conceptual Antecedents</i>	External cues (e.g., price, reputation)	Conceptual Determinants (e.g., Affect, distance)
<i>Temporal Focus</i>	Primarily Long Term	Primarily Short Term

**Table 4-3 Conceptual Differences between Quality and Satisfaction**

Source: adapted from Oliver, 1997 p177, Satisfaction: A Behavioural Perspective on the Consumer, McGraw-Hill. In: Odekerken-Schroder, M. et al. (2000), Moments of Sorrow and Joy; European Journal of Marketing, Vol. 34, No.1/2 pp.107-125

It is worth noting that Oliver (1997) interprets the temporal focus of satisfaction as being primarily short term and concludes “*that satisfaction is an immediate response to consumption, while quality exists prior to and subsequent to consumption as an enduring signal of product or service excellence*” (Oliver, 1997: p. 188). However, this research would concur with Odekerken-Schroder et al. (2000) insofar as “*despite the clear differences between quality and satisfaction, their relationship remains complex*”. It would also concur with de Ruyter et al.’s (1997) assumption that:

*“quality is an antecedent of satisfaction since it can be expected that after an objective comparison between expectations and perceptions, resulting in a quality evaluation, this comparison is subjectively interpreted by consumers which leads to satisfaction or dissatisfaction”*

(de Ruyter et al., 1997)

Thus, as a result of the inseparability of production and consumption inherent within most services, the service encounter provides an opportunity for consumers to assess the quality of the service and subsequently their level of satisfaction (Tam, 2004). This generalised impression of satisfaction is more likely to be stable over a time period (Gilbert and Veloutaou, 2006) and less sensitive to consumer's transaction specific reactions (Auth *et al.*, 2003)

One of the key differences between Quality and Satisfaction which Oliver (1997) suggests is that quality is primarily a cognitive process and satisfaction may comprise of a cognitive and affective element. Crucially, it is now increasingly accepted that both cognition and Affect are significant components of satisfaction (Homburg *et al.*, 2006, Szymanski and Henard, 2001). Thus, satisfaction is not inherent within the attributes of the service but is based upon the consumer's perception of the attributes of the service as they relate to that individual. As a result, satisfaction is '*idiosyncratic and, as a construct, emerges from the interaction of perceptual interpretations of expectations*' (Ueltschy *et al.*, 2007). Consistent with this, satisfaction may be defined as "an emotional response, that results from a cognitive process of evaluating the service received against the costs of obtaining the service" (Tam, 2004: 899).

Bitner and Hubbert (1994) and Voss and Parasuraman (1995) also distinguish cumulative and transaction-specific satisfaction. This difference becomes considerably more important in a relational context where marketing activities are focussed towards

*'establishing, developing and maintaining successful relational exchanges'* (Morgan and Hunt, 1994, p.22). One of the underlying principles behind Relationship Marketing is that an organisation may enhance consumer satisfaction through a relationship (e.g. Bejou *et al.*, 1998). The literature on quality and satisfaction in a relational context is now reviewed.

#### **4.8 Quality and Satisfaction within a Relational Context**

When reviewing the literature on relationship quality, there is a lack of consensus as to its precise definition thus implying that *"the nature of the construct may be rather context specific"* (Woo and Ennew, 2004a: p.1254). Palmatier *et al.* (2006), in an attempt to *'synthesise RM empirical research in a meta-analytic framework'* view RM in terms of antecedents (relationship benefits, dependence on seller, investments, seller expertise, communication, similarity, relationship duration, interaction frequency and conflict), relational mediators and outcomes (expectation of continuity, word-of-mouth, customer loyalty, seller objective performance and cooperation).

Their analysis suggests that most research of the effects of RM on outcomes is mediated by one or more of the relational constructs of relationship quality, satisfaction, trust and/or commitment (see Table 4.4 below).

<u><b>Construct</b></u>	<u><b>Definition</b></u>	<u><b>Common Aliases</b></u>
<i>Trust</i>	Confidence in an exchange partner's reliability and integrity	Trustworthiness, credibility, benevolence and honesty
<i>Commitment</i>	An enduring desire to maintain a valued relationship	Affective, behavioural, obligation and normative commitment
<i>Relationship Satisfaction</i>	Customer's affective or emotional state toward the relationship, typically evaluated conductively over the history of the exchange	Satisfaction with the relationship but not overall satisfaction
<i>Relationship Quality</i>	Overall assessment of the strength of the relationship conceptualised as a composite capturing the different but related facets of a relationship	Relationship closeness and strength

**Table 4-4 Relational Mediators**

Based upon: Palmatier, R., Dant, R. Grewal, D. and Evans, K. (2006), Factors influencing the Effectiveness of Relationship Marketing: A Meta Analysis, Journal of Marketing, Vol. 70, October, pp. 136-153

Trust is widely viewed as a crucial concept in understanding expectations for co-operation and planning in a relational context. Indeed, Berry (1995) suggests that RM “*is built on the foundation of trust*” (p. 242). As a result, trust has been studied widely in social exchange literature in terms of organisational behaviour (e.g. Barney, 1990), communications (e.g. Hovland *et al.*, 1953) and the development of confidence. Morgan and Hunt (1994) emphasise the link between trust and confidence and the likely

continuation of the relationship suggesting that “*Genuine confidence that a partner can rely on another indeed will imply the behavioural intention to remain. If one is confident then one would be willing. If one is not willing then one is not genuinely confident*” (p. 24-25).

Commitment is widely viewed as one of the defining variables within RM (e.g. Morgan and Hunt, 1994; Mummalaneri, 1987) and has been identified as the most common variable used in buyer – seller relationship studies (Wilson, 1995). Some researchers view its importance in terms of being the key feature in a relationship that actually differentiates that relationship from other forms of transactions (e.g. Beaton and Beaton, 1995; Barnes, 1994). Without commitment there would merely be repeat purchases where loyalty may be purely behaviourist or attributable to product availability (Barnes, 1994).

The complex, multi-dimensional nature of commitment has meant there have been various attempts to capture the concept in a definitional form. Dwyer *et al.* (1987) define commitment as constituting “*an implicit pledge or relationship continuity between exchange partners*” (p. 19). Mobley *et al.* (1978: p. 410) define commitment as “*a dedication to the continuation of the relationship which can be measured as the behavioural intention regarding ongoing participation and the inverse probability of withdrawing from the relationship*”.

From drawing on the conceptualisation of commitment in social exchange literature (e.g., Cook and Emerson, 1978), marriage literature (e.g. Thompson and Spanier, 1983) and

organisational literature (Meyer and Allen, 1984), Morgan and Hunt (1994) define commitment as:

*“An exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working at to ensure that it endures indefinitely.” (p. 23)*

Relationship satisfaction is a customer’s affective or emotional state towards a relationship as opposed to satisfaction with individual exchange episodes (Palmatier *et al.*, 2006).

Relationship quality is interpreted as being a multi-dimensional construct (Woo and Ennew, 2004a) that ‘*captures the many different facets of the exchange relationship*’ and therefore ‘*its structure and underlying dimensions vary across empirical studies*’ (Palmatier *et al.*, 2006; p. 139). Whereas some researchers combined satisfaction, trust and commitment into a single latent construct of relationship quality (e.g. Crosby *et al.*, 1990), more recent research demonstrates that these may be separated out and that these may interact differently for different types of customers based on their prior experience (e.g. Lin and Ding, 2005).

#### **4.9 The Affective Component of Satisfaction**

Thus far, there has been little reference in the literature made to the role of the affective component of satisfaction. For example, Crosby and Stephens (1987) research does not address the issue of Affect and emotions directly within the context of satisfaction but

concentrates on the more cognitive aspects of the peripheral product. Their results do suggest the contact person's performance "*certainly affects satisfaction, but is balanced against the perceived performance of the core service*" (p.411).

In contrast, Barnes and Howlett's (1998) research identifies the affective dimension of the service interaction and stresses the cruciality "*of how customers are made to feel in their dealings with their provider*" (p. 21). More importantly, however, Barnes and Howlett's (1998) research suggests an empirical link between Affect and relationship quality and reveals "*that the affective dimensions of the service encounter best predicts quality relationships*" (p. 15).

However, on reviewing the literature, there is little consistency in the use of terminology related to Affect and its interchangeability with emotion (Bagozzi *et al*, 1999). It is therefore important to define the meaning of the terms for the purpose of this research. Whilst this is done in more detail later in the thesis (see Section 5.1), a preliminary definition is provided here so as to inform the next section. Bagozzi *et al* (1999) define Affect as "*an umbrella for a set of more specific mental processes including emotions, moods and possible attitudes*" [p.184]. This suggests Affect is a more generalised feeling or state where as emotion is "*a mental state with a specific referent*" and is therefore evoked by "*a specific target such as a person, object or event*" (Johnson and Stewart, 2006: p.5). The next section of this chapter reviews the literature on Affect and emotion in relation to consumer satisfaction. It should be stressed that the affective terminology adopted by the authors originally is used when presenting their findings.

#### **4.10 Affect and Satisfaction**

Distinct attribution dependent Affect (such as anger, gratitude and guilt) has been identified as being relevant within the context of product and service reactions. However, to understand how Affect relates to satisfaction, it is necessary that studies which measure both are reviewed so that the relationship between them can be assessed (Oliver, 1997).

In an early study by Westbrook (1987) the positive and some of the negative Affects from Izard's (1972) scheme discussed in the next chapter (see section 5.4) were related to a number of satisfaction measures. Using the product categories of automobiles and Cable TV, Westbrook (1987) was able to demonstrate: that positive and negative Affect represented relatively independent dimensions of affective response to products in use; that positive and negative Affect were not mutually exclusive; that the reports of positive and negative Affect related directly to product satisfaction judgments and; these were beyond the effects of expectancy disconfirmation values.

These results suggested that satisfaction was neither purely cognitive nor purely affective. As a result of these findings, researchers began to explore the affective structure and dimensions of satisfaction within a consumer context. An influential study by Mano and Oliver (1993) examined a full circumplex of emotions along with measures of utilitarian and hedonistic values across a range of products. The subjects were allowed to select their own products based on certain criteria such as level of involvement. There were a number of significant findings from this study: the Affect circumplex was fully supported within the context of consumption satisfaction; the findings also suggested a joint

operation of product influences and emotion on satisfaction and lastly; arousal served as a mediating function between outcome and Affect suggesting the following chain:

Outcome → Arousal → Affect → Satisfaction.

Oliver (1993) augmented this research by examining satisfaction influences at the attribute level for a product (automobiles) and a service (University course). This study differed from the previous study because actual attributes were examined in terms of the automobile and the University course and not just general descriptions of functional or hedonic values. In the course of the study, summary scores of product feature satisfactions and dissatisfactions were formed and related to Izard's (1972) positive Affect scales (interest and joy) and three negative subsets based on attribution theory (see section 5.4 for a fuller explanation of this). These subsets were external attributions (anger, disgust, contempt) internal attributions (shame, guilt) and situational attributions (sadness, fear).. The model posited that:

- attribute satisfactions and dissatisfactions were sources of Affect;
- that Affect would partially mediate the attribution influences on overall satisfaction and;
- that product attributes would have direct effects on satisfaction.

All hypothesised relations were supported. Satisfaction with automobiles was found to be a function of attribute satisfaction, attribute dissatisfaction, positive and negative Affect and disconfirmation. Satisfaction with the University course was also found to be determined by these antecedents with the exception of dissatisfaction.

To summarise, it may be concluded with some degree of certainty that, within a consumer context there is a cognitive and affective element to the satisfaction construct (Westbrook, 1987; Homburg *et al*, 2006). It may also be concluded that positive and negative Affect are independent dimensions of an affective response to product satisfaction judgments (Westbrook, 1987). Finally it may be concluded that positive Affect and negative Affect are a function of attribute satisfaction and dissatisfaction and overall satisfaction is a function of Affect and attribute satisfaction (Oliver, 1993; Phillips and Baumgartner, 2002).

However, the research findings reviewed so far have primarily been in a product based consumer context. When placed in a service context, they may have deficiencies. For example, where there is a high degree of interaction, the service provider may be the focal point of the service interaction (e.g. Bitner, 1990). No provision has been made for consumer reactions to the service provider (e.g. Barsade, 2002).

Also, the disconfirmation model assumes that the consumer has the ability to form expectation and performance assessments about the attributes of a product (Alford and Sherrell, 1996). Credence services in particular may not provide such opportunities. In such circumstances, other aspects of the service interaction, such as elements of the

functional product, may take on a higher degree of significance. Affect and satisfaction within a credence context are now explored further.

#### **4.11 Credence Services**

Services may be classified into three general categories based on their attributes. These are:

- Search characteristics
- Experience characteristics and;
- Credence characteristics

The first two categories of search and experience qualities, were conceptualised by Nelson (1970) for consumer products and very much based on an economist's perspective. Search characteristics have low pre-costs (i.e. there is little requirement for the consumer to improve their level of information by consulting experts, retailers or friends). Thus the buyer is able to shop around for the best quality specimen by simple inspection (Andersen and Philipsen, 1998).

Experiential services possess attributes "*that can only be discerned during consumption or after purchase of the good*" (Alford and Sherrell, 1996: p. 72). An example of this may be a film or a meal in a restaurant. They have high pre-costs but low post-costs since the information obtained by the consumer prior to purchase provides the basis for making decisions about repeat purchases.

Darby and Karni (1973) added the third category of credence qualities. This refers to attributes *“that a consumer may not be able to evaluate even after purchase and consumption due to the level of knowledge required to understand what the good does”* (Alford and Sherrell, 1996: p. 72). They have high pre-costs and high post-costs of quality detection. As a result the buyer has to rely on third party judgments or on the providers’ credentials (Andersen and Philipsen, 1998) These classifications are not mutually exclusive. In fact, Alford and Sherrell (1996) posit the existence of a continuum ranging from those goods and services that are easy to evaluate at one extreme through to credence goods and services that are difficult to evaluate at the other extreme.

#### **4.12 Affect and Satisfaction within Credence Services**

In an attempt to address the deficiencies previously mentioned, Alford and Sherrell (1996) investigated the role of Affect in evaluating satisfaction within a credence service context. In such circumstances, Alford and Sherrell (1996) posit that consumers will use two sources of information to evaluate a service interaction and derive satisfaction judgments:

- firstly, intuitive logic and the consistency with which the service process is performed and secondly;
- the consumer’s affective reaction to the service provider.

They also introduce the concept of ‘General Affect’ which represents *“the existing Affect stored with the service provider category in the mind of each consumer. It is a broad*

*level affect that has been generated over time by past experiences with the service provider category” (p. 75).*

These results suggest that for services high in credence properties, consumers rely on their affective reactions to the service provider to evaluate service provision. The labour intensiveness of such services makes the traditional distinction between Affect for the product and Affect for the person difficult. Affect is thus evoked through interaction during the service interaction and is instantaneous whereas performance evaluation requires more time to develop. Thus, the affective response may influence the perception of performance.

Their findings also suggest Affect significantly influences satisfaction indirectly through performance evaluation and that this may take place after affective judgments are formed. This contradicts the research by Westbrook (1987) and Oliver (1993) discussed in the previous section which found Affect was generated by attribute satisfaction and dissatisfaction.

#### **4.13 Conclusion**

The purpose of this chapter was to review the leading studies in the areas of service quality and satisfaction and to identify the key findings to emerge from these. Having accepted that, for the purposes of this study, service quality is an antecedent of satisfaction, the chapter began by defining service quality, exploring its components, and evaluating the tools developed for measuring it. Particularly relevant to this study is the concept of the Technical and Functional product (Grönroos, 1984) because of potential differences between groups of consumers in terms of their ability to assess each of these and the implications this may have on satisfaction judgements.

The construct of satisfaction was subsequently explored and it was determined that within a consumer context, there is a cognitive and affective element to the satisfaction construct. The chapter subsequently focused on the literature related to the role of Affect evoked on consumption satisfaction judgments.

Early research in this area (Westbrook, 1987) demonstrated that positive and negative Affect are independent dimensions related directly to product (dis)satisfaction judgments and that overall satisfaction is determined by a joint operation of product influences and Affect (Mano and Oliver, 1993,1997). Subsequent findings have determined that Affect may partially mediate product attribution influences on overall satisfaction (e.g. Oliver, 1993; 1997 Adaval, 2001)

However, these research findings have primarily been in tangible, product based contexts. From a services perspective, some inadequacies may be identified (Bickart and Schwarz, 2001; Phillips and Baumgartner, 2002). Firstly, where there is a high degree of interaction between service provider and consumer, the service provider may become the focal point of the service encounter (e.g. Schoefer and Ennew, 2005) and yet there is no provision for consumer reactions to the service provider (Alford and Sherrell, 1996).

Secondly, it is assumed that the consumer has the ability to form expectation and performance assessments about the attributes of the core or technical product (Grönroos, 1984). However, this may not always be the case, particularly in a credence service context. In such circumstances, other dimensions such as the way the service is delivered or 'the functional product' (Grönroos, 1984) and Affect evoked during delivery (Barnes and Howlett, 1998) may take on a higher degree of significance when determining satisfaction judgments (e.g. Crosby and Stevens, 1987). Indeed, research by Alford and Sherrell (1996) suggests that consumers may use their affective reaction to the service provider when deriving satisfaction judgments.

However, research has generally assumed consumer homogeneity (e.g. Smith and Bolton, 2002) and neglected the issue of how 'consumer expertise' may moderate Affect evoked and its role in determining satisfaction. Previous research in this field has assumed that consumers are homogenous (e.g. Smith and Bolton, 2002) when there is increasing evidence to suggest consumer heterogeneity (e.g. Hanlon, 1997). This implies credence services may be consumed by individuals who, in varying degrees, possess the ability to form expectation and performance assessments about the service they are consuming and have pertinent technical qualifications, skills, knowledge and experience that enable them to do so. Consequently, this raises issues related to the role and functionality of Affect on the formulation of satisfaction judgments within credence service encounters and suggests the importance of further research to examine the mediating influence of consumer expertise on this.

However, before exploring this further, it is necessary to initially review the major studies of Affect and emotion in the general psychology literature and the key findings to emerge from these, so as to gain a greater understanding of how they may be applied to a credence services marketing context. For this reason, the next chapter reviews the literature on Affect and emotion whilst chapter six introduces the methodology which was adopted to conduct the research for this thesis.

## 5 Affect and Emotion

### 5.1 Introduction

*“Consumers seek and avoid, long for and fear, enjoy and regret outcomes of purchasing and consumption. One can sense elements of approach and avoidance, the anticipation of positive and negative outcomes and the realisation of these outcomes. Emotions become part of this satisfaction”*

(Oliver, 1997: p.291)

Despite its long history in general psychology, Affect and more specifically, emotion is a relatively new topic in the sphere of marketing (Oliver, 1997). Its relevance and application within this field is increasingly being recognised and expanded. Historically, research on Affect within a marketing context may have been placed into two broad categories: advertisement based and consumption based research. However, more recent literature has reflected an increased interest in Affect and its role within a range of marketing contexts. Examples of these include: emotional contagion within service interactions (Hennig-Thurau *et al.*, 2006); ; customers’ affective response to touch and its influence on persuasion (Peck and Wiggins, 2006); the role of Affect in determining customer satisfaction development (Homburg *et al.*, 2006) and Affect infusion and word-of-mouth recommendations (Söderlund and Rosengren, 2007).

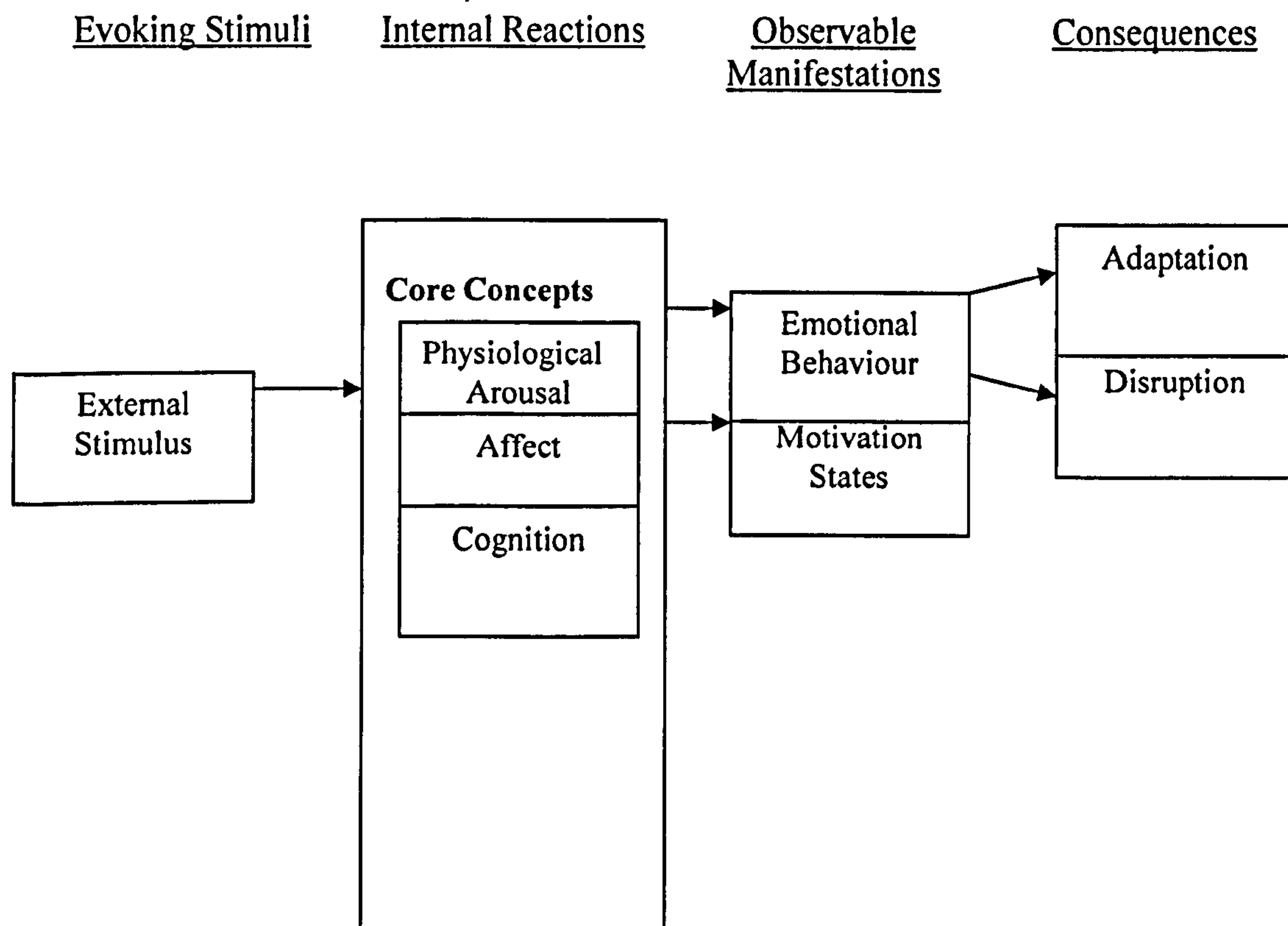
In general, the approaches used by these researchers (e.g. Edell and Burke, 1987; Holbrook and Batra, 1987; Oliver, 1993; Richins, 1997; Homburg *et al.*, 2006; Söderland, 2006) and their empirically driven results have been consistent with leading studies on emotion in the psychology literature (Bagozzi *et al.*, 1999). It is therefore

necessary to review these emotion and psychology studies and the key findings to emerge from them so as to gain a deeper understanding when they are applied to a services marketing context. This chapter of the thesis is concerned with identifying and defining Affect and emotion. It subsequently explores the literature surrounding the nature of emotional frameworks and concludes by reviewing the general literature on the role of emotions within a marketing context.

## **5.2 A Definition of Affect, Emotion and Moods**

In a review of the emotion psychology literature, Kleinginna and Kleinginna (1981) identified 92 definitions of emotion which they condensed into eleven categories. Oliver (1997) subsequently delineated these categories but lately omitted three considered to be all-inclusive, were from a different psychological perspective or that questioned the existence of emotion. The remaining eight are portrayed graphically in Fig. 5.1.

From this simplified representation it may be interpreted that emotion consists of an evoking stimulus (usually external), an internal reaction (physiological, affective and cognitive), an observable manifestation (motivational states and behavioural characteristics) and a consequence that is adaptive or disruptive.



**Figure 5-1 A Graphical Portrayal of Kleinginna and Kleinginna Emotion Categories**  
 Source: Satisfaction: A Behavioural Perspective on the Consumer, Richard L. Oliver (1997), McGraw-Hill International, p. 292

However, despite what initially appears to be a relatively uncomplicated concept, on review, the emotions literature reveals little consistency in uses of terminology particularly related to Affect and its interchangeability with emotion (e.g. Johnson and Stewart, 2006, Bagozzi, *et al.*, 1999; Oliver, 1997. Indeed Oliver (1997) suggests “*ironically, emotion defies definition*” (p.292). Therefore, building on the definition provided previously (see Section 4.9), the distinctions between Affect, emotion and mood are explored. in more detail in the next section.

### 5.2.1 Affect

Bagozzi *et al.* (1999) define Affect as “*An umbrella for a set of more specific mental processes including emotions, moods and possible attitudes*”. They go on to suggest “... *affect might be considered a general category for mental feeling processes rather than for a particular psychological process, per se*” [p.184]. This suggests Affect is a more generalised feeling or state where as emotion is “*a mental state with a specific referent*” and is therefore evoked by “*a specific target such as a person, object or event*” (Johnson and Stewart, 2006: p.5).

### 5.2.2 Emotion

Bagozzi *et al.* (1999) define emotion as “... *a mental state of readiness that arises from cognitive appraisals of events or thoughts; has a phenomenological tone, is accompanied by physiological processes and may result in specific actions to affirm or cope with the emotion*” [p.184].

Emotions arise in response to appraisals made of something of relevance to the individual. These ‘evoking stimuli’ could take the form of being incident related [events], behaviour related [agents] or a change in an object [object]. The distinction between reactions to events, agents and objects gives rise to three *basic*<sup>8</sup> classes of emotions:

- Being pleased or displeased (reactions to events)
- Approving or disapproving (reactions to agents)

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<sup>8</sup> These three basic emotion classes can in turn be decomposed into a number of distinct groups of emotion types. These are discussed later in the chapter

- Liking and disliking (reactions to objects)

Critically however, it is not the evoking stimuli that evoke emotions but the individual's unique psychological appraisals and interpretations that arise after comparing an actual with a desired state (Bagozzi *et al.*, 1999; Oliver, 1997). These appraisals may be deliberate, reflective and conscious, or automatic and unconscious. The appraisal process is discussed in a later part of this chapter (see Section 5.7).

### 5.2.3 Moods

The difference between an emotion and a mood is “*a line.....difficult to draw*” (Bagozzi *et al.*, (1999: 184). However, some key properties of each construct may be seen in the table below (Bagozzi *et al.*, 1999, Frijda, 1993, Oatley, 1992).

<b><i>Characteristic</i></b>	<b>Emotion</b>	<b>Mood</b>
<i>Condition</i>	Mental state of readiness (Bagozzi <i>et al.</i> , 1999)	The cognitive system is maintained in an emotion mode for a period (Oatley, 1992)
<i>Nature</i>	Cognitive appraisals of specific events or thoughts	Generally non intentional and global or diffused (Frijda, 1993)
<i>Evocation</i>	A response to appraisals of something relevant to an individual's wellbeing	Often elicited (Frijda, 1986) by: <ul style="list-style-type: none"> <li>• After effects of emotion</li> <li>• Organismic conditions (e.g. illness, fatigue etc)</li> <li>• General environmental conditions and their side effects (e.g. heat, noise, temperature etc)</li> </ul>
<i>Physiological processes</i>	Present	Occasionally present
<i>Physical expression</i>	Present and may be overt (e.g. gesture, posture, facial expressions)	May be present and may not be as overt
<i>Duration</i>	Short (physiological emotions such as fear) or long (cognitive emotions such as shame)	Long lasting (from a few hours up to a number of days)
<i>Intensity</i>	Tends to be more intense (in terms of the magnitude of physiological response and extent of bodily manifestation)	Generally lower but with exceptions
<i>Consequences</i>	May result in specific actions to affirm or cope with emotion evoked	May result in no specific actions

**Table 5-1 A Comparison of Emotion and Mood**

In general terms, moods can be differentiated from emotions on the basis of their duration. To quote Gardner (1985), emotions may be defined as '*feeling states that are transient....particularised to specific times and situations*' (p. 282) and may result in some physical manifestation. In contrast moods may be relatively enduring (Hirschman and Stern, 1999) but lack any physical manifestation. A mood may also be non-intentional (Frijida, 1993) and is not directly linked to action tendencies (Bagozzi *et al.*, 1999).

However, as highlighted previously, there is little consistency within the marketing and RM literature to reflect this. Evidence within the relational literature suggest that 'emotions' evoked are characterised by endurance. However they also tend to be re-affirmed at each service episode. Thus, for the purposes of this research, the construct of 'emotion' is deemed relevant as it has identifiable evoking stimuli, an appraisal component and, as opposed to moods, may be directly linked to some kind of action tendency (e.g. termination of the relationship).

Having defined Affect, emotion and mood, the next sections of this chapter explore some of the key research findings within the Emotion Psychology literature.

### 5.3 The Universality of Emotions

An area of much debate within the literature is whether emotions are universally experienced. Plutchik (1980) and Izard (1977) suggest basic emotions are biologically based and emphasise the role of emotions in enhancing an organisms chances of survival. This theory is largely founded on the Darwinian theory of evolution. For this reason, they support the concept of emotions being a universal phenomenon.

In an attempt to explore the concept of the universality of emotions, Ortony and Turner (1990) compared 14 emotion theories found in the literature and summarised the incidence of proposed basic emotions across these. Their findings suggest that emotions are not universal. However, proponents of the universality of emotions refer to three key areas that support universality:

- physiology and the universality of facial expressions for emotions;
- adaptation and evolutionary evidence and;
- brain neurology (Oliver, 1997).

To focus on this debate in any depth is beyond the scope of this research and so Oliver's (1997) observation is noted as a mechanism for justifying the emotional descriptors and their frameworks that are explored within the context of this research.

*"It appears that there is 'agreement' on the observation that there are similarities and differences in the universality of emotions. Interestingly, the authors do come to some agreement on the emotions that are more 'universal' than others."*  
(Oliver, 1997: p. 96).

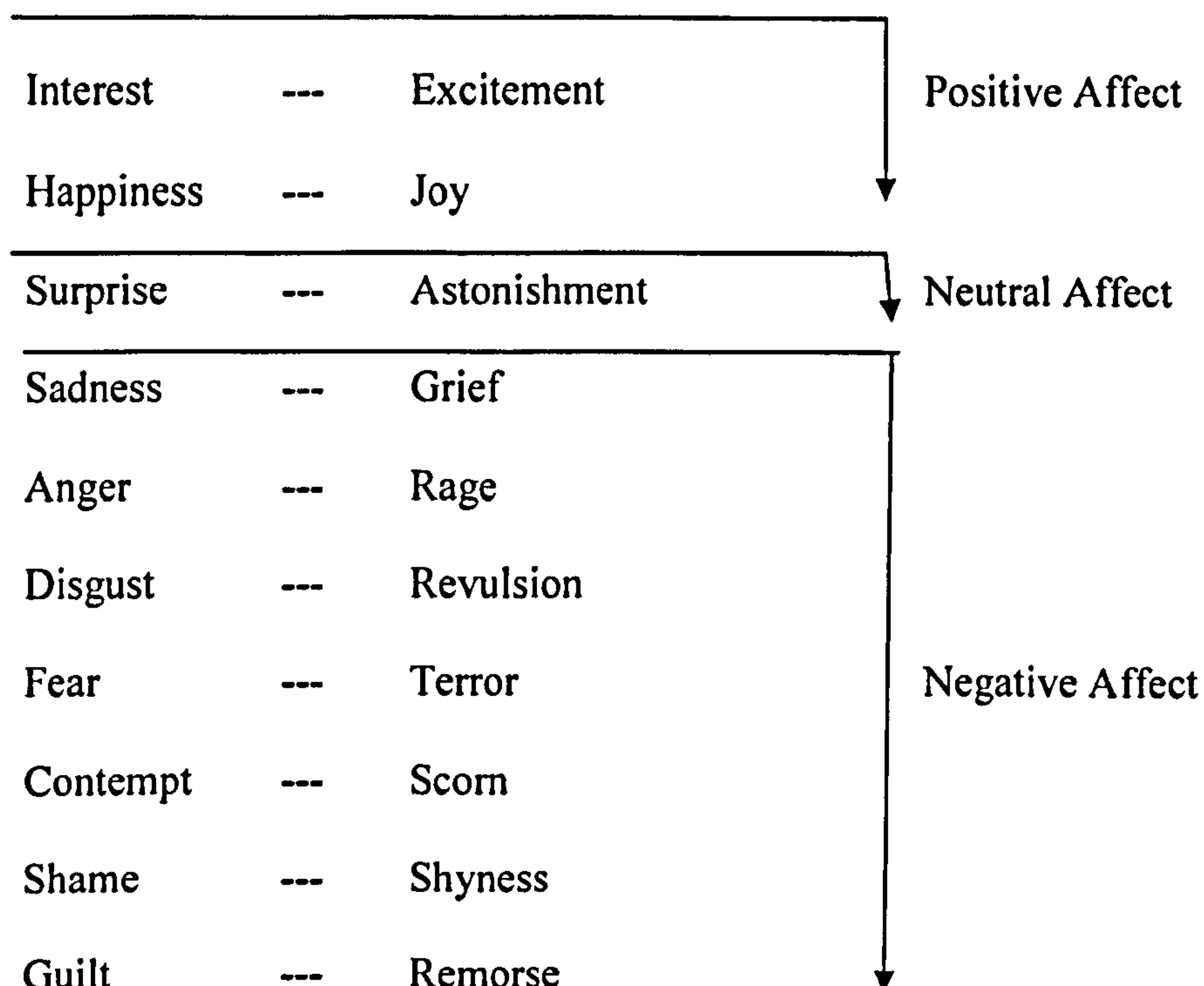
Despite there being no widespread agreement as to the number or nature of basic emotions (e.g. Richins, 1997), a number of researchers have attempted to identify and categorise frameworks of basic emotions. These are now explored in more detail.

#### **5.4 Emotions as Discrete Affects**

Izard's (1972) investigation of emotions derives from assuming the biological evolution of humans. He examined emotions by focusing on facial muscle responses associated with emotion. He proposes 10 discrete basic emotions that may co-exist as separate responses. Each emotion reflects a unique pattern of subjective experience, physiological response and expressive behaviour. As the emotions are discrete, there are no 'emotion sets' although Izard (1972) does distinguish between positive and negative emotions.

These discrete emotions are described with pairs of words that reflect differences of intensity and may be experienced individually or in combination. These may be seen in Table 5.2.

Based on this research, Izard (1972) developed the Differentiated Emotional Scale (DES) and subsequently the DES II, which measure these 10 emotions. Despite the DES II being used frequently in consumption emotion research (e.g. Richins, 1997); a number of criticisms may be levelled at Izard's research.

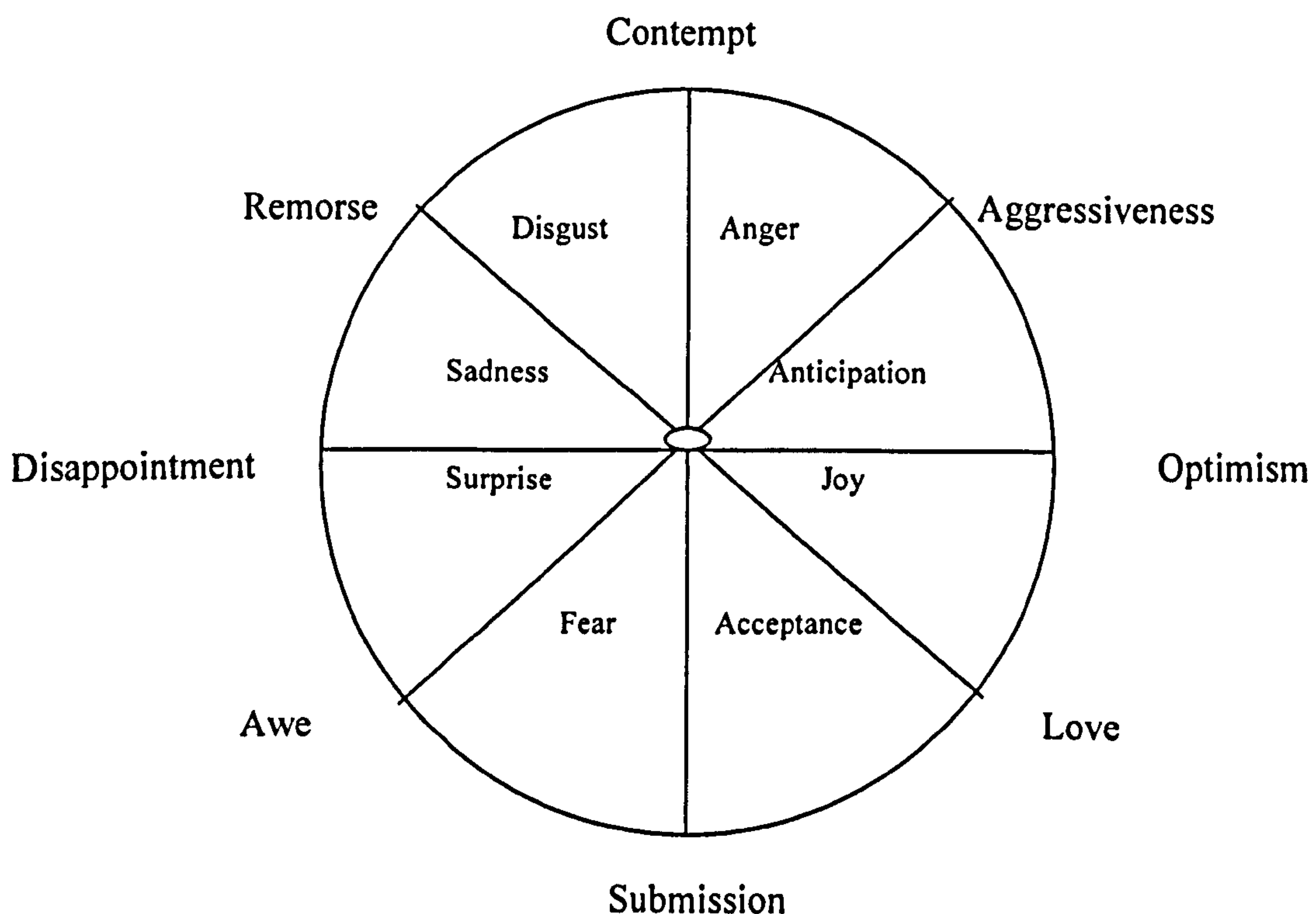


**Table 5-2 Izard's (1972) Emotions as Discrete Affects**

There is some debate as to the degree to which some of these emotions may be considered basic. Oliver (1997) suggests the latter three emotions (contempt, shame and guilt) have a greater cognitive content and therefore require a greater degree of cognitive and affective integration. Another criticism is the predominance of negative emotions and as a result, a number of authors suggest the need for a broader sampling of emotions (e.g. Mano and Oliver, 1993; Oliver, 1992). However, Izard (1972) and Plutchik (1980) suggest that more complex emotions are the result of a blending of these 'basic' emotions.

## 5.5 Emotions as a Blend of Affects

Plutchik (1980) juxtapositioned eight basic emotions in a circular format so that the combination of adjacent, once removed and twice removed emotions all produce other emotions. For example, the adjacent categories of joy and acceptance produce love (see Fig. 5.2).



**Figure 5-2 The Plutchik Circumplex**

Adapted from Robert Plutchik (1980). *Emotion: A Psychoevolutionary Synthesis*. New York. Harper and Row (p164). In *Satisfaction: A Behavioural Perspective on the Consumer*. Richard L Oliver (1997), McGraw-Hill International.

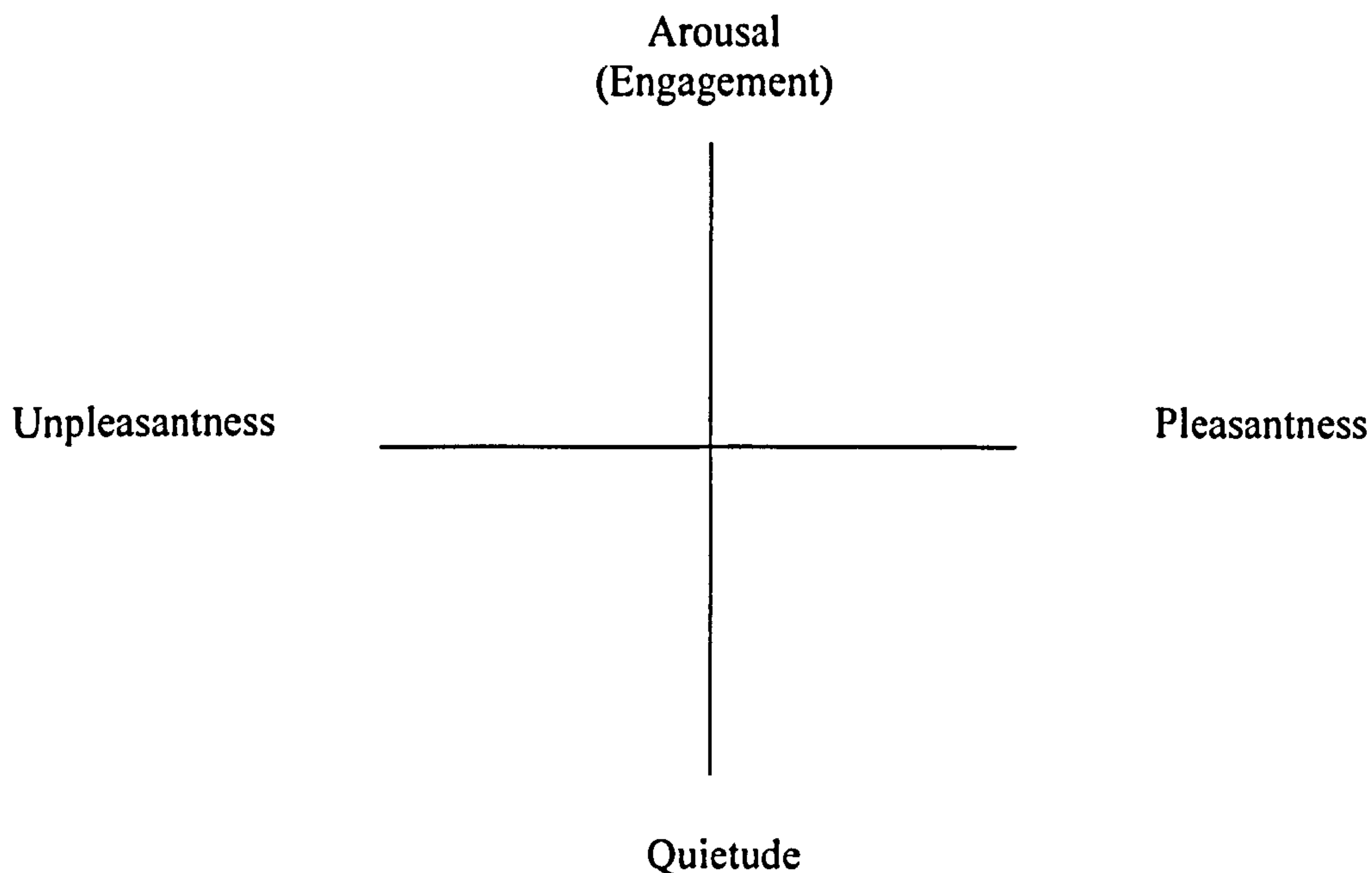
Plutchik's (1980) framework is, however, not a true circumplex because those emotions sharing a common border do not share similarities of intensity or arousal and Affect valance. As Oliver (1997) highlights, the intensity of emotion is relegated to a depth

dimension producing emotions above or below the basic eight. The nature of circumplexes is explored in more detail in the next section.

## **5.6 Emotions as a Two Dimensional Construct**

In contrast to the discrete approach to emotions, an emerging body of theory supported by empirical research suggests emotions may be described in terms of two primary dimensions that delineate a circular configuration known as a circumplex (Oliver, 1997). As Bagozzi *et al.* (1999) explain, with a circumplex model, emotions exist in bi-polar categories (e.g. happy-sad, nervous-relaxed) and can be arranged in a continuous circle around the circumference. The closer the emotions are to each other on the perimeter, the more similar they are.

An early version was developed by Russell (1979). He proposes that pleasantness/unpleasantness and arousal/quietude are Affects of two primary dimensions (see Fig.5.3). Russell is referring to what Oliver (1997) subsequently terms the 'structure' of emotion. Oliver (1997) defines this as the '*dimensionality of emotion space and its content*' [p297].



**Figure 5-3 The Affective Circumplex**

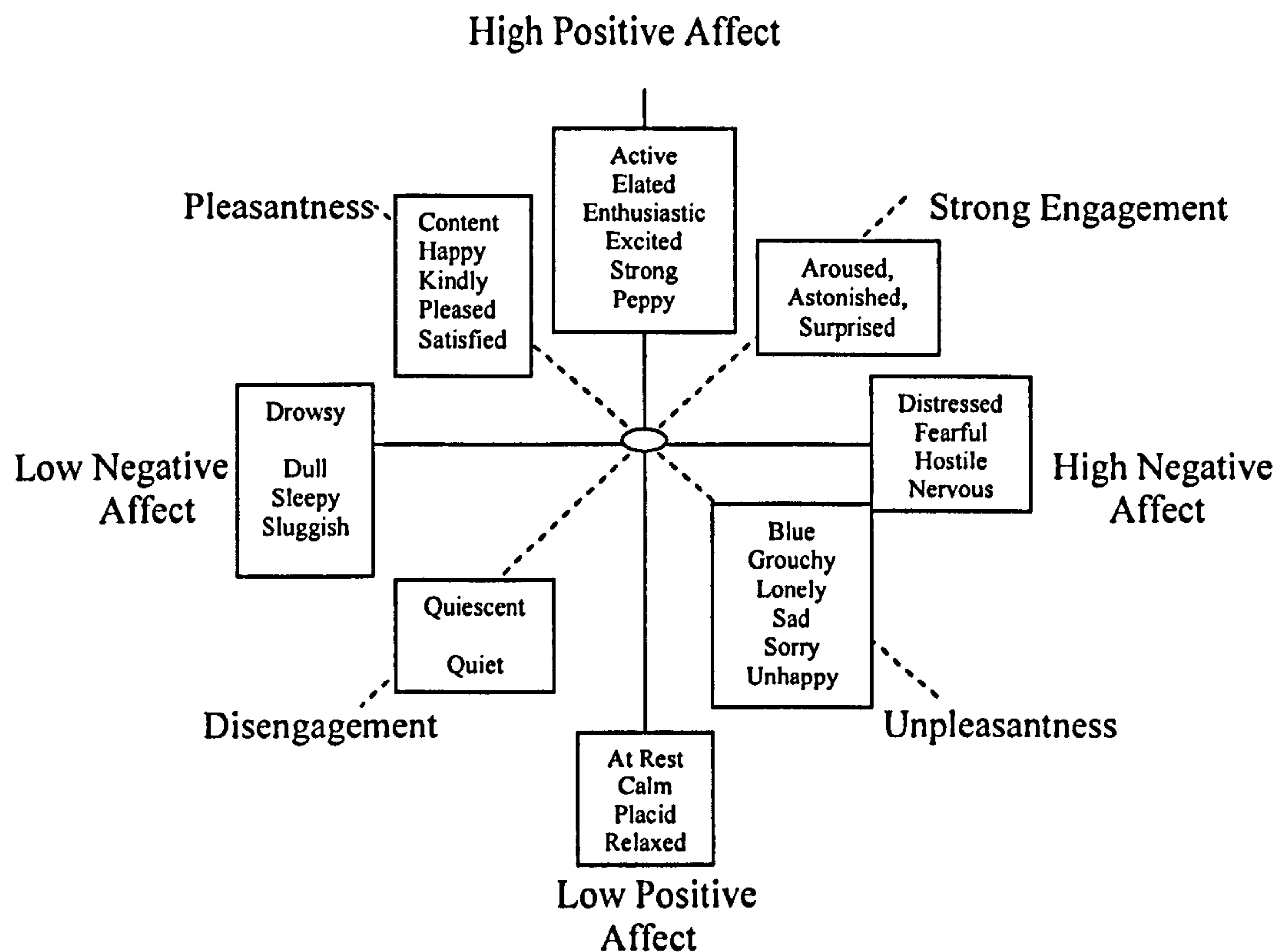
In Satisfaction: A Behavioural Perspective on the Consumer: Richard L Oliver (1997), McGraw-Hill International.

This two-dimensional structure proposed by Russell (1979) has subsequently become known as the Pleasure-Arousal Theory (PAT). The PAT scale was developed primarily to measure emotional responses to environmental stimuli such as architectural space and does not capture the entire domain of emotional experience (Richins, 1997). Oliver (1997) does, however, highlight how the configuration is 'conceptually richer' than that of the basic emotion frameworks mentioned previously because low arousal Affects are given equal representation. This is important because as Oliver ( 1997) states "*It now appears that the basic emotions are high arousal responses to environmental stimuli and*

*that researchers have not been prone to consider the possibility that low arousal states are also basic” [p. 297].*

Watson and Tellegen (1985), in an interpretation conceptually similar to that of Russell (1979), rotate the circumplex by 45 degrees. They suggest that positive Affect and negative Affect are the two independent dimensions. Positively correlated with these two axis is ‘engagement’ positioned at 45 degrees between them. This then encompasses high and low arousal states (see Fig. 5.4) such as ‘dull’ and ‘distressed’ for negative Affect and ‘elated’ and ‘calm’ for positive Affect. Empirical research (e.g. Chamberlain, 1988; Mano, 1991, Mayer and Shack, 1989) is widely supportive of the two dimensional view of emotion.

This circumplex model is appealing because it is simple and provides a description of which emotions are similar and which are dissimilar (Bagozzi *et al.*, 1999). However, it does have a number of limitations. Firstly, the circumplex model can obscure subtle differences in emotions (Bagozzi *et al.*, 1999). Secondly, the circumplex contains categories that are arguably not emotions (e.g. drowsy and sleepy) while at the same time it does not contain other emotions such as love, disgust, pride etc. (Bagozzi *et al.*, 1999).

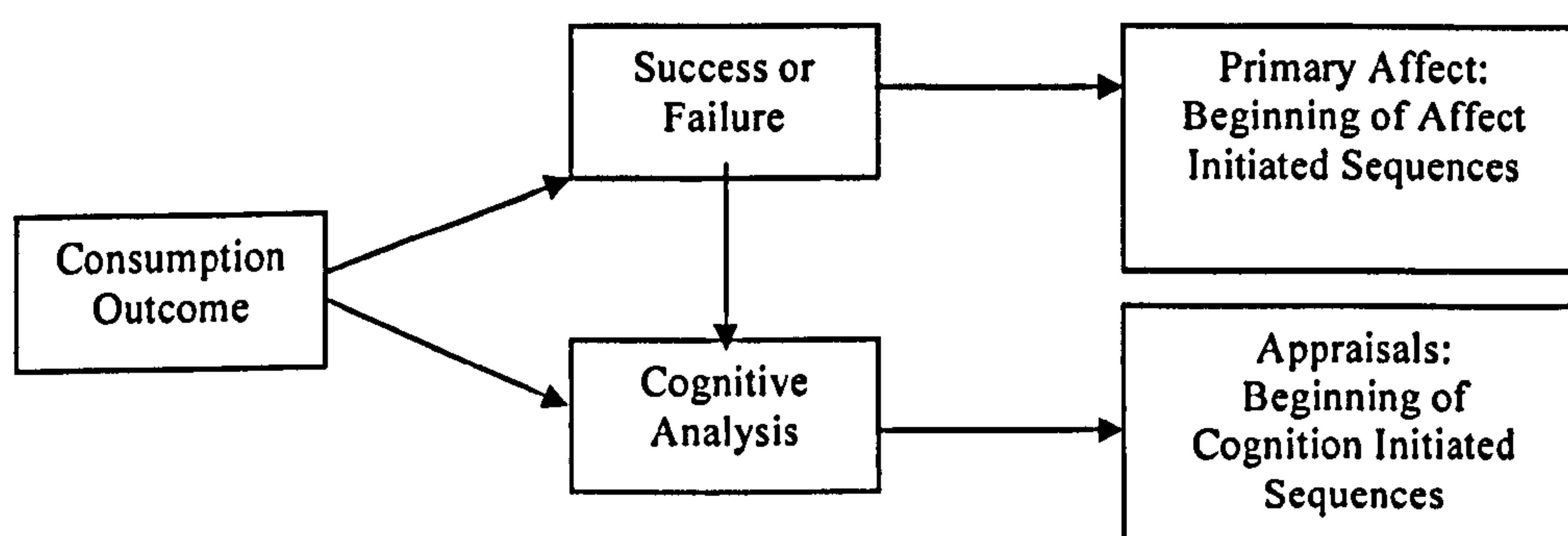


**Figure 5-4 Watson and Tellegen's Two Factor Structure of Affect.**

Source: Watson and Tellegen (1985:225) In: Bagozzi et al. (1999) The role of emotions in Marketing, Journal of the Academy of Marketing Science, Vol. 27 No. 2 p184-206.

Perhaps its most serious limitation is that it is based on emotions that are experienced without any reference to the conditions (appraisals) that produce the emotions (Bagozzi, 1999). One explanation of this is the concept of parallel appraisals of the same event (Weiner, 1985). Elkman (1992) refers to 'automatic' and 'extended' appraisals whereby the automatic appraisal occurs spontaneously and consists of basic emotions (Primary Affects).

The extended process consists of a cognitive reflection on the event giving rise to appraisal<sup>9</sup>. Similar concepts have been suggested by other researchers (e.g. Lazarus, 1991; Frijda, 1993; Buck, 1985). Oliver (1997) depicts the two-appraisal model diagrammatically in Fig .5.5:



**Figure 5-5 The Two-Stage Appraisal Model.**

Source: Oliver, R L (1997), Satisfaction: A Behavioural Perspective on the Consumer – McGraw-Hill P311.

The first appraisal (based on success or failure) evokes the more basic response at a basic level. This is referred to as primary Affect and is the basis for subsequent sequences of events. The second appraisal which corresponds to cognitive interpretation evokes various forms of reasoning (Oliver, 1997). Appraisals are now explored in more detail in the next section.

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<sup>9</sup> It should perhaps be stressed that while emotions may involve some degree of cognition, this contribution of cognition is not necessarily conscious. To quote Ortony and Turner (1994:p. 317) " *To say that emotions arise from cognition is to say that they are determined by the structure, content and organisation of knowledge representations and the processes that operate on them. These representations and processes might sometimes be available to consciousness, but there is no reason to suppose that they necessarily are so*"

## 5.7 Appraisals

There is some contention about the role of appraisals in the formation of attitudes. Some researchers believe that emotions are caused by appraisals (e.g. Lazarus, 1991; Frijda, 1986, 1993). Others believe that while cognitions may be a sufficient cause for emotions, cognitions may not be necessary for their formation (e.g. Izard, 1993). When considering this debate, it is perhaps appropriate to make reference to Nyer (1997); “... *the ongoing debate is about whether appraisals are necessary for the formation of emotions. The proposition that certain appraisals are sufficient to cause emotions is widely accepted*” [p297].

Philosophers going back to Aristotle have described situations that are likely to evoke particular emotions. However, it was Lazarus (1991) who proposed that emotions are the outcomes of the cognitive appraisal of an event in terms of the significance for an individual's well being and in terms of the available potential to cope with the event. Thus, it is the subjective appraisal of the stimulus in the context of the individual's needs and coping potential that determine the emotional response and not the characteristics of the event or stimulus (Nyer, 1997).

## 5.8 Components of Appraisal

Many cognitive appraisal components have been suggested by the various proponents of cognitive models of emotion (Nyer, 1997). A review of the literature suggests two appraisals are crucial during the evaluation and interpretation stage. These are goal relevance and goal congruence. Goals may be defined as ‘*internal representations of*

*desired states where states are broadly defined as outcomes, events or processes'* (Austin and Vancouver, 1996, p. 338).

It is proposed (e.g. Bagozzi *et al.*, 1999) that emotions function to co-ordinate the cognitive system so as to manage responses to events in order to maintain or change desired states or activities. More precisely:

*"Each goal and plan has a monitoring mechanism that evaluates events relevant to it. When a substantial change in the probability of achieving an important goal occurs, the monitoring mechanism broadcasts to the whole cognitive system a signal that can set it into readiness to respond to this change."* (Oatley, 1992: p.50)

Goal relevance and similar concepts (e.g. Petty and Cacioppo, 1986) indicate the extent to which an event or outcome is personally relevant (Bagozzi *et al.*, 1999). The more goal relevant a situation, the stronger the consequent emotion.

Goal congruence and similar concepts (e.g. Roseman's Outcome Desirability, 1991) indicate the extent to which an event or an outcome is congruent with an individual's wants or desires. For example, if an event is perceived as congruent then positive emotions can occur. Roseman's (1991) version of appraisal theory suggests that there are four appraisals that determine which of sixteen unique emotions will be experienced in any given situation (see Table 5.3). The four appraisals are:

- appetitive or aversive which is a similar concept to goal congruence/incongruence;

- agency which refers to whether the outcome is perceived as being self-caused, caused by other or is the result of particular circumstances (conceptually similar to responsibility and control (e.g. Smith and Ellsworth, 1985));
- probability which refers to the extent to which an outcome is certain or uncertain;
- power which refers to the individuals coping potential.

		Positive Emotions Motive-Consistent		Negative Emotions Motive Inconsistent		
Circumstances Caused		Appetitive	Aversive	Appetitive	Aversive	
Unexpected		Surprise				
Uncertain		Hope		Fear		Weak
Certain		Joy	Relief	Sadness	Distress Disgust	
Uncertain		Hope		Frustration		Strong
Certain		Joy	Relief			
A G E N C Y	<u>Other Caused</u>	Liking		Dislike		Weak
	Uncertain					
	Certain					
	Uncertain			Anger		Strong
	Certain					
	<u>Self Caused</u>	Pride		Shame, Guilt		Weak
	Uncertain					
	Certain			Regret		Strong
	Uncertain					
	Certain					

Table 5-3 Roseman’s (1991) Appraisal Theory of Emotions

Source: Bagozzi *et al.* (1999), The Role of Emotions in Marketing, Journal of the Academy of Marketing Science, Vol.27, No.2 pp. 184-206.

Roseman's (1991) Appraisal theory does accommodate most emotions and does allow for more subtle combinations of appraisals which may produce discrete emotional responses (Bagozzi *et al.* 1999). However, not every emotion is accounted for. For example, Bagozzi *et al.* (1999) suggest Roseman (1991) has interpreted shame and guilt as being produced by similar appraisals but other researchers have found important distinctions between them (e.g. Lewis, 1993). Crucially, however, in contrast to those theories reviewed earlier in this chapter (Russell, 1979; Watson and Tellegen, 1985), Roseman's framework not only considers discrete emotions but also the conditions that evoke them (Bagozzi *et al.*, 1999).

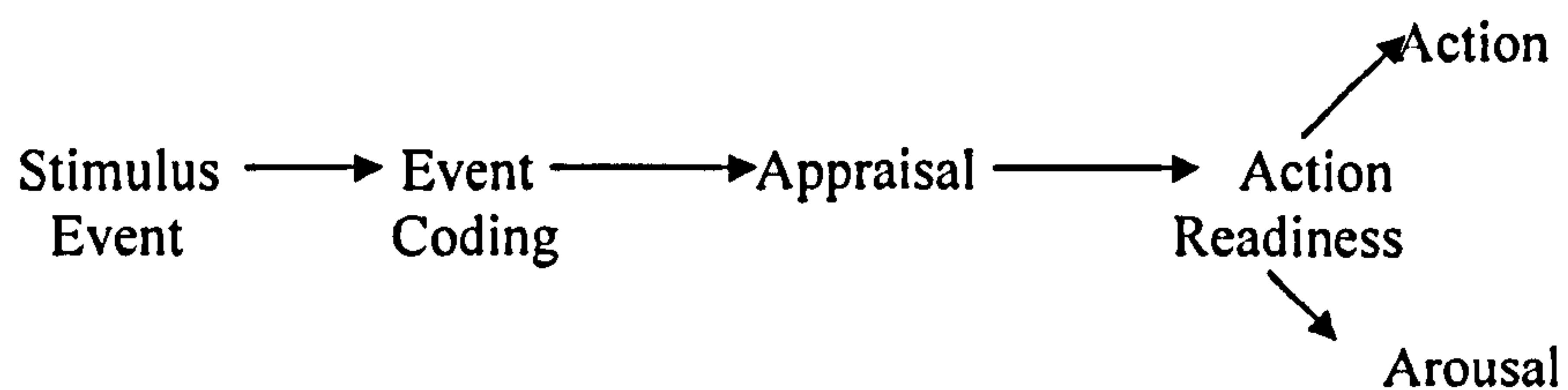
Having explored the literature on appraisal, the next part of this chapter reviews the coping mechanisms and coping potential resulting from these appraisals.

## **5.9 Coping Mechanisms, Coping Potential and Action Tendencies**

Nyer (1997) defines coping mechanisms as the *"Psychological and behavioural actions undertaken by the individual to manage the demands of the emotion evoking situation"* [p297]. Coping, in turn, can change subsequent appraisals and hence subsequent emotions (Lazarus, 1991). Closely related to coping mechanisms are action tendencies. An action tendency is *"a readiness to engage in or disengage from interaction with some good or object"* and includes *"impulse of 'moving towards' 'moving away' and 'moving against'"* (Frijada *et al.*, 1989: p. 213).

Coping potential (Scherer, 1984) is an evaluation of the consequences of engaging in a particular coping mechanism (Nyer, 1997). It has implications for marketers because

some of the coping mechanisms commonly used by consumers include complaint behaviour, word-of-mouth and repurchase intention. A number of researchers believe that emotions are not just reactions to appraisals but include action tendencies (Frijda, 1986) and that emotions are conceived as part of a process starting with a stimulus event and ending with action and arousal.



**Figure 5-6 The Process of Stimulus Event to Action and Arousal**

Source: Bagozzi *et al.* (1999), The Role of Emotions in Marketing, *Journal of the Academy of Marketing Science*, Vol.27, No.2 pp. 184-206.

Bagozzi's (1992) theory of self-regulation elaborates on this theme by suggesting that 'unique editorial responses' underlie coping for each emotion or class of emotion. The process begins with outcome desire and appraisals of changes or anticipated changes in goal attainment.

Table 5.4 has been adapted from Bagozzi's Theory of Self-regulation and synthesized with Roseman's (1991) Appraisal Theory. This was done with the intention of giving an indication of the entire emotional process from appraisal of stimulus event through to coping responses.

<b>Appraisal Class: Outcome desire</b>	<b>Emotional Reaction</b>	<b>Source Attributes</b>	<b>Coping Resources (Depending on emotion evoked)</b>
<u><b>Conflict</b></u>  Failure to achieve goal or an experience of an unpleasant event	Dissatisfaction Disgust Sadness  Anger  Shame Guilt Regret	External cause   Other person  Self	Intent to remove Intent to undo Obtain help or support  Decrease Outcome  De-evaluate goal Re-double effort
<u><b>Fulfilment</b></u>  Achieve goal or experience of pleasant event	Satisfaction Joy Elation Pleasure Relief  Caring Love  Pride	External cause   Other person  Self	Intention to maintain Outcome Intention to increase outcome Intention to enjoy outcome
<u><b>Avoidance</b></u>  Anticipation of unpleasant outcome or goal	Fear Worry Anxiety Frustration Distress  Dislike Anger Shame Guilt Neglect	External cause   Other person  Self	Avoid undesirable outcome   Re-interpret threat
<u><b>Pursuits</b></u>  Anticipation of pleasant goal or outcome	Hope  Liking  Pride	External cause  Person caused  Self	Intention to realise or facilitate outcome sustain commitment

### **Table 5-4 A Synthesis of Bagozzi's Self Regulation Theory and Roseman's Appraisal Theory**

Source: Adapted from Bagozzi (1992) Theory of Self-Regulation and Roseman's (1991) Appraisal Theory.

Having reviewed the general literature on Affect and emotion, the next section reviews the literature on cues that evoke emotion within a marketing context.

#### **5.10 Marketing Cues that Evoke Emotion**

As previously highlighted, recent literature has reflected an interest in Affect within a range of marketing contexts and this are now explored in more detail. Whilst the seminal literature pertaining to Affect evoked through advertisements is briefly reviewed, as the main focus of this research is the consumption of a service, there is a more detailed review of the literature on consumption related Affect.

Edell and Burke (1987) and Holbrook and Batra (1987) conducted two key studies on the measurement of emotional responses towards advertisements. Edell and Burke (1987) developed a 52-scale item measuring emotion evoked as a result of advertising stimuli. Subsequent analyses produced three factors (upbeat feelings, negative feelings and warm feelings). These would appear to generally correspond to the high positive Affect–low positive Affect and pleasantness–unpleasantness dimensions of the Watson and Tellegen (1985) circumplex reviewed earlier in the chapter. Using this research tool, Edell and Burke (1987) were able to demonstrate that distinct primary Affect dimensions (positive and negative) were evoked by advertisements and that these contributed significantly to

predictions of attitude to the advertisement and attitudes to branding. They were also able to demonstrate that this occurred in addition to and independently of the effect of cognitive judgments. To quote Edell and Burke; '*feelings generated by an ad are different conceptually from thoughts about the ad and both are important and contribute uniquely to explaining the effects of advertising*' (p.421).

Similarly, Holbrook and Batra (1987) developed a 94-item scale which, using factor analysis, they subsequently reduced to a three-factor solution of pleasure, arousal and domination. Again, there are distinct similarities between their findings and those of Russell and Mehrabian's (1977) three-factor solution of the pleasure–arousal–dominance model (Bagozzi *et al.* 1998).

Although these studies proved conclusively that advertisements evoked emotions and that instruments may be developed to measure these, its relevance to consumption induced emotion is tangential (Richins, 1997). This is for two reasons: firstly, the emotions evoked by advertisements are vicarious and not directly experienced. As a result, they are likely to be of lower intensity (Aaker *et al.*, 1988). Secondly, many advertisements are dramatic enactments that may elicit an entire range of emotions not normally associated with consumption (Richins, 1997). For these reasons and the reason that the primary focus of this study is the consumption of services, the research focus will now move to consumption related emotions in subsequent sections.

Since the 1980s, a number of researchers have explored the experiential boundaries of consumption beyond '*the confines of cognitive psychology and utilitarian economics*' (Hirschman and Stern, 1999: p.6). Prominent among these are the following three studies. Havlena and Holbrook (1986) demonstrated that the three dimensional model (pleasure, arousal and dominance) proposed by Mehrabian and Russell (1974) did represent emotions evoked during actual consumption experiences. Subsequently, Allen *et al.* (1992) examined whether recollected emotions could serve as incremental predictors (beyond attitude) of behaviour using Izard's (1977) emotional taxonomy and indeed found that '*emotion can have a direct influence on behaviour that is not captured or summed up by attitude judgments*' (p.500). Finally, Arnould and Price (1993) explored emotions evoked during hedonistic consumption (the contexts were white water rafting and skydiving respectively). Using a combination of ethnography and survey-scaling methodologies, the authors (1993) highlighted rarely investigated emotions such as transcendence and ecstasy. Interestingly, because of the nature of the experience there was reluctance by many consumers to translate these evoked emotions into cognitive material.

One can conclude from these and other studies that consumers do exhibit a range of emotions evoked during the course of consumption. In an attempt to identify and classify these further, Oliver (1997) examined a number of appraisal taxonomies by leading psychology researchers (e.g. Frijda, 1993; Weiner, 1985; Ortony and Collins, 1988) and selected those dimensions that were considered appropriate in a consumption context. Oliver (1997) suggests that these emotions are linked to the valence of events and to

specific responses. Oliver (1997) terms these responses appraisal dimensions (see Table 5.5).

Appraisal Dimension	Typical Emotion Labels	
	Positive	Negative
<i>Pleasantness/Unpleasantness</i>	Affects loading on positive side of circumplex models	Affects loading on negative side of circumplex models
<i>Legitimacy, fairness/Unfairness</i>	Happiness, pride	Anger, annoyance Contempt, distrust, guilt, rage
<i>Unexpectedness Certainty/uncertainty</i>	Anticipation, hope	Anxiety, apprehension, fear
<i>Unexpectedness : Novelty Unexpectedness : Suddenness</i>	Joy Relief, surprise	Disappointment Shock, startle, surprise
<i>Controllability : Self</i>	Gratification, pride	Guilt, regret, remorse, shame
<i>Controllability : Other</i>	Gratitude	Anger, annoyance, contempt, scorn, disappointment, distrust
<i>Controllability: Situation</i>	Happiness, luck	Frustration, despair, sadness
<i>Anticipated effort Goal attainment/ Congruence</i>	Challenge, interest, pride  Feelings of success, achievement	Boredom, tedium  Feelings of failure, loss, inadequacy
<i>Goal relevance</i>	Attention, interest	Disinterest, indifference

**Table 5-5 Appraisal Dimensions and Emotional Labels**

Source: Oliver, R L (1997), *Satisfaction: A Behavioural Perspective on the Consumer* – McGraw-Hill

Oliver’s (1997) research suggests there are parallels with the more specific attribution framework of Weiner *et al.* (1985). In this study, lists of attribute dependent emotions were generated. By restricting their list to the three most cited Affects [whilst excluding generalised happiness and sadness attributes] and subsequently cross classifying by

success or failure, they produced a list of the most likely emotion for each attribution (see Table 5.6).

Attribution	Following success	Following failure
<i>Ability</i>	Pride, competence	Frustration, anger, resignation
<i>Personality</i>	Pride, confidence, compliance	Anger, frustration, fear
<i>Stable Effort</i>	Pride, confidence, competence	Anger, guilt
<i>Unstable Effort</i>	Pride, relief	Anger, fear
<i>Other's actions</i>	Gratitude, pride	Anger, frustration
<i>Luck</i>	Surprise, relief	Anger, frustration

**Table 5-6: Attribution-Dependent Emotions Identified by Weiner *et al.***

Source: Oliver, R L (1997), *Satisfaction: A Behavioural Perspective on the Consumer* – McGraw-Hill

Oliver (1997) suggests that a pattern of attribution emotion appears to emerge from these analyses. Pride, competence, confidence and relief dominate success attributions and when another person is involved, gratitude may also be found. Surprise and relief occur where there is an element of luck involved. Anger and frustration with evidence of guilt and fear dominate failure attributions.

### 5.11 Measuring Emotions in the Consumption Experience

The marketing-related emotions literature reviewed previously has primarily drawn on frameworks of emotions developed in the psychology literature (e.g. Edell and Burke, 1987; Allen *et al.*, 1992; Oliver, 1997). However, these may not always be appropriate when specifically investigating consumption-related emotions (Richins, 1997). Critically,

emotions are context specific. As Richins (1997) suggests: *“Emotions that arise in the context of intimate interpersonal relationships are likely to differ in intensity and quality from the emotions experienced when buying a pair of shoes.”* (p. 129). In an attempt to overcome these inadequacies, Richins (1997) developed and conducted a study which: identified the emotional states associated with consumption; assessed the appropriateness of existing measures in measuring the emotions identified as being associated with consumption and finally; proposed an alternative method for assessing consumption-related emotions culminating in the Consumption Emotions Set (CES) (see Table 5.6). Thus, the CES excludes bodily states such as ‘sleepy’ and ‘droopy’ and subjective evaluations of self such as ‘self-confidence’ and ‘feeling abandoned’ encompassed within many psychological based frameworks. In all, sixteen identifiable clusters with a number of associated descriptors were identified.

The CES is now widely accepted and used within consumption marketing as an appropriate measure of emotions evoked during and as a result of consumption (e.g. Wood and Moreau, 2006; Söderlund and Rosegren, 2005; Bagozzi *et al.*, 1999). For this reason the CES is used to assess respondents’ emotions during the main data collection stage of the research (see Chapter six).

Anger		Discontent	
	<i>Frustrated</i>		<i>Unfulfilled</i>
	<i>Angry</i>		<i>Discontented</i>
	<i>Irritated</i>		
Worry		Sadness	
	<i>Nervous</i>		<i>Depressed</i>
	<i>Worried</i>		<i>Sad</i>
	<i>Tense</i>		<i>Miserable</i>
Fear		Shame	
	<i>Scared</i>		<i>Embarrassed</i>
	<i>Afraid</i>		<i>Ashamed</i>
	<i>Panicky</i>		<i>Humiliated</i>
Envy		Loneliness	
	<i>Envious</i>		<i>Lonely</i>
	<i>Jealous</i>		<i>Homesick</i>
Romantic Love		Love	
	<i>Sexy</i>		<i>Loving</i>
	<i>Romantic</i>		<i>Sentimental</i>
	<i>Passionate</i>		<i>Warm-hearted</i>
Peacefulness		Contentment	
	<i>Calm</i>		<i>Contented</i>
	<i>Peaceful</i>		<i>Fulfilled</i>
Optimism		Joy	
	<i>Optimistic</i>		<i>Happy</i>
	<i>Encouraged</i>		<i>Pleased</i>
	<i>Hopeful</i>		<i>Joyful</i>
Excitement		Surprise	
	<i>Excited</i>		<i>Surprised</i>
	<i>Thrilled</i>		<i>Amazed</i>
	<i>Enthusiastic</i>		<i>Astonished</i>

**Table 5-6 Richin's (1997) Consumption Emotions Set (CES)**

Source: Richins, M., (1997), Measuring Emotions in the Consumption Experience, *Journal of Consumer Research*, Vol. 24, pp. 127-146

## 5.12 Conclusion

This chapter began by identifying and defining Affect, mood and emotion. It subsequently explored the literature surrounding emotional frameworks and reviewed the general literature on the role of emotions in marketing. After reviewing the psychology literature on emotions a number of conclusions may be drawn: Emotions are complex dimensions. Indeed, the literature on emotional typologies can create more ambiguity than it resolves (Oliver, 1997). Emotions may be viewed as moderately or highly aroused levels of negative or positive Affect (Watson and Tellegen, 1985) and that the level of arousal may determine the expression and range of positive and negative Affect. More complex emotions may result when two or more Affects are blended regardless of arousal (Plutchik 1980). Roseman's (1991) Appraisal theory framework allows for discrete, more subtle emotions to be produced but also, more importantly, the circumstances that may evoke them (Bagozzi *et al.*, 1999). Research by marketers in this field (e.g. Edell and Burke, 1987; Holbrook and Batra, 1987; Oliver, 1993; Richins, 1997) and their results have been consistent with leading studies on emotion in the psychology literature (Bagozzi *et al.*, 1999).

A number of researchers believe that emotions are not just reactions to appraisals but include coping potential, coping mechanisms and action tendencies (Frijda, 1986). This has implications for marketers because some of the coping mechanisms commonly used by consumers include complaint behaviour, word-of-mouth and repurchase intention or relationship continuation.

It is this last point that is particularly pertinent to the context of this research. To quote Bagozzi *et al.* (1999):

*“An area neglected by marketers, but at the heart of the discipline, is the role of emotions in marketing exchanges and relationships. How do emotions initiate, maintain, or sever marketing relationships? ....What are the implications of treating emotions as social phenomena as opposed to strictly intrapsychic phenomena.” (p.202).*

This section of the thesis has reviewed the extant literature relevant to this research. Drawing on the law, relationship marketing, service quality and satisfaction and finally; the affective literature, a number of gaps have been identified. These focus on the moderating role of client sophistication on the priority and functionality of affect evoked within business-to-business credence service markets.

The next chapter of this thesis proceeds by briefly considering reiterating the gaps in the literature in more detail before exploring what methods and methodologies are available more generally and philosophically to researchers conducting research. It then progresses by describing and justifying the methodological framework chosen for this particular research.

## 6 The Research Strategy

### 6.1 Introduction

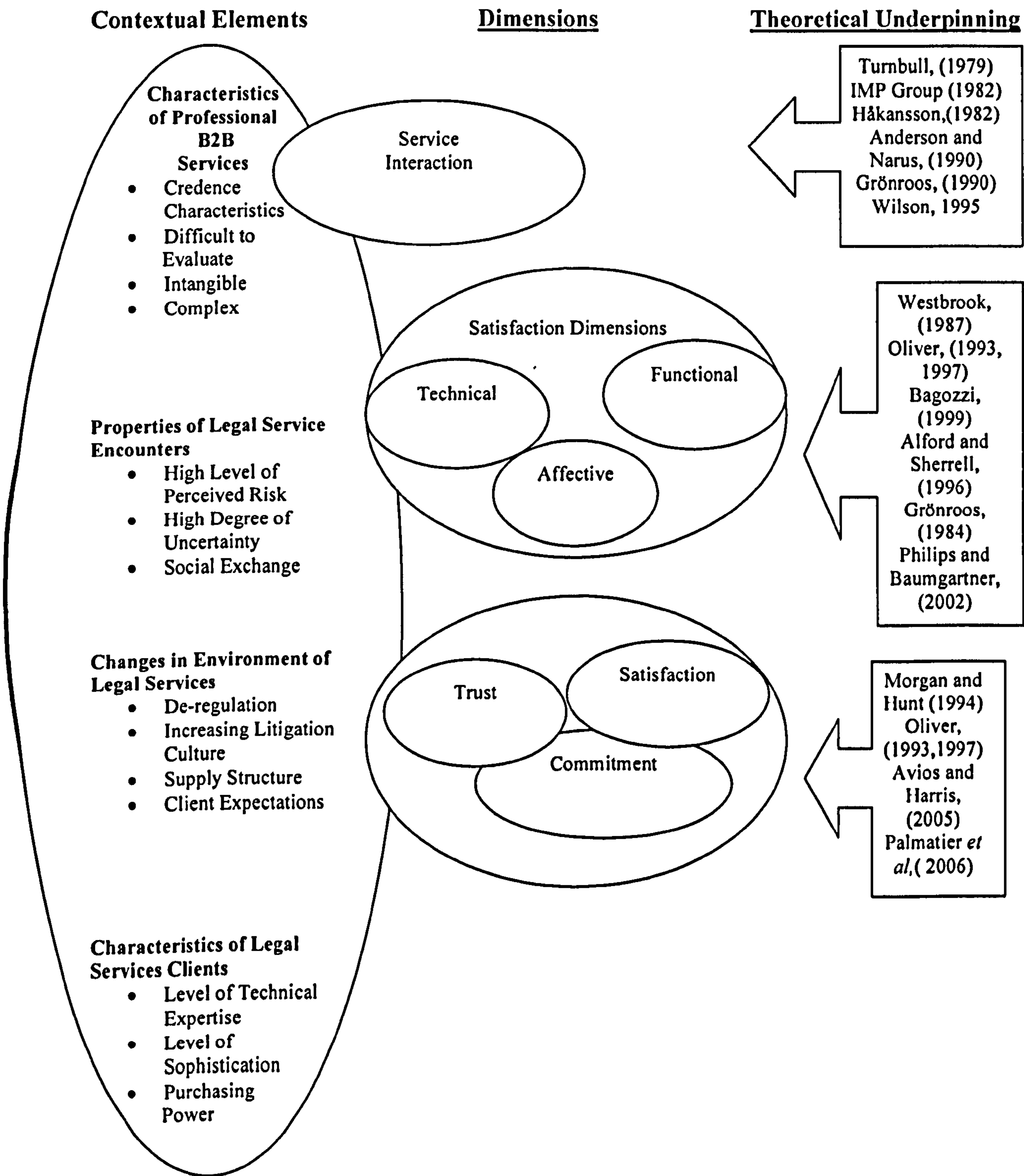
*“The principal characteristic of scholarly and scientific enquiry as opposed to an informal intuitive kind of inquiry is the use of rationally grounded procedures to extend knowledge that a community of scholars regards as relative and valid.”*

(Rudestam and Newton, 2001: p. 23)

Research within the marketing arena should achieve two objectives; firstly, it should contribute to and develop the knowledge of the subject area under investigation and secondly, it should allow practitioners and academics a greater understanding of marketing processes. There is no universally accepted research approach within the social sciences to achieve these objectives. However, according to Rudestam and Newton (2001) there are two key criteria which must be satisfied: firstly, the study must be conceptually and theoretically grounded and secondly; the selected methodology must be sufficiently rigorous and appropriate.

It is hoped that the previous chapters of this thesis will have contributed towards the first criteria in terms of reviewing the existing literature. This has been done by drawing from the relational and IMP Group literature (chapter three), the services marketing quality/satisfaction and the trust-commitment literature (chapter four) and subsequently, the Affect and emotion literature (chapter five) and identifying gaps within this literature. These may be reiterated as follows. First of all, despite the growing recognition that emotion plays an important role in consumers' evaluations of service interactions and

ultimately relationship satisfaction, it is an area that has received relatively little attention within credence service contexts. Where research has been conducted (e.g. Alford and Sherrell, 1996), there are sufficient ambiguities and contradictions to warrant further investigation. Secondly, despite the increased attention of researchers towards the marketing of professional services, an area that has largely been ignored within the marketing literature is that of business-to-business professional service contexts. Finally and related to the above, whilst the role and implications of consumer sophistication within business-to-business credence markets has been identified within the law literature, its influence as a moderating variable on relationships within the marketing literature has been neglected. A preliminary conceptual model indicating key areas for further research is provided in Fig. 6.1 below together with a summary of the methodology in Table 6.1. It should be emphasised that this model is based on existing literature reviewed to date and is developed further based on the results of subsequent qualitative work.



**Figure 6-1 The Preliminary Areas of Investigation**

This chapter will now proceed by concentrating on the second of Rudestam and Newton's (2001) criteria. It does this by briefly considering what methods and methodologies are available more generally and philosophically to researchers and secondly, by describing and justifying the methodological framework chosen for this particular research.

To this end, the objective of this chapter is to describe the steps taken and the methods adopted to collect the data for this study. It is divided into five main parts. The first part explores the basic principles of the research process, the second part explains the process undertaken for the exploratory interviews, part three explains and justifies the scenario testing stage and part four explains the processes and procedures adopted for the main survey. The final section comprises of a conclusion.

## **6.2 The Philosophical Choices of Research Design**

When considering the philosophical choices underpinning research design, it is important to recognise that research is concerned with understanding the world but that this understanding is informed by the researcher's perspective of the world and this will ultimately inform the research approaches and methodologies that are adopted. As Cohen *et al.*, (2000) state: *'ontological assumptions give rise to epistemological assumptions; these, in turn, give rise to methodological considerations and these, in turn, give rise to issues of instrumentation and data collection'* (p.3). This association is now explored in more depth.

Ontology focuses on assumptions which concern the nature of the social phenomena being investigated. In essence, nominalists believe that there is no independently accessible 'thing' constituting the meaning of terminology and instead, metaphors are used. Realists believe that objects have an independent existence and this is not dependent on the knower. The ontological assumptions of research may determine epistemological assumptions.

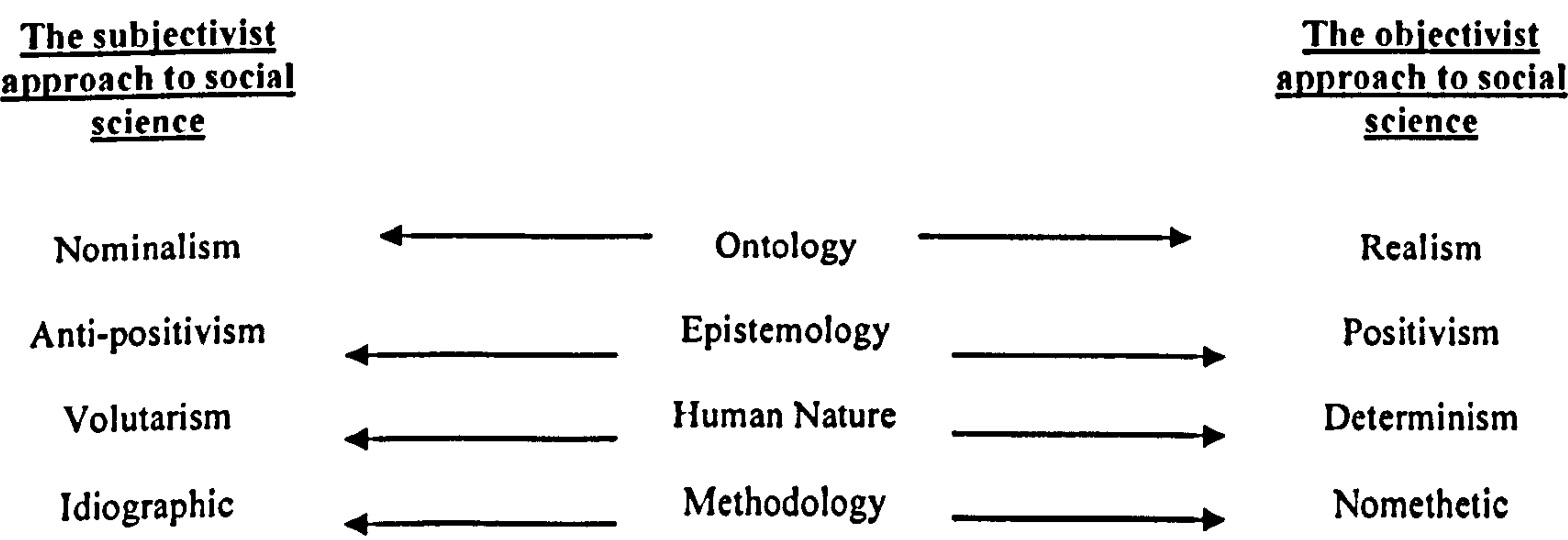
Epistemology is the theory of knowledge in terms of how it is acquired and how it is communicated to other human beings. As 'modern' science emerged in the sixteenth and seventeenth century, two opposing theories of knowledge also emerged. The 'rationalists' such as Descartes purported to arriving at '*absolutely certain conclusions through reasoning*' (Benton and Craib, 2001: p. 3). Therefore it is possible to communicate the nature of knowledge as being '*hard, real and capable of being transmitted in tangible form*' (Cohen *et al.*, 2000: p. 6).

The rival theory of 'empiricism' was based on the premise '*that the sole source of knowledge about the world was the evidence of our senses*' (Benton and Craib, 2001: p. 4). Thus, knowledge is of '*a softer, more subjective, spiritual or even transcendental kind based on experience and insight of a unique and essentially personal nature*' (Cohen *et al.*, 2000:p.6).

The epistemological assumptions of a researcher may thus determine whether knowledge is perceived as something which can be acquired or is something which must be

personally experienced. Related to this is the researcher’s perspective of human nature and the relationship between human beings and their environment. The two extreme assumptions of human nature revolve around whether human beings are perceived as responding mechanically or deterministically to their environment or whether they are perceived as initiators of their own actions and even creators of their own environment (Burrell and Morgan, 1979).

Thus, the researcher’s assumptions about ontology, epistemology and issues related to human nature will, in turn, influence their choice of research methodology. These assumptions are summarised in Fig. 6.2.



**Figure 6-2 A Scheme for Analysing Assumptions about the Nature of Social Science**

Based on: Burrell and Morgan (1979), Sociological Paradigms and Organisational Analysis. London: Heinemann Educational Books

However, it should be recognised that research is about achieving a balance between control and meaningfulness. At one extreme is an emphasis on controlling the observation and measurement of a variable (s). This approach has its foundations in the

positivist paradigm and is largely quantitatively based. It maintains that all knowledge is derived from direct observation and logical inference based on direct observation of external variables. Thus, based on this ontology, a positivist approach will generally entail viewing the world as a knowable, interpretable entity with the object of the research being one of discovering the universal laws of society and human conduct within that (Easterby-Smith *et al.*, 2002). As a result, research based on the positivist paradigm is generally experimental or quasi experimental with its purpose being validation or otherwise of theory through the use of mathematical models or quantitative analysis.

At the other extreme is the observation of complex human behaviour and social systems (e.g. Feyerabend, 1981). The phenomenological approach views the world as essentially socially constructed and subjective and therefore there is no one knowable, determinable truth or law to be discovered (Easterby-Smith *et al.*, 2002). However, this approach may provide insight through the depth of data collected. The key to this approach is interpretive. This is where the focus is on meaning and metaphor and the development of theories through induction from data. Data is in the form of words as opposed to numbers and there is a reduction to themes or categories. There is more emphasis on description and discovery and less on hypotheses testing and verification.

The 'fashion' (Rudestan and Newton, 2001: p. 26) in social science research has moved back and forth between these poles as part of a wide and long ranging debate about the appropriateness of qualitative and quantitative methods. However, the differences

between them are not indicative of the superiority of one methodology over the other but, as highlighted earlier, the view as to the nature of reality and knowledge generation held by the researcher (i.e. a positivist or phenomenological viewpoint), and which methodology is most appropriate to the research question which is being considered within a particular context.

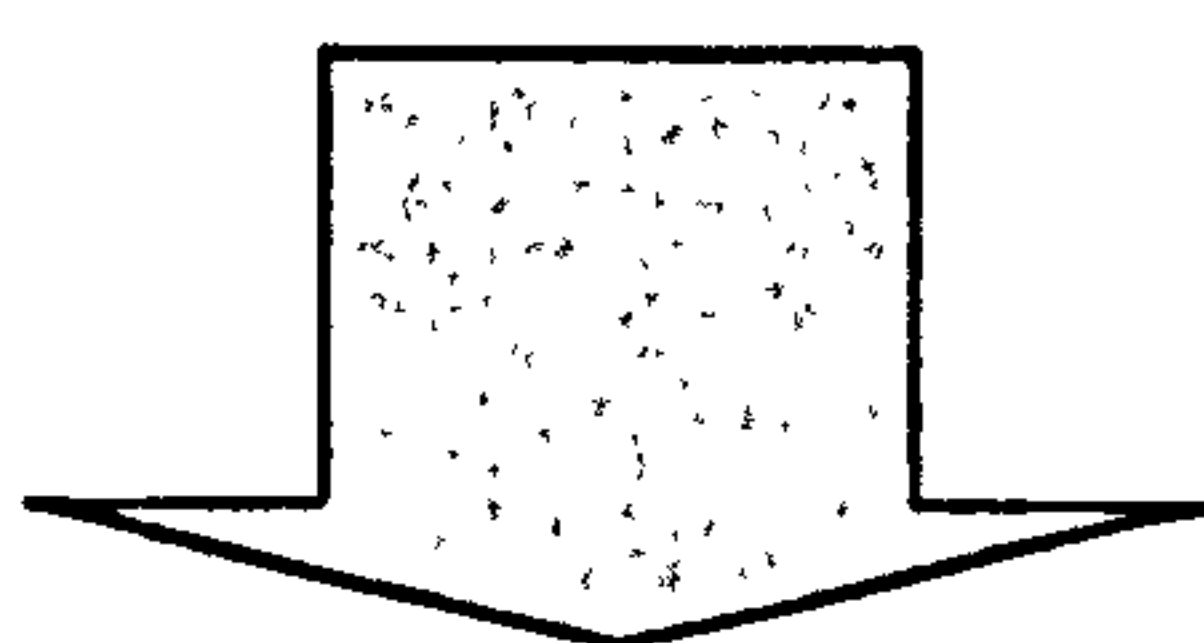
The research design of this study relies on a mainly positivist approach insofar as it has primarily used hypotheses testing through logical empiricism. However, it also includes an element of theory development as a significant input into the generation of hypotheses through the use of exploratory interviews. Therefore the initial part of the study was inductive whilst hypotheses testing formed the deductive part of the research program. Thus the re-iterative nature of the qualitative research was used to inform and develop the quantitative research. Creswell (1994) refers to this approach as the ‘dominant-less dominant’ design where there is an element of both paradigms but with one being much more significant than the other.

### **6.3 The Research Design**

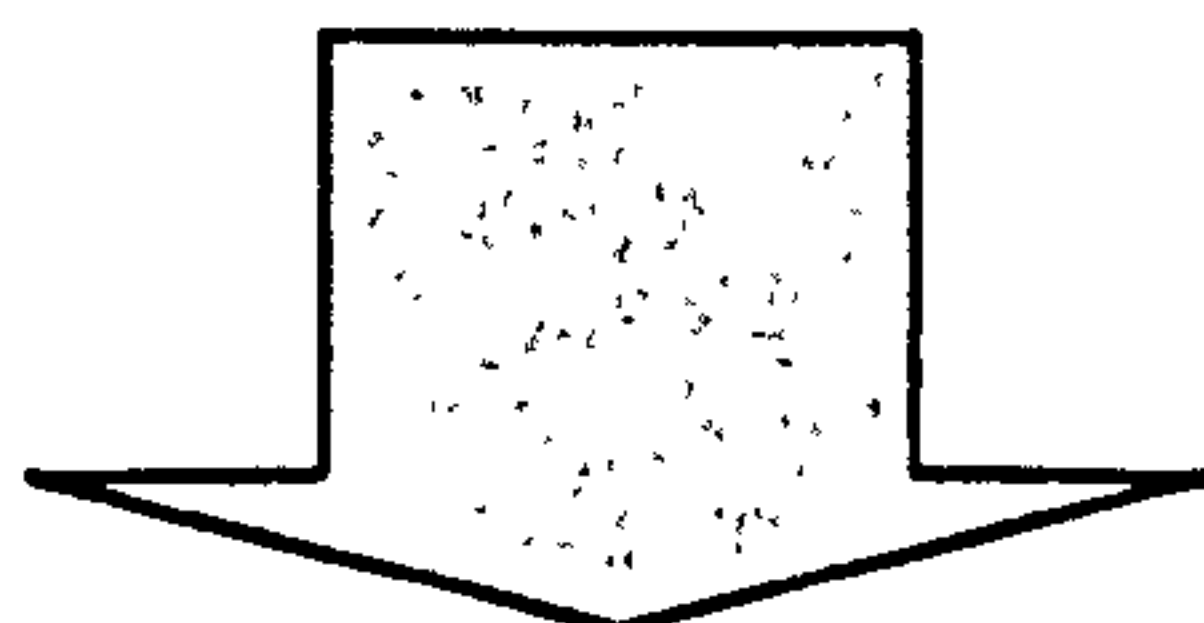
The research undertaken for the purposes of achieving the research objectives was in three stages (see Table. 6.1). A significant input into the generation of hypotheses was gained by exploratory interviews (stage 1). In this way an element of theory generation was incorporated into the methodology. However, the dominant paradigm adopted for this research was the quantitative approach and this approach was adopted for the next two stages of the research and relied upon verifying propositions and hypotheses testing

by logical empiricism (stages 2 and 3). This formed the deductive element of the research program. This was deemed appropriate because the general areas that this study investigated are highly exploratory in nature and general patterns were being sought in order to test hypotheses. The research design is now explained and justified in more detail.

<b><u>Stage One: Exploratory Interviews</u></b>		<b><u>Reference within Theses</u></b>
<b>Objectives:</b>	To check the appropriateness of existing theory with reference to the context being researched To collect a range of sectorial perspectives and interpretations from within corporate legal services To establish a preliminary contextual conceptualisation of the role of Affect and of the satisfaction components To establish themes and patterns on which propositions could be based.	.
<b>Conceptual Basis</b>	Preliminary Conceptual Model	Fig. 6.1 (p.153)
<b>Research Approach</b>	Inductive	Section 6.4 (pp.163-166)
<b>Research Strategy and Rational</b>	Qualitative as this accommodates deep and rich insights, allows for the exploration of complex human behaviour and social systems and is useful for examining developing social processes.	Section 6.4 (pp.163-166)
<b>Sample</b>	<ul style="list-style-type: none"> <li><i>Users of legal services</i> Cross section of individuals involved in the selection and evaluation of legal services used by their organisations consisting of in-house lawyers working for large multi-national, blue chip or public sector organisations and owner-managers of small and medium sized enterprises (SMEs).</li> <li><i>Providers of legal services</i> Practice lawyers working for a range of regional and national law firms</li> </ul>	Section 6.4 (pp.163-166)
<b>Sampling Method</b>	Purposive sampling	Section 6.4 (pp.163-166)
<b>Data Collection Method</b>	Recording of In-depth interviews	Section 6.4 (pp.163-166)
<b>Analysis Strategy</b>	Content analysis and identification of themes	Section 6.4 (pp.163-166)
<b>Output</b>	<ul style="list-style-type: none"> <li>Conceptual Model of Service Interaction Satisfaction within Corporate Legal services</li> <li>Two propositions specifically related to the role and functionality of the technical, functional and affective elements of the service encounter and the moderating influence of customer sophistication.</li> </ul>	Section 7.9 Fig. 7.1 (p. 219)  Section 7.9 (p. 220)



<b><u>Stage Two: Experimentally generated scenarios</u></b>		<b><u>Reference within Theses</u></b>
<b>Objectives:</b>	To test the two propositions related to the components of service interaction satisfaction highlighted within the conceptual model suggested as a result of stage one of the research. These propositions concerned the role and functionality of the technical, functional and affective elements of the service encounter and the moderating influence of customer sophistication.	Section 7.9 Fig. 7.1 (p. 219) and Section 7.9 (p. 220)
<b>Conceptual Basis</b>	Conceptual Model	p.219
<b>Research Approach</b>	Deductive and quantitative	Section 6.5-6.7 (pp. 166-183)
<b>Research Strategy and Rational</b>	Experimentally generated scenarios incorporating manipulations of the technical, functional and affective components of the service encounter. This allows for a systematic investigation of a set of service encounters and it allows for the possibility of a clear differentiation between sophisticated and non-sophisticated consumer.	Section 6.5-6.7 (pp. 166-183)
<b>Sample</b>	Two sets of part-time postgraduate students <i>Set one:</i> Postgraduate Legal Practice Certificate students assumed to have higher than average knowledge of the law (sophisticated consumers) <i>Set two:</i> Postgraduate business students assumed to have an average knowledge of the law (non-sophisticated consumers)	Section 6.5-6.7 (pp. 166-183)
<b>Sampling Method</b>	Convenience sample	Section 6.5-6.7 (pp. 166-183)
<b>Data collection method</b>	Self completion questionnaire	Section 6.5-6.7 (pp. 166-183)
<b>Analysis Strategy</b>	Scenario manipulation tests, reliability and validity checks, exploratory factor analysis, multiple regression analysis	Chapter 8
<b>Output</b>	Twenty one hypotheses are proposed for further testing, related to the role and functionality of satisfaction with the technical, functional and affective elements of the service, the generation of trust and commitment as contributors to overall satisfaction and the moderating influence of customer sophistication	Section 8.3 (p.248-254)



<b><u>Stage Three: The Main Survey</u></b>		<b><u>Reference within Theses</u></b>
<b>Objectives:</b>	To test the twenty one hypotheses proposed as a result of the scenario based research results conducted in stage two of the research	Section 8.3 (p.248-254)
<b>Conceptual Basis</b>	Conceptual Model and results of stage two of the research	p.219 and Chapter 8
<b>Research Approach</b>	Deductive and quantitative	Section 6.8 (pp. 182-188)
<b>Research Strategy and Rational</b>	Cross-sectional data was collected relating to organisational consumers' perceptions of their relationships with their solicitors using survey techniques	Section 6.8 (pp. 182-188)
<b>Sample</b>	Two sets of organisational users of corporate legal services: <i>Set one:</i> In-house lawyers working for large national or multi-national organisations (460 in total) <i>Set two:</i> Managing Directors/Owner-managers of small and medium sized enterprises (SMEs) (460 in total)	Section 6.8 (pp. 182-188)
<b>Sampling Method</b>	Two sampling methods were adopted <i>Method one:</i> convenience sample for set one <i>Method two:</i> multi-stage sampling technique encompassing both purposive and random sampling for the non-sophisticated consumer	Section 6.8 (pp. 182-188)
<b>Data Collection Method</b>	Self completion questionnaire returned by pre-paid envelope	Section 6.8 (pp. 182-188)
<b>Analysis Strategy</b>	Examination of response rates, representativeness etc, identification of respondent attributes, exploratory factor analysis of all variables in conceptual model, development of path models, construction of measurement model and confirmatory factor analysis, testing respondent groups for invariance against each model, testing individual model fit for each group of respondents, identification of a best fit model for each group of respondents.	Chapter nine and Chapter ten
<b>Output</b>	Evaluation of hypotheses Measurement model and structural models Re-specified models for sophisticated and non-sophisticated clients	Chapter ten

**Table 6-1 Research Design**

Each of these stages is now explained and justified in more detail in subsequent sections of this chapter.

#### **6.4 Stage One: The Exploratory Interviews**

The exploratory interviews were primarily inductive in nature and had four primary objectives. Firstly, to check the appropriateness of existing theory with reference to the context being researched. Secondly and related to the first objective, it was deemed imperative that a range of perspectives and interpretations be collected. This was particularly pertinent within this sectorial context because of the lack of information within the literature relating to consumer sophistication and professional services (Houghton and Winklhofer, 2004). Thirdly, to establish a preliminary conceptualisation of the role of Affect and of the satisfaction components within corporate legal service interactions and their resultant relational bonds. Finally, to establish themes and patterns on which the hypotheses could be based.

Initially, the main subjects targeted for the research were solicitors working in business-to-business areas of law within legal practices. That is to say, the providers of legal services. However, as a result of the findings emerging from these interviews it became apparent that subsequent interviews with in-house lawyers involved in the selection and evaluation of legal services used by their organisations would be appropriate if the research was to encompass a more representative view of the corporate legal services market.

Access to research subjects proved difficult. Fifty-eight letters were sent to the Managing Partners of law firms in the Midlands region listed in 'The Legal 500' directory explaining the nature of the research. As a result, seven firms expressed an interest in

participating. A further three interviews were arranged through personal contacts. Ten semi-structured, in-depth interviews were subsequently conducted with solicitors who work within business-to-business areas of law. Subject issues raised in the course of the interviews included: environmental issues surrounding the corporate legal services market (e.g. the IMP Group, 1982); marketing orientation and marketing activities (e.g. Narver and Slater, 1990); relationship development, maintenance and termination (e.g. Dwyer *et al.*, 1987); the role of the technical and functional elements of the service (e.g. Grönroos, 1984); the role of client sophistication; the role of trust and commitment (e.g. Morgan and Hunt, 1994) and the role of Affect (e.g. Alford and Sherrell, 1996).

These interviews were conducted between June 1999 and January 2001. Each interview lasted around 20-30 minutes. The interviews were taped and subsequently transcribed onto hard copy to facilitate analysis. The transcripts were coded and analysed for content and common themes and patterns were identified across and between cases. This, in turn led to refinements in subsequent interviews.

In the main, previous research in this area has assumed that consumers are largely homogeneous and unable to make quality judgments about the service. However, as a consequence of the emerging findings from the interviews conducted with practice solicitors within law firms, it became apparent that corporate legal service consumers or clients [the term traditionally used for consumers in professional service markets] are not homogenous in terms of their qualifications and experience characteristics and that there are variations in the abilities of these clients to understand the features and benefits of the service they are receiving. For this reason, a further five interviews were conducted with

in-house solicitors and owners of SMEs involved in the selection and evaluation of legal services used by their organisations. This was done in an attempt to encompass a more representative view of the corporate legal services market. These individuals and organisations were chosen by using existing contacts.

As may be seen in Table 6.2 , those solicitors interviewed ranged from smaller regional firms dealing primarily with owner managed companies, to top five ‘magic circle’ firms dealing with large Public Limited Companies (PLCs) and based in London’s financial services centre (the ‘City’). Although it is conceded that this does not provide an all encompassing list of organisational profiles within the corporate legal services supply structure, it does provide general views from a representative sample and was thus considered sufficient to provide useful insights within the context of this study.

**Solicitors**

<u>Respondent Code</u>	<u>Position</u>	<u>Size of Firm</u> <u>(No. of Partners)</u>
Solicitor A	Partner	27
Solicitor B	Partner	41
Solicitor C	Solicitor	14
Solicitor D	Partner	65
Solicitor E	Partner	104
Solicitor F	Partner	33
Solicitor G	Partner	194
Solicitor H	Partner	8
Solicitor I	Associate Partner	11
Solicitor J	Associate Partner	289

**Clients**

<u>Respondent Code</u>	<u>Size of Organisation</u> <u>(No. of Employees)</u>	<u>Brief Description of Organisation</u>
Client A (In-house Lawyer)	3,181	Global Merchant Bank
Client B (In-house Lawyer)	2,475	International Cosmetics Company
Client C (In-house Lawyer)	15,174	Regional County Council
Client D (Director)	4	Construction
Client E (Director)	2	Consultant

**Table 6-2 Profile of Interviewees for Exploratory Fieldwork**

As a result of this analysis, emerging themes and concepts were identified and a number of key conceptual factors based around possible causal relationships were suggested. Subsequently, a conceptual model and research propositions based on these were developed. These are presented in the next chapter (chapter seven). The testing of these relied upon numerical and statistical logic determined from appropriate samples. This stage of the research involved a two-step approach. Firstly, a scenario testing stage and latterly, a survey. The scenario testing stage is now explained in more depth.

**6.5 Stage Two: The Scenario Testing Stage**

This section explains and justifies the methodological issues relating to the second stage of the research. As indicated previously, the initial stage of the methodology was primarily inductive and qualitative in nature and was concerned with the development of

propositions. The experimentally generated scenario tests pertinent to this stage provided data with which the hypotheses to be tested were developed.

Thus, this section of the chapter advances the research by moving the research focus to the deductive and quantitative element of the research. The adoption of a predominantly positivist paradigm and the justification for the methodological approach selected for this stage of the research has largely been covered in the initial sections of this chapter. However, the use of a survey questionnaire brings its own set of challenges. The purpose of this section is to describe and justify the processes and procedures that were adhered to in this stage of data collection in order to ensure that the results of the research are methodologically robust. To this end, there is a brief evaluation of scenario testing. The research process used for the scenario tests is then explained which incorporates the development of an appropriate research instrument.

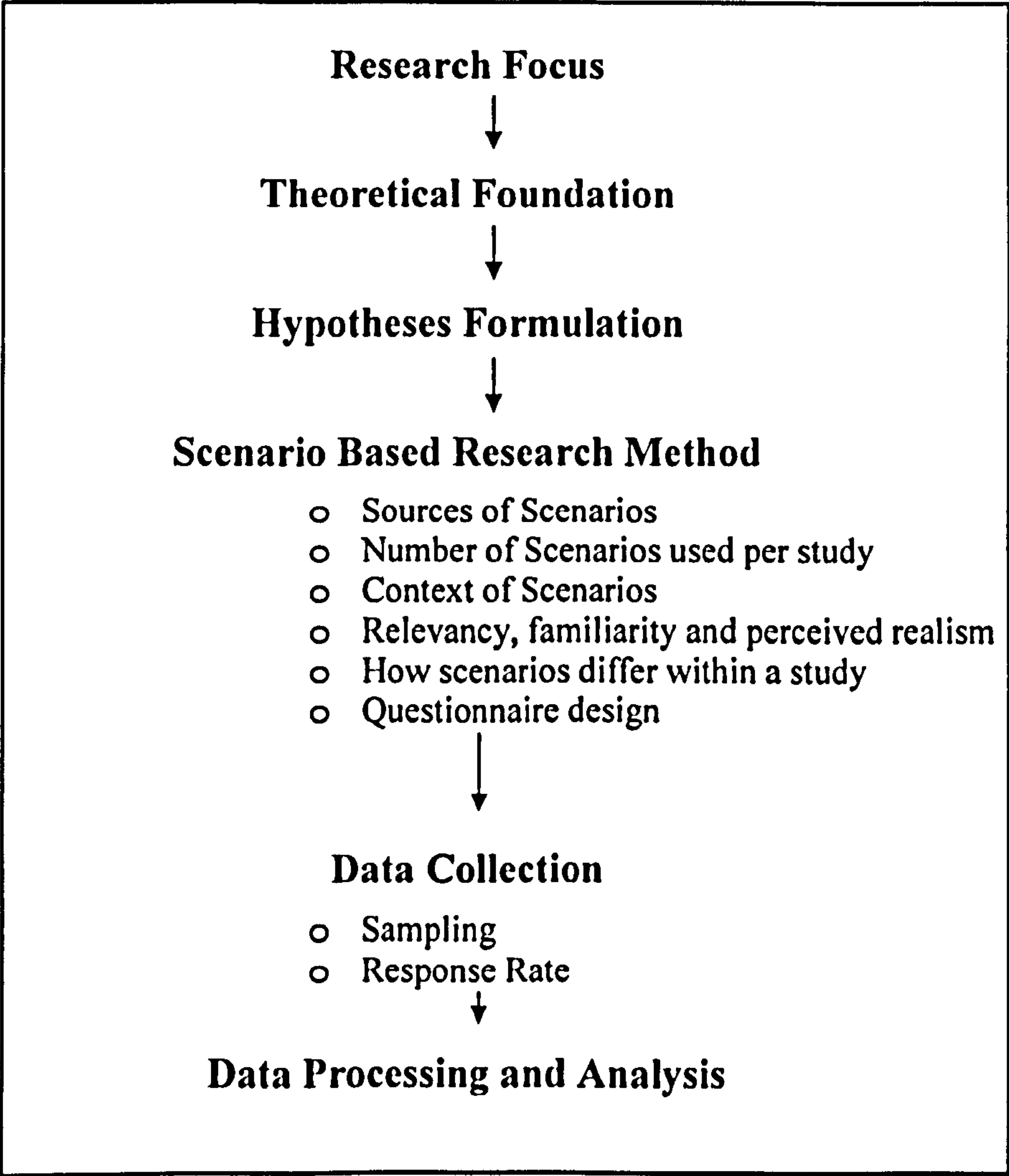
Scenarios, or vignettes as they are often referred to, may be defined as '*short descriptions of a person or a social situation which contain precise references to what are thought to be important factors in the decision making or judgment-making process of respondents*' (Alexander and Becker, 1978:p 94). Experimentally generated scenario based research was initially used in a social science context by Star (1955) to assess the general public's recognition of mental disorders. Subsequently, they have been widely used in a number of research areas including jury decision making (Landy and Aronson, 1969), perception of social status (Nosanchuk, 1972), social attitudes (Burstin *et al.*, 1980) and more recently in a marketing context (e.g. Schoefer and Ennew, 2005). There are a number of

advantages with using a scenario-based approach (Cavanagh and Fritzsche, 1985). Scenarios can emphasise critical aspects that are of particular interest to the researcher. It allows for the control and manipulation of multiple variables in an experimental setting (Alexander and Becker, 1978). It is particularly appropriate for replication studies and enhances the ease of cross-study comparisons. Construct validity is more readily available through the use of scenarios (Fritzsche and Becker, 1984). Finally, the use of scenarios allows the researcher to frame the research question to incorporate complex, multidimensional issues reflecting decision-making in the real world.

Experimentally generated scenario testing may be justified for this research on the basis that the focus of the research is an emerging field of inquiry and the research is primarily explorative. The technique allows for a systematic investigation of a more representative and inclusive set of service interactions than would initially have been possible with retrospective survey approaches and, critically, it ensured a clear differentiation between sophisticated and non-sophisticated consumers. To summarise, scenario testing had three key advantages when used in the context of this research:

- The focus of the respondents is considerably more concentrated in terms of the service interactions provided within the scenarios than with more generalised retrospective questions (Bryman, 1989)
- It allows for the control and manipulation of the technical, functional and affective variables of the service interactions
- It allows for a greater degree of control in terms of the identification and classification of sophisticated and non-sophisticated consumers

The research process adopted for this stage was based on Babbie (1989) and Randall and Gibson’s (1990) suggested scenario based research methodology (see Fig 6.3). The implementation of this process is explained in subsequent sections of this chapter.



**Figure 6-3 The Scenario Based Research Process**

(based upon Babbie, E., (1989), The Practice of Social Research, Belmont CA, Wadsworth Publishing Co)

## **6.6 The Research Focus, Theoretical Foundation and Hypotheses Formulation**

The initial stages of the process have largely been dealt with in previous chapters. The research focus is an emerging field of inquiry and the research is primarily explorative thus lending itself to scenario testing (Weber, 1992). The theoretical foundations on which the empirical research is based is presented through the literature review and the exploratory interviews culminate in the development of the conceptual model and the propositions which are covered in the next chapter.

## **6.7 The Scenario Based Research Method**

Each of the stages involved in the development of the scenarios is now explained and justified.

### ***6.7.1 Sources of Scenarios***

Because of the explorative nature of the research, the utilisation of scenarios from previous research was not appropriate therefore scenarios specific to this research were developed and validated. This process is now explained.

### ***6.7.2 Number of Scenarios***

The scenarios were manipulated to produce positive and negative outcomes in terms of the technical, functional and affective elements of the service interaction described in the scenarios. In order to test all these outcomes, eight different manipulations of the scenario were required (see Table 6.3).

<u>Scenario Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
<i>Affective</i>	+	-	+	-	+	-	+	-
<i>Functional</i>	-	-	+	+	+	+	-	-
<i>Technical</i>	-	-	+	+	-	-	+	+

**Table 6-3 Service Interaction Scenario Element Manipulations**

(+=Positive outcome and -=Negative outcome)

Webber (1992) suggests there is no ‘ideal’ number of scenario manipulations but proposes that it should primarily be dependent upon the research purpose. However, a review of the scenario based research literature suggests the norm appears to lie between five and eleven (Webber, 1992).

**6.7.3 Context of Scenarios**

The scenarios described a service interaction between the Managing Director of a medium sized manufacturing company and a Partner of a local Law firm.

**6.7.4 Relevancy, Familiarity and Perceived Realism**

Student respondents were chosen for this stage of the research as it allowed for a greater degree of control in terms of identification and classification. Relevancy of scenarios is a crucial issue when using student populations (Mathison, 1998). This may particularly be the case where students’ ability to understand the scenario and comprehend the level of

decision-making may be superficial. In an attempt to overcome these issues, mature post-graduate, part-time students primarily working in a business or legal context were used so that the details presented in the scenarios would be relevant and familiar and their ability to understand organisational cultures and practices would be optimised. Particular care was taken with the construction of the technical element of the service interaction (i.e. the legal advice) to ensure that the legal advice proffered by the solicitor in the scenario revolved around a case in law that the law students (studying for a Legal Practice Certificate or LPC) should recognise as being correct or incorrect. This was ensured through liaison with the LPC Course Leader and analysis of the LPC syllabus. It was also important to establish whether the scenario was perceived as realistic by the respondents. The perceived realism of the scenarios was established in the pilot stage of developing the questionnaire.

#### *6.7.5 How Scenarios Differ within a Study*

The eight versions of the scenario may be seen in Appendix 3. The scenarios differed in terms of the legal advice given by the solicitor (technical: positive and negative), the process of the delivery of the advice (functional: positive and negative) and the nature of interaction between the solicitor and client (Affect: positive and negative). The manipulations for each element may be seen in Table 6.4.

<u>Technical Positive</u>	<u>Technical Negative</u>
<p>He explains that a distinctive trade mark will distinguish the goods of one undertaking from another. In other words, the application is weak as it lacks the distinction required to achieve this and is unlikely to be successful. He specifically cites the case of Philips Electronics NV v Remington Consumer Products Ltd (2002) All ER (EC) 634 during his explanation.</p>	<p>He specifically cites the case of Philips Electronics NV v Remington Consumer Products Ltd (2002) All ER (EC) 634 and explains how under similar circumstances an application for trade mark registration was successful.</p>
<u>Functional Positive</u>	<u>Functional Negative</u>
<p>Sure enough, the solicitor rings you back within 30 minutes and you explain the situation to him.</p> <p>The correspondence arrives at your premises the following day.</p>	<p>However, you still have not heard back from the solicitor by the following afternoon so you phone again. This time you are put through and explain the situation to him.</p> <p>By the following week, the correspondence still has not arrived so you phone up to chase it and are told by the solicitor's secretary that she will look into it.</p>
<u>Affect Positive</u>	<u>Affect Negative</u>
<p>The solicitor greets you warmly, listens carefully to you and asks a number of questions. He tells you he has a lot of experience in this area and given what you have told him, the trade mark application is (un) likely to succeed.</p> <p>You continue to chat and it soon becomes apparent that you know a lot of mutual business acquaintances and you proceed to exchange some humorous anecdotes about one or two of them. The phone call concludes with the solicitor assuring you that you have nothing to worry about and that he will send a letter in the next post summarising his advice.</p>	<p>The solicitor listens to you and then curtly explains that there is a good probability that the trade mark would (not) be granted.</p> <p>When you attempt to ask him some questions he says that from a legal perspective, that is all you need to know and if you want any more information then you will have to speak to his junior. There is a long silence. The phone call concludes with the solicitor informing you that he will send a correspondence summarising his advice together with his invoice and he promptly hangs up.</p>

**Table 6-4 Manipulations of the Technical, Functional and Affective Elements of the Service Interaction**

### 6.7.6 Questionnaire Design

Paramount to conducting a successful survey is the design of an effective research tool. Bagozzi (1994) suggests that questionnaire design is '*part art and part science*' with most researchers incorporating a bias towards the former. However, in reviewing the literature on questionnaire design, a large body of prescriptions, processes and procedures may be found. Almost all follow key areas of commonality (e.g. Churchill, 1996, Parasuraman *et al.* 2004, Bryman, 1989). These encompass (Churchill, 1996): content of individual questions; response format for each question; wording for each question; question sequence; physical characteristics of the questionnaire and pre-test or pilot. These prescriptions, guidelines and procedures were strictly adhered to in the development of the questionnaire as will be demonstrated in the subsequent sections of this chapter.

### 6.7.7 The Scenario Based Questionnaire

The questionnaire was designed to provide four sets of data. Firstly, the ability of the respondent to evaluate the quality of the technical element of the service interaction. Secondly, the levels of satisfaction with the functional and technical elements of the service interaction. Thirdly, the emotions evoked and their intensity as a result of the service interaction and finally; overall satisfaction with the service interaction and the intention of the respondent to use the solicitor if a similar situation arose again.

A draft questionnaire was developed which comprised of six sections. The first section consisted of a question designed to evaluate the perceived realism of the scenarios by respondents. They were asked to respond to the item "*I believe that such an incident can*

*happen in real life*” by using a 5-point Likert scale (5= “Agree strongly” and 1= “Disagree strongly”).

The second section was designed to ascertain the extent to which the respondent possessed the pertinent knowledge to assess the quality of the technical element of the service interaction. Respondents were asked if the legal advice given was correct using a dichotomous question (‘Yes’, ‘no’ or ‘don’t know’). This was to ascertain the ability of respondents to form expectations and performance assessments about the attributes of the technical dimensions of the service interaction. (i.e. their ability to assess the quality of the legal advice given).

The third section of the questionnaire contained a number of questions relating to satisfaction with the cognitive element of the service interaction. This was done by using a number of scale items to measure technical and functional satisfaction with the various elements of the service. A 5 point Likert scale was used and respondents were asked to *‘rate their satisfaction with the following’* (1= ‘Very dissatisfied’ and 5= ‘Very satisfied’). These were based on Hart and Hogg’s (1998) relational evaluation criteria developed for corporate legal services. Hart and Hogg’s research identified two areas of service. The first relates to the actual legal advice given and the legal calibre of lawyer providing the advice (i.e. the technical element) and the second relates to the way the firm manages the interaction with the client (i.e. the functional element). Their research identified the following criteria shown in Table 6.5.

For the purposes of this stage of the research, discussion of fees charged by the solicitor for the advice proffered in the scenarios was not felt to be appropriate given the profile of the respondents and was therefore removed from the questionnaire. The exploratory interview results discussed in the next chapter suggest that other variables are relevant to the delivery of legal services. These were identified as ‘*empathy*’, ‘*courtesy*’, ‘*promptness*’ ‘*reassurance and confidence*’ and ‘*reliability*’.

Technical Product	Functional Product
<ul style="list-style-type: none"> <li>• Quality of Legal advice given</li> <li>• Commercial realism of advice</li> <li>• Importance attached to legal detail</li> <li>• Partner's [solicitor's] specialism in a particular area of law</li> </ul>	<ul style="list-style-type: none"> <li>• Accessibility of partner [solicitor]</li> <li>• Degree of partner [solicitor] involvement</li> <li>• Regular contact initiated by partner [solicitor]</li> <li>• <i>Partner's [solicitor's] fit with your style (removed)</i></li> <li>• <i>Personal chemistry with your partner [solicitor] (removed)</i></li> <li>• <i>[Fees: removed]</i></li> <li>• <i>The degree of empathy (added)</i></li> <li>• <i>Courtesy of staff (added)</i></li> <li>• <i>Promptness of advice (added)</i></li> <li>• <i>Reassurance and confidence (added)</i></li> <li>• <i>Reliability (added)</i></li> <li>• <i>Clarity of advice (added)</i></li> </ul>

**Table 6-5 Hart and Hogg's (1996) Relational Evaluation Criteria for Corporate Legal Services**

It is interesting to note the similarity between these items and those of the SERVQUAL dimensions (Parasuraman *et al.*, 1992). Another area that the exploratory research results

suggested was important is the way in which the advice is communicated to clients. To this end, the item '*How clearly and in language that you understood was the advice given*' was added.

For the majority of statements within the questionnaire, a five point Likert scale was used to generate responses, with the extreme points being labelled appropriately according to the question being asked. There has been much discussion as to the most appropriate number of choices to adopt when using a Likert scale (e.g. McDaniel and Gates, 1993), however, for the purposes of this stage of the study a five point Likert scale was considered appropriate because it allows for a neutral response for respondents unsure as to the quality of a particular element of the service interaction (e.g. the technical element) and was deemed sensitive enough to allow the respondents to discriminate between different attitudes (Parasuraman *et al.*, 2004).

The fourth section of the questionnaire contained a number of scale items related to the emotional component of the service. This was measured using a 5 point Likert scale and asked respondents to '*indicate to what extent you would feel the following*' (5= "Not at all" and 1= "Extremely"). This was based on Richins (1997) Consumption Emotions Set (CES) but with the items of '*Envy*', '*Jealousy*' , '*Loneliness*' '*Homesickness*', '*Love*', '*Sentimentality*', '*Sexiness*' , '*Romantic love*' and '*Passion*' being removed as they were regarded as inappropriate during the piloting of the questionnaire (see Table 6.6).

The fifth section of the questionnaire was designed to measure overall satisfaction and whether the respondent would use that solicitor again. Satisfaction was measured using a single item 5 point Likert scale (e.g. Cronin and Taylor, 1992; Odekerken-Schroder *et al.*, 2000) which asked respondents to indicate ‘*How would you rate your overall satisfaction with the service you received?*’ (1= “Very dissatisfied and 5= “Very satisfied”). Respondents were then asked ‘*would you contact this firm of solicitors again if a similar situation arose?*’ (‘yes’, ‘no’, ‘don’t know’).

<u>Negative Affect</u>	<u>Positive Affect</u>
Angry Frustrated Irritated Unfulfilled Discontented Nervous Worried Tense Depressed Sad Miserable Scared Afraid Panicky Embarrassed Ashamed Humiliated Guilty Envious <i>(removed)</i> Jealous <i>(removed)</i> Lonely <i>(removed)</i> Homesick <i>(removed)</i>	Calm Peaceful Contented Fulfilled Optimistic Encouraged Hopeful Happy Pleased Joyful Excited Thrilled Enthusiastic Surprised Amazed Astonished Proud Eager Relieved Loving <i>(removed)</i> Sentimental <i>(removed)</i> Sexy <i>(removed)</i> Romantic <i>(removed)</i> Passionate <i>(removed)</i>

**Table 6-6 Richin’s (1997) Consumption Emotions Set (CES) Items**

Section six comprised of a number of classification questions including which qualification the respondent was studying for and how they would classify their legal knowledge.

To facilitate classification and analysis, the questionnaires were colour coded. The questionnaires administered to the LPC group were on yellow tinted paper and the questionnaires administered to the business students were on blue tinted paper.

#### *6.7.8 Piloting the Questionnaire*

The crucial test for a questionnaire is how it performs when being completed by respondents. To assess this, a pilot of the questionnaire is crucial. Bagozzi (1994) suggests that there are two classifications of piloting; academic piloting and questionnaire piloting. Academic piloting is the process whereby experts knowledgeable in the field to be examined scrutinise the questionnaire. The academic conducted by five academics across two university institutions. Questionnaire piloting is designed to identify and modify any items that may cause difficulties for the respondents. This was done by administering the questionnaire to two sets of respondents. The first set comprised of five part-time postgraduate students studying for a business qualification (NLPC). The second set comprised of five part-time postgraduate students studying the professional Legal Practice Certificate (LPC).

The results suggested that there may be issues of interpretation and relevance with a number of items. '*Personal chemistry with your partner [solicitor]*' was interpreted as

having sexual connotations and therefore deemed inappropriate for this context. *'Partner's [solicitor's] fit with your style'* was also deemed ambiguous insofar as the pilot respondents' were unsure whether to gauge this against their own organisation's culture or that in the scenario and this was removed.

As mentioned previously, the items of *'Envy'*, *'Jealousy'*, *'Loneliness'*, *'Homesickness'*, *'Love'*, *'Sentimentality'*, *'Sexiness'*, *'Romantic love'* and *'Passion'* were highlighted as problematic within the context of the scenarios and these were removed from the final questionnaire. The initial draft and final version of the questionnaire may be viewed in Appendix 4 and 5 respectively.

#### **6.7.9 Data Collection**

The convenience sample consisted of postgraduate students. Fifty-four responses were from students studying for the Postgraduate Legal Practice Certificate (LPC) and therefore judged to have a higher than average knowledge of the law. Sixty-four of the responses were from students studying for other Postgraduate, business related qualifications and therefore deemed to have an average knowledge of the law. For identification purposes, this group was labelled the Non Legal Practice Certificate group or NLPC. Subjects were randomly assigned the scenarios and were asked to read the scenario and complete the attached questionnaire. The students were able to complete the questionnaire in lecture time as an in-class activity.

The question of whether students are appropriate subjects for this stage of the study needs to be addressed particularly regarding the issue of generalisability. Whilst it should be recognised that scenario based research using student respondents may be limited in its ability to discover and reflect actual decision making and actions, the use of student respondents for this stage of the research may be justified for the following reasons. This stage of the research is exploratory and focuses on issues pertaining to the role and functionality of Affect in a credence service interaction. Issues of generalisability in terms of service evaluation and decision making within the corporate legal services market are not relevant at this stage. The respondents are primarily mature, part-time, post-graduate students who possess some knowledge of business cultures and organisational decision making experience and are therefore deemed to be familiar with the contextualisation of the scenarios. This should inform their responses. Finally, given the context of the scenarios, the students possess the necessary knowledge and experience to comprehend the case and allow them to make pertinent assessments and informed judgments necessary for the completion of the questionnaires.

#### *6.7.10 Content or Face Validity*

McDaniel and Gates (1993) propose a four stage process to ensure content validity. Firstly, a careful definition of what precisely is being measured. Secondly, a thorough review of the relevant literature to identify all possible items for inclusion in the scale. These first two stages have been covered by the literature review process presented in the initial chapters of this thesis. Thirdly, expert opinion may be sought. As previously mentioned, opinion on the development of the questionnaire was sought from both

academics and practitioners alike. Finally, the questionnaire should be pre-tested and the process adopted for this was explained above.

#### **6.7.11 Construct Validity**

Construct validity is often viewed as being synonymous with validity itself. For example McDaniel and Gates (1993) define it as *“the degree to which a measurement instrument represents and logically connects, via the underlying theory, the observed phenomenon to the construct”* (p. 371). For this reason it is often the primary focus of researchers when assessing the validity of their research (Bagozzi, 1994). Construct validity may be assessed using two statistical approaches: Convergent validity and Discriminant validity.

Convergent validity may be defined as *“the degree of association among different measurement instruments that purport to measure the same concept”* (McDaniel and Gates, 1993: p.371). Thus within an experimental context, it ensures the manipulations are related to direct measures of the latent variables they were designed to alter.

Discriminant validity is the *“lack of association among constructs that are supposed to be different”* (McDaniel and Gates, 1993, p.371). Within an experimental context, this ensures the manipulations do not produce changes in the measures of related but different constructs. This is often referred to as a confounding check. Factor analysis may provide an indication of validity, particularly that of discriminant validity (Iacobucci, 1994). These issues are discussed further in Chapter eight.

#### *6.7.12 Data Processing and Analysis*

A consistent theme to emerge from the literature is that the analytical tools and techniques used are appropriate for the type of analysis being undertaken (e.g. Weber, 1992). Data processing and analysis for this stage of the research and the tools and techniques adopted is presented and explained in detail in Chapter eight.

To summarise stage two of the research methodology, the section began by evaluating the appropriateness of scenario based research and exploring methodologies and procedures that should be adhered to so as to ensure sound results when adopting this approach. However, it should be recognised that scenario-based research, whilst possessing many advantages, is not the same as empirical research conducted in the field. For that reason, caution must be exercised to ensure a robust process of investigation is used. The basis of the research should have a sound theoretical foundation, the context, relevancy and familiarity of the scenarios needs to be considered and the results need to be interpreted cautiously. However, when used appropriately scenario based research can provide valuable and informative results which may then be used to inform future research or with the regards to this research, to develop hypotheses for testing in the next stage of the research (see Chapter eight).

## **6.8 Stage Three: The Main Survey**

In order to test the hypotheses proposed as a result of the scenario based research results, cross-sectional data was collected relating to organisational consumers' perceptions of their relationships with their solicitors.

### **6.8.1 Questionnaire Design**

The questionnaire used in the scenario tests was refined and developed further. Once again, the design of the questionnaire attempted to incorporate all the key elements of good practice highlighted earlier in this chapter. The resulting draft questionnaire comprised five sections which are now detailed and may be seen in Appendix 6.

### **6.8.2 The Respondents' Use of Law Firms**

The first part of the questionnaire consisted of questions designed to collect factual information relating to the number and size of law firms used by respondents, the reasons for this and the methods of communication adopted when interacting with their law firms.

### **6.8.3 The Cognitive Component of the Service**

The second part of the questionnaire contained a number of scale items used to measure satisfaction relating to the cognitive element of the service. This was measured using a 7 point Likert scale and asked respondents to '*indicate to what extent you are satisfied with the ongoing quality of service you receive from your main firm of solicitors*' (1= "Not at all satisfied" and 7= "Extremely satisfied"). Once again, these were based on the service

evaluation criteria scale developed for corporate legal services by Hart and Hogg (1996) and subsequently used in the scenario testing stage of the research (see Table 6.7).

Technical Product	Functional Product
<ul style="list-style-type: none"> <li>• The quality of the legal advice given</li> <li>• Commercial realism of advice</li> <li>• Importance attached to legal detail</li> <li>• Partner's [solicitor's] specialism in a particular area of law</li> </ul>	<ul style="list-style-type: none"> <li>• Accessibility of partner [solicitor]</li> <li>• Degree of partner [solicitor] involvement</li> <li>• Partner's [solicitor's] fit with your style</li> <li>• Regular contact initiated by partner [solicitor]</li> <li>• Fees</li> <li>• The degree of empathy</li> <li>• Courtesy of staff</li> <li>• Promptness of advice</li> <li>• Reliability</li> <li>• Clarity of advice</li> <li>• <i>'Personal chemistry with your partner [solicitor]' was removed and replaced with 'how well you get on at a personal level'</i></li> <li>• <i>Reassurance and Confidence replaced with 'degree of reassurance' and 'degree of confidence'</i></li> <li>• <i>Cultural fit with your organisation (added)</i></li> </ul>

**Table 6-7 Relational Evaluation Criteria for Corporate Legal Services**

After piloting this section of the questionnaire, a number of amendments were made:

- Interestingly, the use of the phrase *'personal chemistry'* was interpreted as having sexual connotations once again. It was replaced with *'how well you get on with your solicitor on a personal basis'*
- *'Reassurance and Confidence'* was interpreted as not being mutually exclusive insofar as advice may be given confidently to a client but it may not be very

reassuring for the client to hear that particular advice. This question was therefore replaced with two questions.

- The inclusion of the question '*The law firm's cultural fit with your organisation's style of doing business*' as this was a significant issue to some organisations.
- The rewording of the question '*the knowledge of the partner giving the advice*' to '*the legal specialisation of the solicitor giving the advice*' as reflecting the choice criteria more accurately.
- The inclusion of fees.
- The inclusion of five scale items related to the importance respondents attached to the components of service delivery. These were drawn from dimensions previously identified during factor analysis in the previous scenario based research and consisted of the quality of the legal advice, interaction with the solicitor, the responsiveness of the solicitor, getting on at a personal level and the fees charged for the advice given. This was measured using a 7 point Likert scale and asked respondents '*how important do you consider the following criteria when assessing the quality of service you receive from your main firm of solicitors?*' (1=Not at all important and 7=Extremely Important).
- Respondents were asked to indicate how many times their organisation had changed solicitors in the past five years (0, 1, 2, 3, 4, and 5+) and the reasons for this.

#### 6.8.4 *Satisfaction, Trust and Commitment*

The next section comprised of a number of scale items relating to trust, commitment and satisfaction and word-of-mouth recommendation. These were measured using a 7 point Likert scale and asked respondents to '*indicate the extent to which you currently agree or disagree with the following statements*' (1= "Strongly disagree" and 7= "Strongly agree"). The scale items for Trust and Commitment were based on those developed by Morgan and Hunt (1994). Two scale items relating to word-of-mouth recommendation were also included).

Overall satisfaction was measured using a single item 7 point Likert scale (e.g. Cronin and Taylor, 1992; Odekerken-Schroder *et al.*, 2000) which asked respondents to indicate the extent to which they currently agreed or disagreed with the following statement '*In general, we are completely satisfied with our main firm of solicitors*' (1= "Strongly Disagree" and 7= "Strongly Agree").

#### 6.8.5 *The Affective Component of the Service*

Part four of the questionnaire contained a number of scale items related to the emotional component of the service. Pre-testing of this section of the questionnaire suggested that the 37 scale items originally used in the scenario testing was prohibitive in terms of the respondents' likely completion of this section. For this reason, elements of the emotional clusters identified by Richins (1997) in the Consumption Emotions Set (CES) were used (see Table 6.8). This comprised of fourteen scale items and was measured using a 7 point Likert scale and asked respondents to '*indicate to what extent you feel the*

*following emotions when considering your relationship with your main firm of solicitors'*  
(1= "Not at all" and 7= "Extremely").

Negative Affect	Positive Affect
Frustration	Optimism
Discontentment	Calmness
Astonishment	Enthusiasm
Worry	Relief
Sadness	Pleasure
Fear	Contentment
Shame	Pride

**Table 6-8 Richin’s (1997) Consumption Emotions Set (CES) Clusters**

**6.8.6 Respondent Sophistication**

Part five of the questionnaire consisted of questions designed to assess respondents' expertise in relation to their knowledge of law and legal services. This included a section of scale items related to a self report of respondents' expertise based on Mitchell and Dacin's (1996) assessment of consumer expertise criteria scale. Along with these self report measures, respondents were also asked about the nature of their educational background and more specifically, whether they possessed a legal qualification and at what level.

Once again, to facilitate classification and analysis, the questionnaires were colour coded. The questionnaires administered to the in-house lawyer group were on yellow tinted paper and the questionnaires administered to the non-lawyers were on blue tinted paper.

6.8.7 *Piloting the Questionnaire*

Piloting was done by administering the questionnaire to three sets of respondents. The first set comprised of solicitors working for practices engaged in providing legal services to business organisations. The second set comprised of individuals engaged in the selection and assessment of law firms for their organisations. This included sophisticated and non-sophisticated consumers. The third set comprised of ‘academics knowledgeable in the field’ (Bagozzi, 1994). The respondents’ position and organisational type may be seen in Table 6.9. Each question was individually examined and scrutinised by the pilot respondent in the presence of the author. The feedback provided was incorporated into the questionnaire as described previously. After making the required modifications, the questionnaire was posted out. The final version of the questionnaire may be seen in Appendix 6.

Position	Organisational type
Management consultant	Freelance
Senior Chemist	Pharmaceutical Company
Financial advisor	SME
In-house lawyer	Local government
Director of estates	University
Associate solicitor	National law firm
Associate solicitor	Regional law firm
Company secretary	SME
Academic	University
Academic	University

**Table 6-9 Pilot Respondents by Position and Organisational Type**

#### **6.8.8 *Distribution and Sampling Issues***

To investigate the research hypotheses, it was imperative that the population to be surveyed should encompass both sophisticated and non-sophisticated consumers and that critically, these sub-samples could be identified and labelled accurately. To ensure this, different sampling techniques were adopted for each sub-sample. Convenience sampling was used for the sophisticated consumer sample and a multi-stage sampling technique encompassing both purposive and random sampling for the non-sophisticated consumer sample was adopted.

The first sample set comprised of a convenience sample of 460 in-house lawyers working for large national or multi-national organisations. These were taken from The Legal 500 Directory. This publication profiles the major law firms in the UK and includes a section on lawyers working ‘in-house’ for commercial or non-profit making organisations. This information was used to target directly and personally those individuals most likely to be involved in the selection and assessment of legal services provided by law firms to their organisation and who were in a position to form expectation and performance assessments about the service. These were therefore deemed to be an appropriate sampling unit for sophisticated consumers.

The second sample set comprised of 460 Managing Directors/Owner Managers of small and medium sized enterprises (SMEs) selected at random from the sampling frame. The sampling frame consisted of 4,127 SMEs from the East Midlands region. These were taken from the FAME database. As there was no previous published research available to

indicate who is involved in the selection and assessment of legal services within such organisations, reliance was placed on the results of the exploratory research interviews which suggested that these were the roles most likely to be involved. It was anticipated that whilst these individuals were likely to be involved in the selection and assessment of legal services provided by law firms, in contrast to the other sample set, they would not be in a position to form expectation and performance assessments about the core service and were therefore appropriate sampling units for less sophisticated consumers.

SMEs were selected as these organisations are less likely to employ individuals involved in the selection and assessment of legal services who specifically possess the pertinent technical qualifications, skills, knowledge and experience that would enable them to make entirely informed judgments about their legal services. For the purpose of this research, an SME is defined as organisations employing less than 300 people. The East Midlands region was selected as it was anticipated that the geographical vicinity of the university may have elicited a higher response level. The East Midlands business profile is similar to the national profile and there were therefore, no major issues of representativeness.

A total of 960 questionnaires were mailed with personalised cover letters (see Appendix 8) and a pre-paid return envelope. A follow up letter (see Appendix 9) together with another copy of the questionnaire and another pre-paid envelope was subsequently mailed out. The data for this research was collected over a five week period with the initial questionnaire being posted out on Friday 29<sup>th</sup> October 2004 and the follow up

questionnaire being posted out three weeks later on Friday 19<sup>th</sup> November 2004. The first responses were received on Tuesday 2<sup>nd</sup> November 2004 and the final response was received on Thursday 23<sup>rd</sup> December 2004. The subsequent analysis of the data and the analysis strategy adopted are described in a later chapter of this thesis (see Chapter ten).

## **6.9 Conclusion**

This chapter began by highlighting the characteristics of robust research in general. It then briefly explored the research paradigms that may be adopted by researchers before justifying the adoption of a predominantly positivist paradigm for this research. The chapter progressed by appraising appropriate and effective practice in questionnaire development and subsequently, that of survey administration. The research process used for the scenario testing stage of the research was then explained which incorporated the development of an appropriate research instrument. Subsequently, data collection issues relating to the main survey were explored and addressed.

The next four chapters present the results of the empirical study. Chapter seven presents the emerging themes, theories and key conceptual factors based around possible causal relationships that were identified in the exploratory stage of the research. Subsequently, a conceptual model and research propositions based on these findings are presented. Chapter eight presents an analysis of the data collected when conducting the experimental scenarios to test the propositions presented towards the end of Chapter seven.

Chapter nine presents the first part of the results of the analysis of the data collected in the main survey. Initially, the chapter describes and justifies the analysis strategy before presenting the checks conducted to ensure the robustness of the data collected and proceeding with presenting a descriptive analysis of the data. Finally, exploratory factor analysis is conducted. Chapter ten continues the data analysis by conducting a confirmatory factor analysis and subsequently, multi-group, multi-model structural equation modelling. Finally, Chapter eleven concludes the thesis.

## **7 Exploratory Research Findings, Model Development and Propositions**

### **7.1 Introduction**

This chapter takes the findings from the theoretical discussions and the provisional conceptual model considered in previous chapters and incorporates these with the findings of the exploratory fieldwork interviews that have been conducted in order to expand upon and check the theoretical developments that are emerging from the review of the literature and refine and develop the provisional model conceptual model further. It begins by presenting the key findings of the exploratory fieldwork interviews in the light of the literature reviewed in previous chapters. Emerging themes and concepts are identified and the chapter progresses by suggesting a number of key conceptual factors based around possible causal relationships. A model and propositions are then presented for further investigation.

### **7.2 Key Findings**

This section of the chapter reviews the findings of the interviews informed by the relational, trust and commitment literature, service quality/satisfaction literature and the emotion and Affect literature.

### 7.3 The Service Interaction

Within a corporate legal service context, the results from the fieldwork suggest the service interaction or discrete episode does present the possibility of influencing perceptions of quality and ultimately satisfaction with the entire relationship (e.g. Ford, 1980; Christopher *et al.*, 1994). The importance of these ‘critical episodes’ (Bitner, *et al.*, 1990) is graphically illustrated by Client A when interviewed:

*“Its absolutely critical, both from their perspective [the law firm] and our perspective that we have accessibility [to the relevant solicitor] whenever we need it any time of the day or night and that can make the difference between a really good relationship and a bad relationship. Because if you phone for the relevant relationship partner....and you can’t get them you will tend to go to one of the others [the law firm’s competitors] and so they will lose the business.....we would expect them to make the phone call...we would expect them to respond within....sometimes within an hour sometimes less and with the way mobile phones are nowadays, there really is no excuse for not being able to contact somebody at any time.”*

Client A

Having identified the importance of the service interaction, the next section explores its components in terms of the technical, functional and affective components.

The findings substantiate the existence of a cognitive component to the service interaction comprising of the ‘outcome based’ (technical) and ‘process based’ (functional) components (Grönroos, 1984) as previously contextualised within corporate legal services by Hart and Hogg (1998). These are individually evaluated in the next section of the chapter.

### 7.3.1 *The Technical Component*

Hart and Hogg's (1998) research suggests that the attributes of the technical component comprise of: the quality of legal advice given; the calibre of the individual lawyer(s) providing the service; the importance attached to legal detail and the commercial viability of the advice. The exploratory fieldwork substantiates that a proportion of clients do gauge the quality of the service interaction largely based on the perceived quality of the technical service or outcome. One solicitor highlights this stating:

*"Within a general framework of expertise where they [the client firm] will expect technical excellence, there will be significant, not dominant, but significant slices of work that do require actual, real specialist expertise ....and actually they'll [the client organisation] want to test that. They'll want you to step up to the plate and show that you can do this particular work to their satisfaction."*

Solicitor F

Another solicitor highlights the robust mechanisms and processes some clients may use to gauge the quality of the technical component they are receiving:

*"They [the client firm] will audit files in terms of costs and results....they will consistently consider the advice that we're giving to see whether they agree with it....they will certainly look unfavourably on us if we don't return phone calls, emails, letters within a reasonable time."*

Solicitor E

This appears to substantiate Hart and Hoggs' (1998) findings about the importance of the quality of the technical component or outcome as being *the 'most important feature of the relationship for all of the client groups'* (p.64). However, it also appears to augment Hart and Hogg's research (1998) insofar as they state *"..what is not clear from this question is how the clients assess the [legal] advice when, by its very nature, it is specialist and therefore outside their sphere of knowledge"* (p. 64). From this fieldwork it is apparent

that whilst some clients are not in a position to gauge the quality of the attributes of the technical component, some clients clearly are. As Client A states:

*"You know it's impossible to determine, are these guys [the solicitors providing the service] any good or not until you actually work with them as a lawyer to see whether they're actually giving you the right answers or not.....to see if the work they have done is credible.....we wanted to get rid of some suppliers because they weren't particularly good [in terms of the legal advice provided], they were OK but nothing wonderful."*

Client A

And Client B states:

*"I mean the main thing that we obviously need is good, sound legal advice. Say if for some particular....for some particular reason we got duff advice... it sounds quite pompous really but we have.....the legal department here have the knowledge, legally about everything....I kind of know what I want."*

Client B

Having established the importance of the technical component of the service interaction, the next section explores the role of the functional component.

### **7.3.2 The Functional Component**

Hart and Hogg's (1998) research also explored the role of the functional component. The key attributes of the functional component which their research identified included: accessibility of partner; degree of partner involvement; partner's fit with client style; fees for advice given and regular contact initiated by partner. Once again, the exploratory fieldwork substantiated that there was a role for the functional component. On the theme of partner accessibility, Client B states:

*"The firm that we used to use, we were constantly getting 'we'll phone you back', 'he's not available', 'he's in a meeting' and he'd never phone you back, not answer, not accessible" and "I suppose you would use them [the law firm currently supplying legal advice] less and less if they constantly ignored your phone calls, your letters, didn't get back to you and all that stuff and you'd shift your business."*

Client B

Client A illustrates the importance of partner involvement in terms of their experiential knowledge and the advice they can contribute during a service interaction with a third party:

*"You don't want somebody going to a meeting who is too junior to actually know enough ....to take a view on the legal downsides. You want somebody who is senior enough to give good advice."*

Client A

### 7.3.3 The Affective Component

The exploratory fieldwork confirms the existence of an affective element evoked by the delivery of the service highlighted previously in the review of the literature (e.g. Barnes and Howlett, 1998; Alford and Sherrell, 1996). As one solicitor states:

*"I think personal chemistry is quite important in that sort of situation ...how they actually get on with the lawyer on a one to one basis. ....you may end up spending a lot of time with the client and if you don't get on its going to be a very difficult process."*

Solicitor B

However, whilst high level primary Affect (e.g. excitement, happiness, anger, rage (Izard; 1972) ) were cited by a number of respondents, these tended to be used in the context of generalised emotional descriptions such as 'happiness' and not in terms of an

appraisal evoking, automatic basic response to a stimulus (e.g. Elkman, 1992). So for example, Client B states:

*"I wasn't particularly happy with the firm that we had and, as I say, the relationship I had with the senior partner and all the partners [of a different law firm] was still very good."*

Client B

At a general level, the existence of positive and negative Affect was identified. Primary among these were blended emotions such as like/dislike (e.g. Roseman, 1991; Bagozzi, 1992). On this theme, Solicitor G states:

*"Individuals have relationships with people and they actually physically give instructions...the instructions aren't sort of generated by some computer. They're generated by people saying 'right, I've got this new deal in'... then you phone up XXXXX [solicitor's name] because I know and like him."*

Solicitor G

And solicitor D:

*"I think you [referring to client organisations] can still instruct the solicitors without getting on with them. It is like being..... 'I don't have to like them I just have to work with them' .....but I think it very much helps."*

Solicitor D

More specifically, lower level positive and negative cognitive appraisals were also identified or alluded to. Low level negative reactions included 'annoyance' (e.g. Weiner, 1985), and 'frustration' (e.g. Roseman, 1991), 'contempt' (e.g. Izard, 1972; Weiner *et al.*, 1979; Plutchik, 1980), 'anxiety' (e.g. Weiner *et al.*, 1979; Bagozzi, 1992) and 'disappointment' (e.g. Weiner *et al.* , 1979; Plutchik, 1980). For example, Client A alludes to the emotional reaction of annoyance:

*"If you phone somebody who then doesn't get back to you or doesn't take the time for you then that is quite detrimental because you don't feel like phoning them because it will be a wasted call. You waste hours just working out they can't do it."*

Client A

And Solicitor C states:

*"There are clients .....who will ask for your advice and ignore it and then we go around in circles. We are then providing services.....and being treated as if it isn't of any value and there isn't much point in helping them."*

Solicitor C

Alluding to contempt (e.g. Izard, 1972, Plutchik, 1980 ) solicitor H states:

*"I can think of some clients that you know are going to be awkward and they just sort of go out their way to be awkward but they're quite happy to stay on with you but be as rude as anything."*

Solicitor H

And Solicitor H on client anxiety:

*"They [the client] don't want the worry of it [the legal problem], they want somebody to hand the worry over to and get on with the other things."*

Solicitor H

Solicitor C refers to client disappointment and its possible long term implications for the relationship:

*"So you may have clients who will acknowledge that you have done a good job but will go away very disappointed with the result and think twice about coming back."*

Solicitor C

Low level positive cognitive emotional appraisals included 'contentedness' (Watson and Tellegen, 1985) , 'comfort' (Watson and Tellegen, 1985), 'enjoyment' (Roseman, 1991) and 'caring' (Bagozzi, 1992).

As Solicitor C states:

*"Most of us are relatively young and we have a generally relaxed attitude to life....so the benefits to clients of this practice is its approachability....as long as.....clients are comfortable with what we do, we are quite content...a much more informal and friendly approach."*

Solicitor C

And Solicitor F:

*"The corporate entertainment side of things is building up friendships...we will play sports against clients ....and clients will feel comfortable with using you as an individual."*

Solicitor F

However, a number of interviewees were emphatic that the affective element of the service interaction and client-solicitor relationship should be viewed within the context of a professional, business-to-business situation. As Solicitor E states:

*"There's an element of friendship but it's a qualified friendship. It's sort of friendship only in a working environment....again, the corporate entertainment side of things is building up friendships to a degree."*

Solicitor E

Thus it would appear that whilst there is generally an affirmation that Affect has a role in terms of the service interaction and the relationship overall, there are varying degrees of priority attached to this role.

To summarise, the exploratory findings appear to substantiate the existence of a cognitive component (comprising of the technical and functional component) and an affective component evoked in response to the service interaction. However, the exploratory fieldwork also suggests the role of these elements and the priority and functionality accorded them may vary depending on the nature and intensity of the relationship sought by both client and solicitor. This reflects a key issue raised by Hart and Hogg (1998):

*“ The aspect of the relationship marketing literature that causes us to raise questions regarding its applicability to legal services is that despite the assumption that the client wants a relationship with the supplier, there is very little indication of what kind of relationship is sought and in what circumstances”* (p 60). They conclude *“Clearly the personal interaction is central to the evaluation of the relationship.....This suggests a rich area for future research to examine, among other issues, whether such a ranking of factors [the process and outcome factors discussed previously] applies to all legal contexts and if so, whether such a finding is peculiar to the relationship between lawyers and their clients.”* (p. 67-68)

Hart and Hogg (1998) do not define precisely what their interpretation of the ‘legal context’ is. However, it may be concluded from the exploratory fieldwork conducted for this research that one element affecting the context of the relationship may be termed ‘client sophistication’.

#### **7.4 Emerging Causal Relationships**

The next section introduces and defines client sophistication and identifies and explores the relationship between the level of client sophistication and the priority and functionality of the elements of the service interaction related to it.

#### **7.4.1 The Role of Client Sophistication**

In the main, previous research in this field has assumed that clients are homogenous (e.g. Smith and Bolton, 2002). More specifically, it assumes clients are either qualified or have experiential expertise and are therefore in a position to gauge the attributes of the service or product (e.g. Oliver, 1993) or, as typically associated with credence service markets, they are not (e.g. Alford and Sherrell, 1996). There is however, increasing evidence to suggest that clients within certain credence contexts are heterogeneous. In such cases, clients may possess the ability to form expectation and performance assessments about the service they are receiving and they may have pertinent technical qualifications, skills, knowledge and experience that enable them to do so (e.g. Hanlon, 1997).

However, Hanlon (1997) suggests that the corporate legal services market is not homogeneous in terms of the qualifications and experience characteristics of its clients and that there are variations in the abilities of these clients to understand the features and benefits of the service they are receiving. Hanlon (1997) refutes the assumption of an unsophisticated, homogenous corporate legal services market by stating:

*'It is my contention that these clients are not the ignorant consumer which much of the sociology of the professions has written about, rather they are sophisticated buyers who treat legal services as a commodity which they are relatively comfortable purchasing. They are comfortable demanding that certain legal and non-legal criteria are met by the professional providers of these services.'* (p.817)

One solicitor interviewed very succinctly illustrates some of the differences that exist in terms of client sophistication and the implications that this may have in terms of the service delivery and the nature of solicitor-client interaction:

*"Quite a lot of larger clients will use more than one firm [of solicitors]....they consider it commercially advantageous and they will usually have sophisticated ways to know exactly what is involved in terms of the service they require. They will have a pretty good idea as to what the cost of that service is in the market place. They will also have a pretty good idea of what the expertise is of the firms that they might want to use. That is a very different situation if, for example, you have a chap who's built up a business which is his sole asset and he's thinking of retiring and he wants to sell... it follows, from that, in terms of the corporate Plc client, the relationship element of the transaction between them and the professional advisor is less important by quite a long way than it would be with the man who's selling his life's work. He needs to have confidence in the relationship."*

Solicitor B

Having identified that the level of client sophistication has a role to play in determining satisfaction judgments, it is important to define what the term means within the context of this study,

#### **7.4.2 Defining Client Sophistication**

When considering client sophistication, it is appropriate to revisit the literature on professional services (e.g. Yorke, 1990, Shostack, 1977, Gummesson, 1979) to identify the salient features that it may encompass within the context of corporate legal services. These may be summarised as follows: the service is usually provided by a qualified professional known for their speciality under a specific title [i.e. a solicitor, in this context]. The provider of the service possesses a set of technical skills [i.e. legal knowledge], which are guaranteed and controlled . Where appropriate, a particular procedural approach is taken in carrying out an assignment and finally, there is usually a

narrow and well-defined body of knowledge which is typically intangible and is used in an advisory capacity as 'the provision of a solution to a problem'.

It is apparent from the exploratory research that corporate legal services may also be selected, *consumed* and evaluated by a qualified professional who also possesses a high degree of legal knowledge and is in a position to judge the service provided. This may, for example, be an in-house lawyer or legal executive employed by the organisation purchasing the service.

Thus, the exploratory fieldwork suggests that clients possess varying degrees of technical (i.e. legal) qualifications, skills, knowledge and experience. The implication of this is that there are varying degrees of client sophistication in terms of their ability to: issue instructions to solicitors acting on their behalf; understand the features and benefits of the service they are receiving and gauge the technical and functional elements of the service delivery related to these.

Thus, the degree of client sophistication may affect: the priority accorded to the technical, functional and affective components of the service; the nature of their evaluation and lastly; the functionality attached to them.

This in turn, may have a profound affect in terms of how each service interaction is gauged and ultimately, in terms of its overall contribution to relationship satisfaction . The issues raised here are explored in more depth in the next sections of this chapter.

## 7.5 The Role of Affect

In the literature reviewed in a preceding chapter (see section 4.10), Oliver (1993) concludes that positive and negative Affect are a function of attribute satisfaction or dissatisfaction with the component. Within this context, the exploratory research suggests this would appear to be the case with more sophisticated clients. Thus, it is only when the core or technical service is discharged satisfactorily that Affect evoked may become significant in terms of its role. However, that role is subordinate to the delivery of a satisfactory technical component. In such circumstances it is posited that Affect evoked is a function of satisfaction with the technical component. As one in-house lawyer states:

*"If we go down to London with XXX [Firm of solicitors]....it gives a name to a face, a face to a name and you've got the rapport with them but they wouldn't even be on the list if they couldn't do a good job."*

Client B

And another in-house lawyer states:

*"Certainly one thing that all the firms do to varying degrees is they socially market you with events, dinners, lunches, drinks.....whatever. That is only useful to the extent that you become closer to them as people so that you feel more comfortable making calls. Events will win over the non-sophisticated business person rather than a legal person and they are nice to make contact with but often they waste too much of your day."*

Client A

In another example, a solicitor describes how a relationship may develop between individuals but only after the technical and functional aspects of the service have been satisfactorily evaluated:

*".....well often the blue chips [client companies] have a central purchasing department which will do internal questionnaires as to how the firm [providing the legal service] is doing....that then gets fed back into the central purchasing department and they spew out all these statistics that tell you how hopeless you have been compared to other big firms down the road...you can form a bond with individuals within the blue chips but it is only after their purchasing people tell them who to use."*

Solicitor D

These research findings suggest some clients are able to clearly differentiate the technical, functional and affective elements of the service interaction despite it being ostensibly a credence service. Solicitor D makes the following observation when considering the relationship with more sophisticated clients:

*"I think you can still instruct solicitors without getting on with them. It is like being..... 'I don't have to like them I just have to work with them' .....but I think it very much helps... There are clients that will instruct you but not necessarily like you, but instruct you because they know that you are good at that particular aspect [of the law] that they are instructing you on."*

Solicitor D

For less sophisticated clients, 'performance ambiguity' (Solomon *et al.*, 1985) may mean the quality of the core or technical service is determined by an evaluation of other aspects of the service interaction such as elements of the functional and affective component. These 'demand peripherals' (e.g. Morgan and Hunt; 1994) may take on a higher degree of significance. As one solicitor states:

*"I think they [less sophisticated clients] probably assume that knowledge is already assumed so they don't actually ask you questions about legal knowledge.....but the kind of thing that would make them go elsewhere is the fact that you only have two receptionists and they had to wait ten rings for the phone to be answered."*

Solicitor A

And another solicitor states:

*"I think inevitable, the client [less sophisticated client] is going to... that kind of client is going to try and measure things by the sort of peripheral factors...do other things around the work that is met give the sort of resonance of competence .....maybe things like how many offices [does the firm have]...do you follow up the first meeting efficiently with a letter or whatever"*

Solicitor B

The exploratory fieldwork involving less sophisticated clients also appears to substantiate the research of Alford and Sherrell (1996) on affective reactions to service providers. For example, solicitor D states: *"....with the owner managed clients it is in terms of relationships...you know, personal relationships"* and solicitor E states: *"If you have a less sophisticated client, the personal relationships may override anything else....as in the competition in the market"*

There was also evidence indicating the inability such clients have in distinguishing Affect evoked as a result of a satisfactory service delivery and Affect evoked as a result of interaction with the service provider. Solicitor D states: *"[the less sophisticated client] will go around the lawyers that are available until he finds a person he likes and feels comfortable with"* and Solicitor I states: *"They [the client firm] then indicate that there's certain people they'll deal with, certain people they won't. So part of it must be simply the ability of the client...individuals to get on"*.

This may explain some of the ambiguities previous researchers have encountered in terms of the roles and functionality of the technical, functional and affective elements of the service interaction within a credence service context. Crosby and Stephen's (1987) research suggests that interaction with the contact person does have a major influence on overall satisfaction but they also state "[it is] *balanced against perceived performance of the core service*" (p. 411) . As previously highlighted, Hart and Hogg's (1998) research findings suggest 'personal chemistry and 'fit' between client and partner are rated of high importance but are rated below the technical component or outcome based criteria but are uncertain as to how assessments of the technical product are made.

While it may be concluded that satisfaction with the service interaction is neither purely cognitive nor purely affective but a joint operation of service influences and emotions, it is the priority and sequencing of the elements of the service interaction that is ambiguous particularly within a credence service context. As Alford and Sherrell (1996) so succinctly suggest "*future research should address the issue of construct sequence in satisfaction judgments for such services.*" (p.81).

Having explored the relationship between the elements of the service interaction, the next section of the chapter explores the relationship between satisfaction, trust and commitment.

## 7.6 The Role of Trust and Commitment

The importance of the role of trust and its link to relationship commitment also appears to be substantiated by the exploratory fieldwork interviews. The role of trust is related to an appraisal of the technical, functional and affective components of the service interaction. As a result of a positive or negative evaluation of these elements, trust is enhanced or diminished. This in turn leads to an increase or decrease of commitment and the likely continuation of the relationship (Morgan and Hunt, 1994). Client A gives an example of how trust may be affected by the functional component and, in turn, how this may affect the overall relationship:

*"We do value it quite highly when we're told that somebody can't actually do something rather than 'yes we can do it' and then they do it badly. They miss deadlines. It's more detrimental to the relationship to have non-delivery and it's actually positive for the relationship to be told 'I value you too much as a client not to be able to deliver here so I can't quote for that work.'"*

Client A

Client B explains a scenario where trust in the technical component was undermined by a firm of solicitors supplying legal advice to her organisation:

*"Suppose I give you an example of a firm we got rid of...I'd basically took my instruction letter for this issue of law x, y and z ...and [asked the law firm] can we have your comments and the letter that came back was literally a re-jig of what I'd said in my instruction letter and I thought....that happened a couple of times...I might as well pay myself for the advice. Do you know what I mean?"*

and finally in terms of the relationship between the affective element and trust and commitment:

*"There definitely is a great amount in personal chemistry and personal contact which can of itself generate more business because you are more likely to call a person who you trust and get on with."*

Client A

and Solicitor G states:

*"I think having people you like and who trust you and think that actually you care about them..... and actually it does help if you genuinely do care about the relationship.....there must be one core person to it who knows the whole of the relationship and got.....real trust with.... you know, a couple of core people at the client...you need someone to feel this thing is theirs."*

Solicitor G

Client A illustrates the implications of a breach of trust on commitment to the relationship:

*"We had a deal with them [the firm of solicitors] and they [a recently acquired rival] have a deal with them and we would have thought as we spend a lot more with them and are a much more important client, we would have achieved a better deal and we didn't....it's a real negative point in terms of the relationship. We went through hours of negotiations with their people.....they told us we were doing very well....did they tell us the truth?"*

Client A

And solicitor I states :

*"If an organisation was so powerful it could dictate terms that were not acceptable, then I think the reason for that is that the trust has broken down between us as a supplier and them as a user because I think if an organisation is trying to push costs down so low that they're uneconomic then I think you cannot really trust them to continue in a productive relationship."*

Solicitor I

Having identified and examined the components of the service interaction, the next section of the chapter discusses the service interaction in its wider context and examines the variables that may have a moderating influence on it.

## **7.7 The Service Interaction Environment**

When viewing relationships and service interactions within a corporate legal services context it is necessary to adopt an open systems approach. It is only when interactions and relationships are viewed within the context of their environment and in terms of the external variables influencing them that their true nature and characteristics may be understood. There are a number of variables which the IMP Group model (1982) identifies as being relevant to the environmental context (e.g. Market structure, Dynamism, Internationalisation, Position in manufacturing channel, Social system ). A number of these variables were found to be particularly pertinent to the corporate legal service context. The next section examines these in more detail.

### ***7.7.1 Market Structure***

As referred to in Chapter two, deregulation and recession has resulted in increased competition and changes in the demand structure for corporate legal services. This has affected the number of alternative suppliers in the market. The corporate legal services market has become more concentrated with firms becoming more specialised in particular areas of law. At the same time, there appears to be decreased motivation to bond within a particular relationship particularly from a sophisticated clients' perspective ( Johanson, 1988; Rusbult and Buunk , 1993; Barnes 1994; Han, 1992). Wilson's (1995) research

appears to be substantiated in so far as there is an increasing recognition within the corporate legal services market that *"there is a wide array of high quality partners to choose from"* (Client A) and therefore dependence is low on any one individual partner. This has resulted in a very dynamic client-law firm interaction environment.

### 7.7.2 Dynamism

The IMP Group (1982) suggest that in a dynamic environment *"the opportunity cost of reliance on a single or small number of relationships can be very high when expressed in terms of the developments of other market members."* (p.16). However, the reverse appears to be occurring in the corporate legal services market. Many of the interviewees cited the practice of 'panelling'<sup>10</sup> by corporate clients whereby they reduce, through a tendering process, the number of law firms they use.

The remaining law firms receive larger amounts of business but with expectations that costs will be reduced and/ or productivity increased. As Solicitor F states:

*"Buying power with very sophisticated clients is a concern because like mergers..... if a firm [corporate client] becomes large enough to dictate terms, it's possible and it is happening, that they are reducing their panels and insisting upon better terms from the [law] firms that they have on their reduced panel. What they're doing is they're threatening to reduce panels, which is in turn encouraging the solicitors who provide their service to be more flexible .....and once they've encouraged that debate .....they're almost competitive tendering.....and reducing their panels by half or a quarter. The firms [law firms] that are left are in a much weaker position than they were because they're reliant upon an awful lot of work from a major buyer."*

Solicitor F

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<sup>10</sup> An organisation's panel within this context usually refers to a shortlist of law firms who have been selected to be on the panel on the basis of certain criteria (e.g. speciality, perceived value for money etc.). It is a similar concept to 'preferential supplier status' used by many organisations.

In conclusion, if one extends the marriage metaphor (e.g. Tynan, 1997) then the relationship between firms and clients traditionally characterised as monogamous still, to a large extent, appears to exist with less sophisticated clients. However, with more sophisticated clients polygamy has become the norm with concurrent relationships existing with a number of law firms.

## **7.8 The Interaction Atmosphere.**

The existence of the atmosphere as a moderating dimension is clearly substantiated by the exploratory fieldwork and a number of interrelated themes associated with it have emerged. In some cases these have a considerable moderating influence not only on the nature of the service interaction and ultimately the relationship but also in terms of the role of the affective element within this. These are now examined in more detail.

### ***7.8.1 Interdependency and Power***

The exploratory fieldwork produced clear evidence of the existence of a power dimension mediating the service interaction and ultimately the relationship. Solicitor D illustrates the power and control dimensions in terms of the relationships between large Public Limited Companies and large City law firms and large Public Limited Companies and smaller provincial law firms and its affect on the relationship:

*"We [provincial law firm] hear all of these horror stories from the Plc clients about their relationship with the City [law] firms. It annoys the hell out of us because they [the Plc clients] are cracking the whip all the time with us and these City [law] firms that are the Plc's' main solicitors ...and we get the pilchards..... and they [the City law firms] are basically treating them like dirt ....the Plc's chairman probably went to Eton with the senior partner of the City firm."*

Solicitor D

### 7.8.2 Co-operation and Conflict

There was also evidence to support the use of 'unjust' power (Dwyer *et al.*, 1987: p. 17).

Solicitor I gives the following example for this:

*"With the bigger organisations, they know very well that we like to be seen doing work for them and they end up getting work done extremely.....less than half price. As a result they get the best deals and the small owner managed firms get a quote which probably..... tends to be based on more realistic estimates."*

Solicitor I

And Solicitor F gives another example of the atmosphere within some relationships being of a non co-operative nature because of the use of unjust power:

*"If a client were to be so powerful as to strike deals that were not economic with a firm of solicitors of our size, I think that would result in termination of the relationship. ...and certainly some firms in my market, in the past week have had to terminate the relationship with large clients on the basis that the client had gone too far in dictating not only the fees but also the extra services which must be provided for nothing. ....and there comes a point when you do a cost benefit analysis and you cannot do the work at.....well, you can't do the work to the required quality for the price they are demanding."*

Solicitor I

### 7.8.3 Mutual Expectations and Shared Values

Morgan and Hunt (1994) highlight the importance of shared values between organisations and individuals. They define shared values as *"The extent to which partners have beliefs in common about what behaviours, goals and policies are important or unimportant, appropriate or inappropriate and right and wrong"* (p. 25). This encompasses the characteristics of individuals involved at different levels of the relationship and what their expectations are in terms of the other's role. These have a direct mediating affect on the nature of the service interaction and ultimately the relationship. Again these were alluded

to in the course of the exploratory research. Solicitor E explains the possible expectations of a client :

*"... 'Do you understand my role within my organisation? ..... Are you going to help me?' .....or how they are being judged by their boss and therefore work with them to facilitate their role.....not make them look bad."*  
Solicitor E

And Solicitor F states:

*"You have to appreciate the person who you are working for, not just the organisation you are working for and you find yourself in a situation where to be truly effective the person who has day to day dealings with the client ought to be somebody who's perhaps at a similar stage in their own career and moves forward through their career with that person... you quite often get a situation where you're not dealing with a legal problem on your desk, you're dealing with a problem that has arrived on their desk and they want to get it off their desk."*  
Solicitor F

From a managerial perspective, there was an awareness of the risks of over reliance on a dyadic relationship revolving around two individuals between two organisations and that individual involvement in relationships may have to be controlled in some circumstances. Solicitor G illustrates this point from a solicitor's perspective and how it might be managed:

*"....you know 'I went out and got this , this is mine [a relationship with a particular client] . If I let someone into this they may take it away from me and its not mine anymore' . So in terms of managing your stars [solicitors] , you need to try and....its great to have stars in a way ...you need to have people that clients like and think they're terrific and so on...but you have to have them [the clients] actually being comfortable with dealing with a broader group of people so that when there's some huge new or different transaction, then they can have their star in particular ...you know that's fine ...but what is better for you as a firm .....for them as well .....is that it's really a number of three or four people who they feel comfortable dealing with."*  
Solicitor G

#### 7.8.4 General Affect

The concept of General Affect (Alford and Sherrell, 1996; p. 75) was alluded to on a number of occasions in the course of the exploratory research and was perceived by the participants as being particularly pertinent to less sophisticated clients. For example, Solicitor E states:

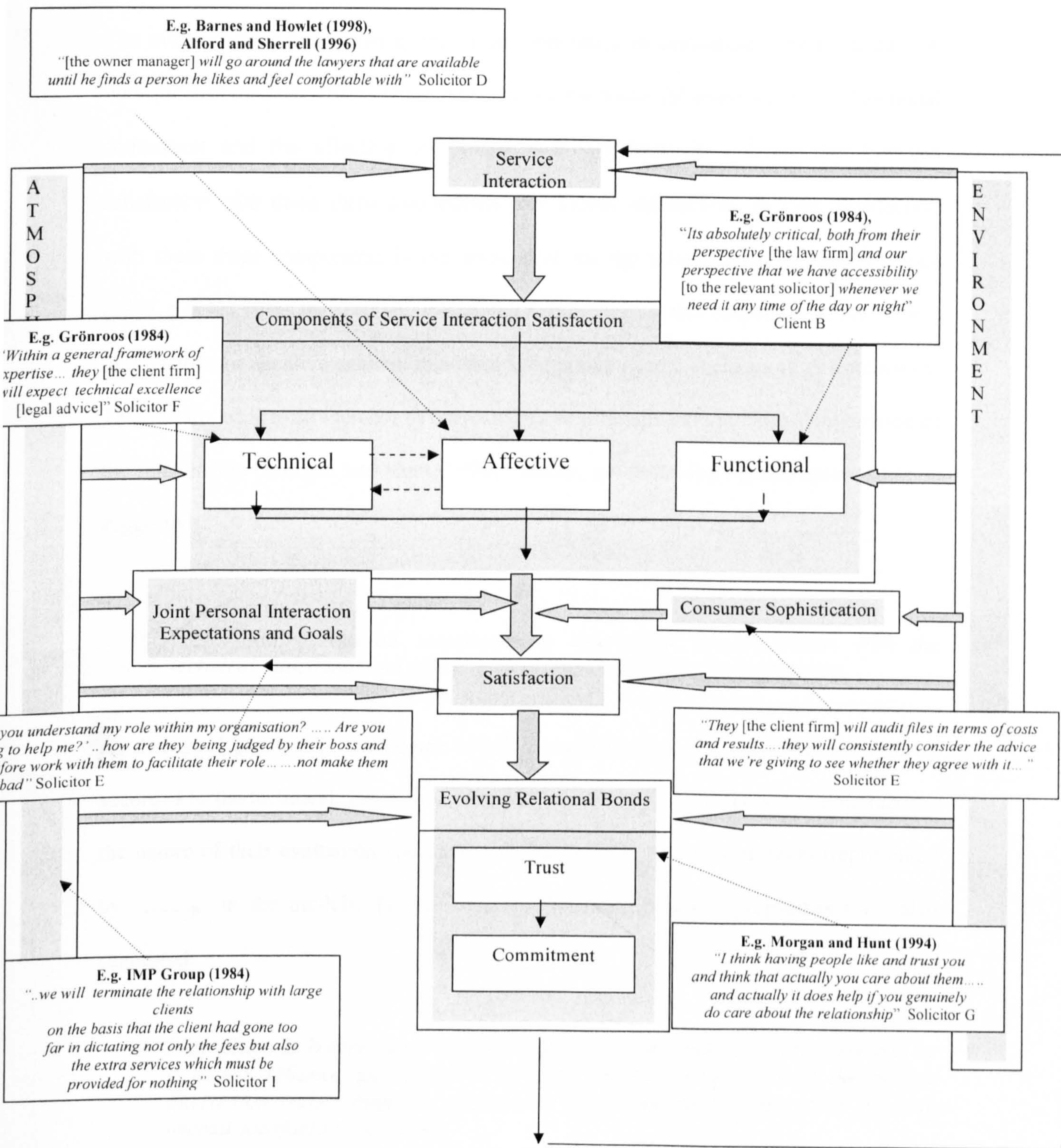
*"Lawyers generally were less global, businesses were less global and therefore you looked more to what the position of the UK lawyer in the UK economy was and you know, traditionally it was a profession, it was respected and therefore would be treated different as I say, to the purchase of other services and I think that with the increase of globalisation, with the American influence....well I don't think that lawyers are held in the same degree of respect....Hatred more like!"*  
Solicitor E

Having incorporated the key findings from the theoretical discussions explored in previous chapters of this thesis and the findings of the exploratory fieldwork interviews that have been conducted, the remainder of this chapter will present the model and hypotheses to be investigated during the main theory testing part of this research.

### 7.9 The Conceptual Model and Propositions

It is recognised that service interactions must be considered within the context of a number of levels of moderating factors that affect and are affected by them. These are the levels of client sophistication, the atmosphere in which the service interaction occurs and the environment surrounding the service interaction (See Fig. 7.1). However, the purpose of this research is to propose and test a model designed to portray clients' affective reactions to a service and it is within this subset of the model that the

propositions focus. By doing this it is hoped to resolve some of the ambiguities surrounding the roles and sequencing of the technical, functional, and affective elements and to assess their impact on trust and ultimately commitment to the relationship.



**Figure 7-1 A Proposed Model of Service Interaction Satisfaction within Corporate Legal Services**

The model further posits that clients have three bases of evaluating overall satisfaction with the service interaction. These comprise of the technical component, the functional component and the affective component and that there is a direct link between satisfaction with these three components and overall satisfaction. In turn, satisfaction with these three components is the antecedent for the development of what Halinen (1997, p. 241) terms the '*evolving relational bonds*' of trust and commitment. As a result of a positive or negative evaluation of these components trust, is enhanced or diminished. This in turn leads to an increase or decrease of commitment and the likely continuation of the relationship (Morgan and Hunt, 1994). Hence, the following research proposition is suggested:

*Proposition 1: Overall satisfaction is determined by satisfaction with the technical, functional and affective components of the service interaction.*

As discussed previously, the degree of client sophistication may moderate the priority accorded to the technical, functional and affective components of the service interaction, the nature of their evaluation and lastly the functionality accorded to them (represented by -----► in the model). To this end, the following research propositions are also suggested:

*Proposition 2: Where there is a higher level of client sophistication, there will be a higher reliance on evaluation of the technical components of the service interaction rather than the affective or functional components when deriving overall satisfaction judgments*

*Proposition 3: Where there is a lower level of client sophistication, there will be a higher reliance on evaluation of the functional and affective components of the service interaction rather than the technical component when deriving overall satisfaction judgments*

The next chapter ( Chapter eight) presents the second stage of the research related to the testing of these propositions.

## **7.10 Conclusion**

This chapter presented the key findings of the exploratory interviews. Emerging themes and concepts were identified and the chapter progressed by suggesting a number of key conceptual factors based around possible causal relationships.

The findings appear to substantiate the existence of a cognitive component (comprising the technical and functional elements) and an affective component evoked in response to service interactions. The findings also suggest that the degree of client sophistication may affect the priority accorded to these components, the nature of their evaluation and the functionality attached to them. This in turn, may have a profound affect in terms of how each service interaction is gauged and ultimately, in terms of its overall contribution to relationship satisfaction .

A conceptual model and propositions were then presented based on these findings. It should be emphasised at this point that these propositions are generalised statements

about key relationships between variables which will be refined to produce more formalised hypotheses in Chapter eight informed by the results of the scenario based research. Thus, having presented the inductive element of the research, the next chapter moves the research forward by introducing the deductive element of the research. It does this by presenting the analysis of the testing of the propositions presented towards the end of this chapter using a scenario based approach.

## **8 Data Analysis and Hypotheses Development: Experimental Scenario Tests**

### **8.1 Introduction**

This chapter presents the results of an analysis of the data collected through the experimental scenario tests and evaluates these in the light of the propositions suggested in the previous chapter which were informed by the exploratory research interviews and conceptual model. An explanation and justification relating to methodological issues surrounding this stage of the research has already been covered in Chapter six and therefore this chapter proceeds by initially carrying out a series of checks to ensure that the manipulations of the scenarios worked as intended. Next, the issues of reliability and validity are covered. Subsequently, an analysis of the testing of the propositions developed in Chapter seven are presented together with the results. There then follows a discussion of the results and hypotheses are developed consistent with these for investigation in the next stage of the research. The key findings to emerge from the analyses of the data for this stage of the research are now presented.

### **8.2 Perceived Realism**

Respondents' answer to a scale item included to evaluate their perceived realism of the scenarios suggests they were perceived to be highly realistic ( LPC  $\bar{x}$ =4.14, NLPC  $\bar{x}$  =

4.12 where 1= “Strongly disagree” and 5= “Strongly agree”)<sup>11</sup> An independent paired sample t-test was conducted to evaluate if there were any statistically significant differences between the two sets of respondents but this was not significant.

### **8.3 Respondent Sophistication**

An analysis of the responses revealed that 26% of the LPC respondents gave the incorrect answer or replied ‘Don’t Know’ to the question “*Was the legal advice given correct?*” . Analysis also revealed that 25% of the NLPC responses gave the correct answer to the same question. These respondents were re-classified according to their knowledge of the technical components of the service.

### **8.4 Manipulation Tests**

For experimental research to be valid, it is essential to ensure that manipulation checks are conducted. Perdue and Summers (1986) propose that the researcher should be able to demonstrate that the manipulation of a scenario produces a large enough variance in the intended independent variable to provide for a meaningful test of the propositions. For this reason, independent sample t-tests were conducted to evaluate the effect of a manipulation on the relevant component of the service encounter. These are now discussed individually.

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<sup>11</sup> By way of reminder, LPC=Legal Practice Certificate students (sophisticated respondents) and NLPC = Non Legal Practice Certificate students (non-sophisticated respondents)

#### 8.4.1 *The Functional Component*

The results largely showed statistically significant differences in the expected direction between group means on questions about satisfaction with the functional component ( $p < .05$ ). These are presented in Appendix 10: Table 1. The exceptions to this were '*the degree of empathy with which the request was dealt with*' ( $p = .156$ ) and '*how clearly and in language that you understood the advice was given*' ( $p = .336$ ). A possible explanation for the former is empathy is viewed as a 'softer' element of the functional component and is less easily rationalised when compared to other components such as reliability and promptness. An explanation for the latter may be that whilst the style of interaction and thus communication of the message (e.g. promptness) was different between scenarios, the advice was always delivered clearly and in language that the respondent understood regardless of whether the respondent was satisfied with the style of delivery.

#### 8.4.2 *The Affective Component*

Once again, the results largely showed statistically significant differences in the expected direction between group means on questions about Affect evoked ( $p < .05$ ). The exceptions to this were '*Thrilled*' ( $p = .211$ ), '*Scared*' ( $p = .112$ ), '*Guilty*' ( $p = .252$ ) '*Worried*' ( $p = .777$ ) and '*Proud*' ( $p = .132$ ). These results are presented in Appendix 10: Table 2.

A possible explanation for '*thrilled*', '*guilty*' and '*proud*' are that these are emotions that are perceived as not necessarily being evoked in the interaction process between solicitors and their clients. This appears to be substantiated when considering the means

of the positive and negative outcomes for these items (*'Thrilled'*  $\bar{x}$  = 4.22 and 4.48, *'Guilty'*  $\bar{x}$  = 4.81 and 4.65, and *'Proud'*  $\bar{x}$  = 4.41 and 4.66 respectively for the positive and negative outcomes (1='Extremely' and 5= 'Not at all')).

The respective means for *'Worried'* is lower for the positive and negative outcomes (3.47 and 3.41) suggesting that it is an emotion that is more likely to be evoked and more intensely. A possible explanation for there not being a significant difference between the two groups is that any interaction between a solicitor and client is often perceived as a distress purchase evoking worry regardless of the outcome.

#### 8.4.3 *The Technical Component*

For the technical component of the service encounter (i.e. the legal advice), the t-tests were conducted *within* the LPC and NLPC groups (see Appendix 10: Table 3 and Table 4). As anticipated for the NLPC group, there was no statistical difference in scores for technical satisfaction between the correct (positive) technical advice and the incorrect (negative) technical advice. For the LPC group, the results showed statistically significant differences in the expected direction between the group means for those receiving correct and incorrect legal advice ( $p < .05$ ). These results confirmed that the NLPC group is unable to make performance assessments about the technical component (i.e. the legal advice) of the service encounter but that the LPC group is.

## 8.5 Factor Analysis

It is important to stress that the factor analysis conducted at this stage of the research was exploratory. Lee and Hooley (2005) define exploratory factor analysis (EFA) as a factor analysis *‘where no structure is pre-specified and the data are used to help reveal or suggest the structure of the model’* (p.384).

Before discussing and evaluating the results of the factor analysis, it should be noted that two sets of factor analysis were conducted on the affective and cognitive components respectively. There are two reasons for this: firstly, to enhance the comparison between the LPC and NLPC groups of respondents; secondly, because of the large number of items that are included in the satisfaction evaluation criteria.

Factor analysis was initially conducted on the affective component of the service encounter. The issues surrounding the appropriateness of factor analysis and other salient points such as methods of extraction and number of variables retained are discussed in detail for this particular procedure so as to provide the foundations and justifications for related procedures conducted later in the data analysis sections.

## 8.6 EFA: The Affective Component

Hair *et al.* (1992) define factor analysis as *“multivariate statistical methods whose primary purpose is data reduction and summarization”* (p.225). The purpose of factor analysis is to identify the interrelationships among variables and then explain these variables in terms of their common underlying dimensions or factors (Hair *et al.*, 1992).

Within the context of this research, Hair *et al.* (1992) suggests factor analysis techniques may perform three functions. Firstly, to identify a set of dimensions that are latent (or unobservable) within a large set of variables. Secondly, to identify appropriate variables for subsequent regression, correlation or discriminant analysis from a larger set of variables and finally; to create a smaller set of variables to partially or completely replace the original set of variables for inclusion in subsequent regression, correlation or discriminant analysis.

There are three main statistical measures which may be used to assess the appropriateness of a data set for factor analysis. These are sample size, the strength of the relationship among the variables and the percentage of variance explained by the factors extracted. These are now discussed in more detail.

#### *8.6.1 Sampling Adequacy*

There is much discussion as to what encompasses an adequate sample size. However, general consensus appears to be that the larger the sample size, the more robust the results will be. The Kaiser-Meyer-Olkin (KMO) statistic measures the degree of intercorrelation between variables (Kaiser, 1970). The index ranges from 0 to 1 with Hair *et al.* (1992) suggesting .6 as the minimum value for a successful factor analysis to be conducted. In relation to this research, the KMO value for the affective component was .877 exceeding the recommended value of .6 and thus suggesting that the sample size was adequate.

### 8.6.2 *The Strength of the Relationship between Variables*

The second issue concerns the strength of the intercorrelations among the items. An inspection of the correlation matrix for evidence of intercorrelations with a coefficient value greater than .3 is recommended by some researchers (e.g. Tabachnick and Fidell, 2001). If there are few correlations above this level then factor analysis may not be appropriate. Prior to performing factor analysis on this data, the suitability of the data was assessed. Inspection of the correlation matrix revealed the presence of many coefficients of .3 and above.

Bartlett's test of sphericity (Bartlett, 1954) examines the correlations among variables and assesses whether overall significant intercorrelations exist. The Bartlett's test of sphericity should be significant ( $p < .05$ ) for the factor analysis to be considered appropriate. In this instance, the Bartlett's test of sphericity was highly significant ( $p = .001$ )

### 8.6.3 *The Percentage of Variance Explained by the Factors Extracted*

This is a measure of variance explained by the retained factors. There is a consensus within social sciences that values of around 60% and less are generally acceptable (e.g. Hair *et al.*, 1992). This analysis resulted in a two-factor solution accounting for 58.7% of the variance which is within the bounds of acceptability given the context. Taken together, the results of these statistical measures, it may be concluded that the data set is appropriate for factor analysis.

When conducting factor analysis, a number of decisions need to be considered. These primarily revolve around methods of extraction, retention of factors and the number of variables to include in a solution. Each of these is now discussed in more detail.

#### *8.6.4 Choice of General Factor Model*

For the purposes of this research Principal Component Analysis (PCA) was used for the following reasons. The main objective of PCA is one of data reduction (Editors, Journal of Consumer Psychology, 2001). It is used to summarise the original information into “*a minimum number of factors for prediction purposes*” (Hair *et al.*, 1992: p.228). Given the objectives of this research, this method was deemed most appropriate for this stage of the research.

#### *8.6.5 The Method of Extraction*

The initial factor matrix may be difficult to interpret because the factors may be correlated with many variables. To enhance the interpretability of the factors, the variance explained by each factor may be redistributed through factor rotation. There are two basic types of rotation; orthogonal and oblique. Varimax rotation is the most commonly used orthogonal rotation procedure. This entails rotating the factors such that each variable loads highly on one factor alone. Varimax rotation is seen as the most appropriate method of rotation for this analysis for two reasons: the primary objective of this stage of the research was to identify a small number of distinct factors and secondly;

Varimax rotation has been used in the marketing arena for a number of years and so precedence is firmly established.

#### *8.6.6 The Number of Factors to Retain*

In deciding the number of factors to retain for further analysis, common criteria used include: A Priori criterion; the amount of variance explained; scree criterion and Eigenvalue or Latent Root criterion. In practice, most analysts use a combination of the above to reach a judgment as to how many factors are appropriate for retention. A similar process was adopted with this research and these criteria are now explained in more depth.

The PCA revealed the presence of six components with eigenvalues exceeding 1 and explaining 33.8 %, 21.5 %, 5.2 %, 4.7 % , 3.7 % and 3.1 % of the variance respectively . Using Catell's (1966) scree test, an initial inspection of the scree plot revealed two factors above the elbow and before the shape of the curve changes direction to become more horizontal. It was therefore decided to retain these two components for further inspection . As discussed previously, to aid in the interpretation of these two components, Varimax rotation was performed.

#### *8.6.7 The Number of Variables to Include in the Solution*

Bearing in mind that a factor loading represents the correlation between the original variable and its factor, a decision is required as to which factor loadings should be retained and which should be discarded. Hair *et al.* (1992) suggest the higher the absolute

value of the factor loading, the more significant it is in interpreting the factor mix. Thus, factor loadings of 0.55 or greater are considered very significant with a sample size of 100-120 or larger. As Hair *et al.* (1992) state “*This approach may appear too simplistic, yet compared with other criteria it is quite rigorous and acceptable*” (p. 239). In this instance, all the items loaded significantly except for ‘*Guilty*’ and this was removed from further analysis. With the items ‘*Frustrated*’, ‘*Calm*’, ‘*Irritated*’ and ‘*Amazed*’, there was a significant degree of cross loading and these items were also discarded from further analysis. The results are presented in Table 8.1.

<u>Items</u>	<u>Factor 1: Negative Affect</u>	<u>Factor 2: Positive Affect</u>
<i>Sad</i>	.805	
<i>Nervous</i>	.795	
<i>Scared</i>	.791	
<i>Afraid</i>	.786	
<i>Panicky</i>	.772	
<i>Tense</i>	.756	
<i>Depressed</i>	.737	
<i>Miserable</i>	.725	
<i>Humiliated</i>	.716	
<i>Angry</i>	.698	
<i>Unfulfilled</i>	.687	
<i>Embarrassed</i>	.686	
<i>Surprised</i>	.678	
<i>Worried</i>	.656	
<i>Discontented</i>	.642	
<i>Ashamed</i>	.626	
<i>Astonished</i>	.612	
<i>Enthusiastic</i>		.882
<i>Pleased</i>		.857
<i>Encouraged</i>		.831
<i>Happy</i>		.822
<i>Relieved</i>		.822
<i>Excited</i>		.814
<i>Content</i>		.804
<i>Joyful</i>		.792
<i>Hopeful</i>		.786
<i>Optimistic</i>		.775
<i>Fulfilled</i>		.736
<i>Proud</i>		.709
<i>Thrilled</i>		.676
<i>Eager</i>		.668

**Table 8-1 Factor Analysis Results: Affective Component of Service Encounter**

The analysis resulted in a two factor solution accounting for 58.76% of the variance. As anticipated, the results substantiate the existence of positive and negative affective components to the service encounter (Westbrook, 1987; Oliver, 1993) with the first

factor being characterised by negative emotions (29.62% of variance) and the second factor being characterised by positive emotions (29.14% of variance).

## 8.7 EFA: Cognitive Component

Once again, prior to performing the analysis, the suitability of the data for PCA was assessed and results supported the factorability of the data. On this occasion, the PCA revealed the presence of three components with eigen values exceeding 1 and explaining 47.8 %, 12.8 % and 7.9 % of the variance respectively. An initial inspection of the scree plot revealed three factors above the elbow and these were retained for further analysis. As previously, to aid in the interpretation of these three components, Varimax rotation was performed.

The loading of these items was contrary to expectations insofar as it was anticipated that the variables would load across the two factors of the functional and technical components. However, the factor analysis resulted in a three factor solution accounting for 68.59% of the variance. All the items loaded significantly. With a number of items there was some cross loading, but as their values were less than the 0.55 cut off they were not seen as problematic. However, with other items there was significant cross loading. *'The degree of attention the partner gave your request'* is ambiguous insofar as it may be interpreted from a personal, interaction perspective or from a technical perspective. Likewise, *'the importance attached to legal detail'* and *'the reliability with which the partner dealt with your request'* may also be interpreted from a technical or

functional perspective. These items were removed from further analysis. The results are presented in Table 8.2 below.

<u>Items</u>	<u>Factor 1: Interaction Component</u>	<u>Factor 2: Technical Component</u>	<u>Factor 3: Responsiveness Component</u>
<i>Degree of empathy</i>	.867		
<i>Courtesy of partners and staff</i>	.802		.313
<i>Degree of partner involvement</i>	.726		.329
<i>Degree of reassurance and confidence</i>	.694		.334
<i>Clear and understandable language</i>	.637		
<i>Legal knowledge of partner</i>		.883	
<i>Quality of the legal advice given</i>		.837	
<i>Commerciality of legal advice</i>		.720	
<i>Promptness of the advice</i>			.885
<i>Accessibility of partner</i>	.379		.755

**Table 8-2 Factor Analysis Results: Cognitive Components of Service Encounter**

The results suggest that the cognitive component may not only comprise of a technical component (22.48% of variance) but also suggests that the functional component may comprise of two further constituents. The first of these comprises of '*the degree of empathy with which the request was dealt*', '*the courtesy of the partners and staff*', '*the degree of partner involvement*', '*the degree of reassurance and confidence with which the advice was given*' and '*clear and understandable language*' (30.57% of the variance). These items relate to the nature of the interaction between the firm and the client and the factor was labelled the 'interaction component'. The second of these comprised of '*the promptness of the advice given*' and '*the accessibility of partner*' (20.16% of variance) which were related to the responsiveness of the partner and firm to the client and was labelled the 'responsiveness component'.

## 8.8 Reliability of Scales

A key concern of the researcher is to ascertain whether the data set is representative of the population from which the sample has been drawn. McDaniel and Gates (1993) define reliability as being “*measures that are consistent from one administration to the next*” (p.366). There are three ways to test reliability: equivalent forms, test-retest and internal consistency.

Given the nature of the research focus, the equivalent forms technique was deemed to be inappropriate. As is the case in most social sciences research, the test-retest approach was impractical in terms of attempting to administer the same scenario questionnaire to the same respondents for the purposes of retesting. For this reason, the measure of reliability adopted for this research was that of internal consistency.

The internal consistency of a scale is generally measured by use of Cronbach's coefficient alpha (Cronbach, 1951). Cronbach's alpha value varies between 0 and 1, with a higher number indicating a greater internal consistency and thus a higher degree of reliability. Bagozzi (1994) suggests that for exploratory research, “*one generally desires values for Cronbach alpha greater than about .60, although values greater than .70 are preferred*” (p.18). For the affective component, negative Affect and positive Affect had alpha scores of .94 and .95 respectively. For the cognitive element, the interaction and the technical component had scores of .85 and .80 and respectively. These values are above .7 so the scales can be considered reliable with this sample.

When considering the reliability of the responsive component, it needs to be recognised that this is a two-item scale and that there may be a lack of representation as a result of this. There is some debate as to the best indicator of scale reliability when a scale is composed of two items. Some academics advocate that Cronbach's alpha is sufficient (e.g. Editors, Journal of Consumer Psychology ) while others suggest that a correlation co-efficient is more appropriate. For the purposes of this research, Cronbach's alpha was considered appropriate and so the value of .75 was deemed acceptable.

Having established the validity and reliability of the data set, the next section explores the capabilities of the constructs identified in the PCA in predicting overall respondent satisfaction for the LPC and NLPC groups by conducting standard multiple regression. The independent variables were drawn from the dimensions produced in the PCA and consisted of positive Affect, negative Affect, the interaction component, the technical component and the responsiveness component. However, as Pallant (2003) states '*Multiple regression is one of the fussier of the statistical techniques. It makes a number of assumptions about the data, and is not all that forgiving if they are violated*' (p.136). Thus, to ensure the robustness of the analysis, it is imperative to consider the issues and assumptions surrounding multiple regression in more depth.

## **8.9 Multiple Regression Analysis: Predictors of Overall Satisfaction**

Hair *et al.* (1992) define multiple regression analysis as '*a general statistical technique used to analyse the relationship between a single dependent variable and several*

*independent variables'* (p.19). The objective of multiple regression analysis is to use the values of the independent variables to predict the dependent variable's value.

A number of general considerations need to be addressed when using multiple regression techniques (Hair *et al.*, 1992): These are: sample size; whether multiple regression is appropriate; the level of statistical significance for the prediction; the strength of association between the single dependent variable and one or more of the independent variables and finally; the resistance of the results to the influence of a single observation or a small number of observations (outliers).

#### 8.9.1 Sample Size

There are differing guidelines as to what is an appropriate number of cases to conduct multiple regression. Stevens (1996) recommends that '*for social research about 15 subjects per predictor are needed for a reliable equation*' (p.72). Tabachnick and Fidell (2001, p. 132) propose a formula  $N > 50 + 8M$  where  $M$  = number of independent variables.

Regarding Stevens (1996) recommendations, with five independent variables, this equates to 75 subjects. Using Tabachnick and Fidell's (2001) formula, this equates to 90 respondents ( $N > 50 + (8 \times 5)$ ). The total number of responses in this instance was 114.

### 8.9.2 *The Appropriateness of Multiple Regression*

To ensure that the assumptions made about the relationship between the dependent and independent variables are not violated certain assessments and statistical tests may be conducted. Multicollinearity, linearity, normality, homoscedasticity and independence of residuals revolve around the distribution of scores and the nature of the underlying relationship between the variables. To initially check that the independent variables were related to the dependent variable, their correlations were checked using correlations tables. All the values were satisfactory using the .3 cut off proposed by Tabachnick and Fidell (2001).

The correlation between each of the independent variables was then checked for multicollinearity by also initially examining the correlation table. All the independent variables were below the .7 cut off recommended by Tabachnick and Fidell (2001, p.86) for both the LPC and NLPC groups. A further measure for assessing multicollinearity is the variance inflation factor or VIF. This may be defined as “*an indicator of the effect other predictor variables have on the variance of a regression coefficient*” (Hair *et al.*; p. 24). Thus, a large VIF value denotes high collinearity. A cut off value of 10 is usually acceptable (e.g. Hair *et al.*, 1992) although arguably high and some studies suggest 7 is a more appropriate value. As may be observed in Table 8.3 below, the values for the VIF for both the LPC and NLPC are well below either of these cut off values. An examination of the normal probability plots and scatterplots for both the LPC and NLPC groups provide no substantive evidence of a major departure from assumptions made about the data.

### 8.9.3 Regression results

To assess how much of the variance in the dependent variable is explained by the model, the value for the coefficient of determination ( $R^2$ ) is evaluated. The  $R^2$  value for the LPC and NLPC groups respectively may be seen in Table 8.3 below. For the LPC group, sixty three percent (62.9%) of the variance in overall satisfaction was explained by four variables. For the NLPC group, sixty percent (60.4%) of the variance in overall satisfaction was explained by two variables.

To assess which independent variables are best in predicting the dependent variable, the beta coefficients ( $\beta$ ) are examined to evaluate each of their relative impact and whether they are making a statistically significant contribution. These two values for each of the independent variables may be seen in Table 8.3 under the 'Standardised Coefficient ( $\beta$ )' column and the 'Sig.' column.

LPC respondents

Dependent Variable	Independent Variable	Standardized Coefficients ( $\beta$ )	t-value	VIF	Sig	Model $R^2$
Overall Satisfaction	(Constant)		-1.824		.074	.629
	NA	-.124	-1.136	1.731	.262	
	PA	.194	2.120	1.220	.039	
	IC	.475	3.813	1.261	.000	
	TC	.267	2.756	1.359	.008	
	RC	.293	2.906	1.474	.005	

NLPC respondents

Dependent Variable	Independent Variable	Standardized Coefficients ( $\beta$ )	t-value	VIF	Sig	Model $R^2$
Overall Satisfaction	(Constant)		-1.978		.053	.604
	NA	.083	.912	1.243	.366	
	PA	.166	1.520	1.801	.134	
	IC	.369	2.697	2.342	.004	
	TC	.243	2.407	1.542	.019	
	RC	.158	1.476	1.725	.146	

**Table 8-3 Regression Analysis with PA (Positive Affect), NA (Negative Affect), TC (Technical Component), IC (Interaction Component) and RC (Responsiveness Component)**

For the LPC group, the independent variables that make a statistically significant contribution to overall satisfaction are the cognitive components of the interaction component ( $\beta=.475, p<.05$ ), the responsiveness component ( $\beta=.293, p<.05$ ), the technical component ( $\beta=.267, p<.05$ ) and the positive affective component ( $\beta=.194, p<.05$ ). This would suggest that for the LPC group, the cognitive components are the most important variables in determining overall satisfaction but with positive Affect also making a significant contribution.

For the NLPC , the independent variables that make a statistically significant contribution to overall satisfaction are the interaction component ( $\beta=.369, p<.05$ ) and the technical component ( $\beta=.243, p<.05$ ). Thus, the responsive and affective components are not significant for this group. This is contrary to expectations for two reasons. Firstly, positive and negative Affect do not make a significant contribution in predicting satisfaction judgments for this group and secondly; the manipulation tests conducted previously suggest that the NLPC is unable to make performance assessments about the technical attributes of the service encounter as they do not possess the necessary knowledge to do so and yet it makes a significant contribution.

A possible explanation for this is posited by Alford and Sherrell (1996). Their research suggests that where clients are unable to evaluate the technical performance, they may rely on their affective reaction to the service provider to derive performance judgments, thus implying that satisfaction with technical performance is a function of Affect. In order to explore this further, a multiple regression analysis was performed with the variables that are most important in predicting satisfaction with the technical component of the service encounter for the LPC and NLPC groups respectively.

### **8.10 Predictors of Satisfaction for the Technical Component**

The independent variables were again drawn from the dimensions produced in the PCA discussed earlier in the chapter but with the dependent variable being satisfaction with the technical component of the service. Once again, appropriate tests were conducted and there was no substantive evidence to suggest any violations of assumptions about the data.

For the LPC group, twenty one percent (20.6%) of the variance in technical satisfaction was explained by two variables that were significant. For the NLPC group, thirty one percent (30.5%) of the variance in technical satisfaction was explained by one variable that was significant.

The beta coefficient values ( $\beta$ ) and the significance values for each of the independent variables may be seen in Table 8.4 below. For the LPC group, the statistically significant independent variables that make a contribution to the technical component were the responsiveness component ( $\beta=.344, p<.05$ ) and the positive affective component ( $\beta=-.280, p<.05$ ). For the NLPC group only the independent variable of positive Affect made a statistically significant contribution ( $\beta=.354, p<.05$ ).

**LPC respondents**

Dependent Variable	Independent Variable	Standardized Coefficients ( $\beta$ )	t-value	VIF	Sig	Model $R^2$
Technical Component	(Constant)		2.876		.006	.206
	NA	-.031	-.191	1.730	.849	
	PA	-.280	-2.191	1.113	.033	
	IC	.267	1.494	2.164	.141	
	RC	.344	2.474	1.313	.017	

**NLPC respondents**

Dependent Variable	Independent Variable	Standardized Coefficients ( $\beta$ )	t-value	VIF	Sig	Model $R^2$
Technical Component	(Constant)		5.095		.000	.305
	NA	.040	.333	1.240	.740	
	PA	.354	2.599	1.607	.012	
	IC	.165	1.008	2.300	.318	
	RC	.160	1.148	1.686	.256	

**Table 8-4 Regression Analysis with PA (Positive Affect), NA (Negative Affect), IC (Interaction Component) and RC (Responsiveness Component)**

These results suggest that there may be differences in the way the LPC and NLPC groups assess the technical components of the service. To investigate these differences further, another regression analysis was conducted incorporating a dummy variable.

### **8.11 Regression Analysis with a Dummy Variable**

Regression with a dummy variable entails taking a value of one to 'indicate' a particular variable is present and a zero to indicate it is not. In this instance, a 'one' would indicate an above average knowledge of the law (i.e. the LPC group) and a 'zero' would indicate an average knowledge of the law (i.e. the NLPC group). Thus by using dummy variables it is possible to use categorical variables in the regression model. By using such variables

there is an assumption that the regression lines for the two different groups of respondents will differ in the intercept term but will have the same slope coefficients (Maddala, 1992). To this end, a value of ‘one’ was assigned to the LPC group and a value of ‘zero’ was assigned to NLPC group. The regression was re-run with the dummy variable included. Once again, to ensure there were no violations of assumptions about the data, appropriate tests were conducted. There was no substantive evidence to suggest any violations. The results are shown in Table 8.5 below.

All Respondents

Dependent Variable	Independent Variable	Standardized Coefficients (β)	t-value	VIF	Sig	Model R <sup>2</sup>
Technical Component	(Constant)		3.193		.002	.165
	NA	.024	.257	1.241	.798	
	PA	.000	-.005	1.269	.996	
	IC	.155	1.401	1.696	.164	
	RC	.344	3.389	1.420	.001	
	Dummy Variable	-.090	-1.013	1.082	.313	

**Table 8-5 Regression Analysis with PA (Positive Affect), NA (Negative Affect), TC (Technical Component), IC (Interaction Component) , RC (Responsiveness Component) and a Dummy Variable.**

These results are contrary to expectations. The dummy variable was not statistically significant ( $p = .131$ ) suggesting that there are no differences in the way the two groups of respondents assess the technical component.

## 8.12 Discussion of Results

These results are ambiguous insofar as they contain a number of inconsistencies which will be discussed in relation to the original propositions. With regards to the first proposition:

*Proposition 1: Where there is a higher level of client sophistication, there will be a higher reliance on evaluation of the technical component of the service rather than the affective or functional components when deriving overall satisfaction judgments.*

This appears to be partly substantiated insofar as the technical component does make a significant contribution to overall satisfaction for the LPC group ( $\beta=.267, p<.05$ ). Whilst positive and negative Affect are not statistically significant, the technical component is lower than for the cognitive elements of the interaction ( $\beta=.475, p<.05$ ) and responsiveness component ( $\beta=.293, p<.05$ ).

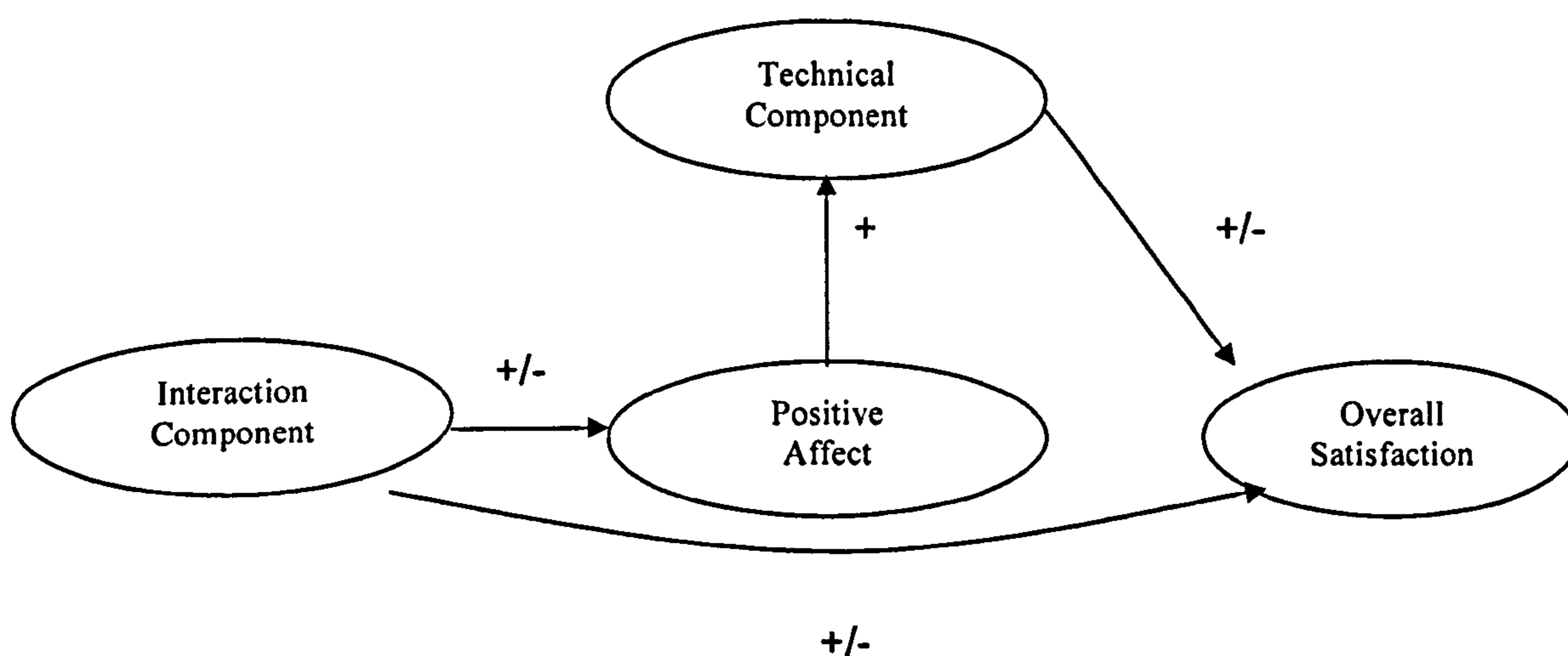
This may partly be explained by an issue which emerged during the course of the exploratory interviews. This revolved around the speed of response with which in-house lawyers employed by non legal organisations expect law firms to deliver legal advice. These results may be a reflection of this. The interaction component's contribution to overall satisfaction is the highest component for both groups ( $\beta=.475, p<.05$ ;  $\beta=.369, p<.05$  for the LPC and NLPC groups respectively). This appears to substantiate the findings of previous research conducted in this area (Parasuraman *et al.*, 1985, Oliver, 1997, Chiu and Wu, 2002) which emphasise the importance of client-employee interaction in contributing to overall satisfaction judgments.

With regard to the second proposition:

*Proposition 2: Where there is a lower level of client sophistication, there will be a higher reliance on evaluation of the functional and affective components of the service delivery rather than the technical component when deriving overall satisfaction judgments*

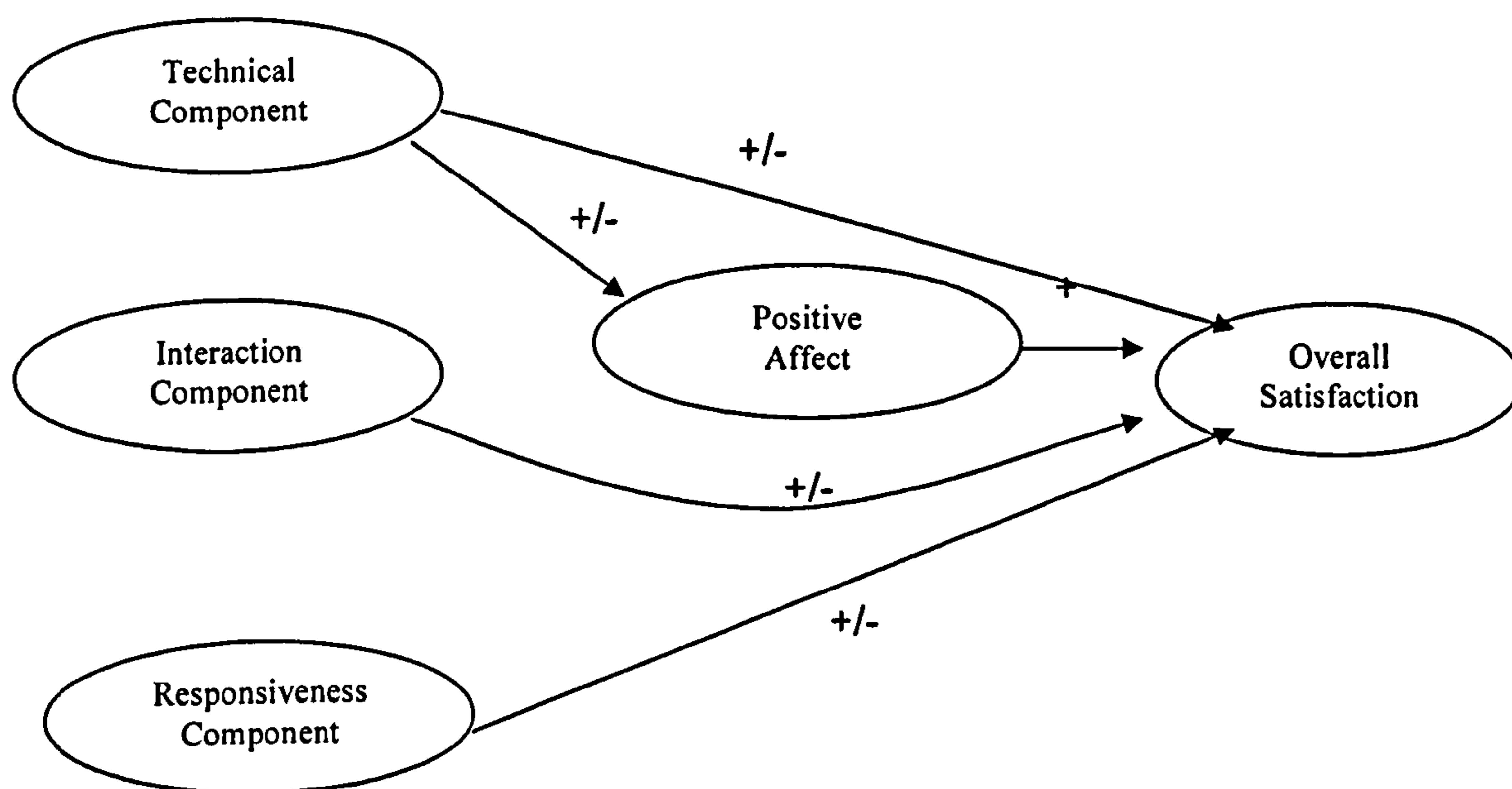
This proposition appears to be only partly substantiated insofar as whilst the interaction component does make a significant contribution towards overall satisfaction ( $\beta=.369$ ,  $p<.05$ ), the responsiveness component does not. Interestingly, positive and negative Affect do not appear to make a significant contribution towards overall satisfaction for this group. As highlighted previously, the technical component does make a significant contribution despite indications that this group are unable to make performance assessment about the technical component.

However, the results of the regression analysis with the technical component as the dependent variables may provide some explanation for this. Thirty percent of the variance in satisfaction with the technical component was explained by positive Affect ( $\beta=.354$ ,  $p<.05$ ). This may be related to the findings of Alford and Sherrell (1996) insofar as where the client has difficulties in assessing performance, their affective reaction to the service provider during interaction may affect performance evaluations of the technical component. Thus, in such circumstances, satisfaction with the technical component may be interpreted as being a function of positive emotions evoked during the service encounter. This is conceptually represented in Figure 8.1.



**Figure 8-1 Proposed Credence Service Satisfaction Model for Unsophisticated Clients**

The negative relationship between positive Affect and technical satisfaction for the LPC group is more ambiguous. One possible explanation for this is that factors which detract from evaluation of the core technical service may be viewed as being superfluous and, in this instance, possibly detrimental to an unimpeded evaluation of the technical performance. If this is the case then there is an issue surrounding the causality of Affect evoked for sophisticated clients and Oliver's research (1993) may offer an explanation for this. Where clients are either qualified or have experiential expertise and are therefore in a position to gauge the attributes of the service or product, Oliver's (1993) results suggest that product and service attribute satisfactions and dissatisfactions are the source of Affect and that Affect may partially mediate the attribution influences on overall satisfaction. This is conceptually represented in Figure 8.2.



**Figure 8-2 Proposed Credence Service Satisfaction Model for Sophisticated Clients**

These results need to be interpreted cautiously. The sample comprised students rather than actual clients and a mental simulation may fail to capture all of the complexities and subtleties of real-world service delivery. For pragmatic reasons this research was designed in such a way that respondents either had the ability to form performance assessments of the technical component of the service encounter or they did not. The exploratory interviews conducted for this research suggest this is over simplistic. In reality, client sophistication should be viewed as a continuum ranging from those clients that possess a high level of performance assessment abilities at one extreme through to those at the other extreme that possess relatively little or no performance assessment abilities. For these reasons, further research is required into the relationship between

client sophistication, the assessments of the components of the service provision and their effect on overall satisfaction.

To this end, the next stage of the research process is to incorporate the main findings to emerge from the review of the literature in chapters three, four and five with the findings of the exploratory research and scenario testing stages so as to develop hypotheses for testing in the main survey stage of the research. These are presented and justified below.

### **8.13 Development of Hypotheses**

The development of the hypotheses is based around the service components identified and discussed in the literature review and the primary research to date. Whereas previously, the focus of the primary research has been on individual service encounters or episodes, the subsequent research focuses on ongoing service satisfaction. Each of these hypotheses is now discussed individually.

#### ***8.13.1 The Technical Component***

The technical component pertains to the attributes of the core service discussed earlier in this thesis and more specifically, earlier in this chapter. It relates to attributes such as the perceived quality of the legal advice given, the importance attached to legal detail and the commerciality of the legal advice (Hart and Hogg, 1998). As previously discussed, where there is a higher degree of client sophistication, the client is in a superior position to assess the quality of the technical component of the service . As a result of this they are

able to make the distinction between an evaluation of the technical component, the functional component and the affective component of the service . It is therefore posited that an evaluation of the attributes of the technical component takes precedence over an evaluation of the functional or the affective components . Thus:

**H<sub>1</sub> : Where there is a higher degree of client sophistication, there will be a higher reliance on evaluation of the technical component of the service rather than the interaction or responsiveness components when gauging overall satisfaction.**

Where the client is not in a position to assess the quality of the technical component of the service, satisfaction with the technical component will be a function of satisfaction with the responsiveness component (e.g. Crosby and Stephens, 1987) and the interaction component (Alford and Sherrell, 1996) and fees charged. Thus:

**H<sub>2</sub>: Where there is a lower level of client sophistication, satisfaction with the technical component will partly be a function of satisfaction with the interaction component.**

**H<sub>3</sub>: Where there is a lower level of client sophistication, satisfaction with the technical component will partly be a function of satisfaction with the responsiveness component.**

**H4: Where there is a lower level of client sophistication, satisfaction with the technical component will partly be a function of satisfaction with fees charged.**

Similarly, where the client is not in a position to assess the quality of the technical component of the service, the client will judge the technical component by Affect evoked during service delivery. This reflects Alford and Sherrell's (1996) findings that satisfaction with core service performance is a function of Affect. Thus:

**H5: Where there is a lower level of client sophistication , satisfaction with the technical component of the service will be a function of positive Affect evoked .**

**H6: Where there is a lower level of client sophistication , satisfaction with the technical component of the service will be a function of negative Affect evoked .**

### ***8.13.2 The Functional Component***

The functional component of the service pertains to those processes associated with the ongoing delivery of the service discussed earlier in this thesis and earlier in this chapter. The functional component may relate not only to elements such as responsiveness and promptness (Hart and Hogg, 1996) but as the above findings suggest, softer, interactive components such as empathy and courtesy. As previously discussed, where there is a

lower level of client sophistication, there may be more reliance on evaluation of the functional components of the service when making overall satisfaction judgments. Thus:

**H7: Where there is a lower degree of client sophistication, there will be a higher reliance on evaluation of the interaction component of the service compared to more sophisticated clients when gauging overall satisfaction.**

**H8: Where there is a lower degree of client sophistication, there will be a higher reliance on evaluation of the responsiveness component of the service compared to more sophisticated clients when gauging overall satisfaction.**

### ***8.13.3 The Affective Component***

The affective component pertains to emotions evoked during service provision . As previously discussed, positive and negative Affect are a function of satisfaction or dissatisfaction with the Interaction and Responsiveness components and fees. This reflects Oliver's (1993) findings that Affect is a function of satisfaction or dissatisfaction with service attributes. Thus:

**H9: Positive Affect evoked will partly be a function of satisfaction with the Interaction component.**

**H10: Negative Affect evoked will partly be a function of dissatisfaction with the Interaction component.**

**H11: Positive Affect evoked will partly be a function of satisfaction with the Responsiveness component.**

**H12: Negative Affect evoked will partly be a function of dissatisfaction with the Responsiveness component.**

**H13: Positive Affect evoked will partly be a function of satisfaction with the fees charged.**

**H14: Negative Affect evoked will partly be a function of dissatisfaction with the fees charged.**

However, where there is a higher degree of client sophistication, it is proposed that Affect evoked is also partly a function of satisfactory or unsatisfactory evaluations of the technical component. This also reflects Oliver's (1993) findings that Affect is a function of satisfaction or dissatisfaction with the core product attributes. Thus:

**H15: Where there is a higher level of client sophistication, positive Affect evoked will partly be a function of satisfaction with the technical component.**

**H<sub>16</sub>: Where there is a higher level of client sophistication, negative Affect evoked will partly be a function of dissatisfaction with the technical component.**

This is in contrast to less sophisticated clients where Affect evoked will be a function of satisfaction or dissatisfaction with fees charged and the interaction and responsiveness component (H<sub>2</sub>, H<sub>3</sub> and H<sub>4</sub>).

Similar to H<sub>5</sub> and H<sub>6</sub>, where the client is not in a position to assess the quality of the technical component of the service, there will be a higher reliance on Affect evoked when making overall satisfaction judgments (Alford and Sherrill, 1996). Thus:

**H<sub>17</sub>: Where there is a lower level of client sophistication, positive Affect evoked will make a higher contribution to overall satisfaction judgments than for more sophisticated clients.**

**H<sub>18</sub>: Where there is a lower level of client sophistication, negative Affect evoked will make a higher contribution to overall satisfaction judgments than for more sophisticated clients.**

#### *8.13.4 Fees*

More sophisticated clients will be in a better position to gauge the quality of the service they are receiving relative to the price they are paying (Hanlon, 1997). Fees will therefore be a significant contributory factor to overall satisfaction judgments. Thus:

**H<sub>19</sub>: Where there is a higher degree of client sophistication, there will a higher reliance on fees when making overall satisfaction judgments.**

#### *8.13.5 Trust and Commitment*

It is also posited that trust enhancement or diminishment is dependent on overall satisfaction. Thus:

**H<sub>20</sub>: There is a positive relationship between overall satisfaction and trust**

Finally, as discussed in chapter four, it is widely accepted that trust influences relationship commitment (e.g. Morgan and Hunt, 1994, Hrebiniak, 1974, Moorman *et al.*, 1992). For this reason, and corroborating the hypotheses of Morgan and Hunt (1994), it is proposed that trust is a major determinant of relationship commitment. Thus:

**H<sub>21</sub>: There is a positive relationship between trust and relationship commitment**

## **8.14 Conclusion**

This chapter has presented the key findings from the experimental scenario based research and evaluated these in the light of propositions developed from the exploratory interviews and conceptual model. From these a set of more formalised hypotheses have been developed which will be subsequently tested.

To reiterate, the results thus far appear to partly substantiate the findings of Alford and Sherrell (1996) insofar as where the client has difficulties in assessing performance, their affective reaction to the service provider during interaction may affect performance evaluations of the technical component. Thus, in such circumstances, satisfaction with the technical component of the service may be interpreted as being a function of Affect evoked during the service delivery. The results also suggest that client sophistication appears to have a moderating influence in terms of the role and functionality of the technical and affective component when making overall satisfaction judgments in a credence service context.

Based on these findings, the exploratory interviews and with reference to the review of the literature, a number of hypotheses have been developed for further investigation. H<sub>1</sub>, H<sub>2</sub>, H<sub>3</sub>, H<sub>4</sub>, H<sub>7</sub> and H<sub>8</sub> concern the degree of reliance on and the functionality of the technical and functional components in making satisfaction judgments depending on the degree of client sophistication. H<sub>5</sub>, H<sub>6</sub> and H<sub>9</sub>-H<sub>18</sub> concern the role and functionality of Affect evoked during service delivery and its contribution to satisfaction judgments,

again, depending on the degree of client sophistication. H<sub>19</sub> concerns the degree of reliance on fees when making satisfaction judgments depending on the degree of client sophistication. Finally, H<sub>20</sub> and H<sub>21</sub> are concerned with the relationships between overall satisfaction, trust and commitment.

The next two chapters are concerned with the analysis of the data from the main survey. Chapter nine examines the issues of response rates and representativeness. Next, there is a consideration of non-response bias within the sample. Subsequently, there is a descriptive analysis of the respondents and the main characteristics of the organisations under investigation. The next section of this chapter discusses the issues of validity and reliability. In Chapter ten confirmatory factor analysis and structural equation modelling are used to conduct multi-group, multi-model analysis. The hypotheses proposed in the previous section of this chapter are discussed in light of the findings before best fit models are proposed for each set of respondents. The chapter end with a conclusion.

## **9 Main Survey: Data Analysis**

### **9.1 Introduction**

This chapter presents the first part of the results of the empirical data analysis of the main survey and provides an overview of the key considerations that influenced the choice of analytical strategy and methods adopted for the analysis. The structure of the chapter is as follows; initially, the analysis objectives are presented. Subsequently, a chronological overview of the stages of the analysis adopted to achieve the objectives is explained. The chapter progresses by sequentially presenting the results of each stage of the analysis identified previously up to and including the descriptive analysis and the Exploratory Factor Analysis (EFA). Chapter ten continues the analysis using Structural Equation Modelling to test the hypotheses proposed which were informed by the results of the scenario based research.

### **9.2 Analysis Strategy**

Diamantopoulos (2000) suggests that clear analysis objectives '*guide the analysis and are absolutely essential for success*' (p.78). More specifically, clear analysis objectives should ensure only relevant analysis is undertaken, provide a check on the comprehensiveness of the analysis and help avoid redundancy in the analysis. To this end, the objectives for the analysis of this data were as follows:

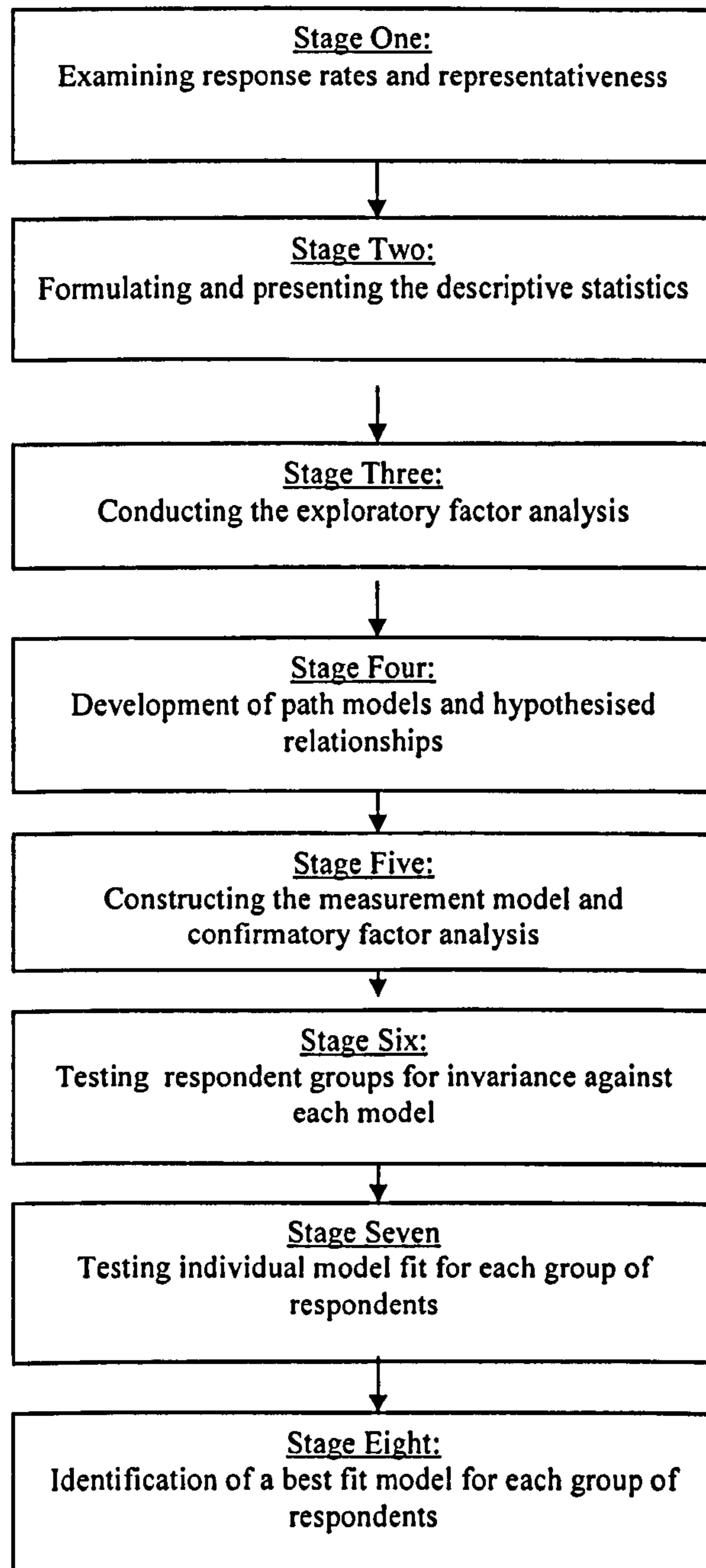
- To check the robustness of the data in terms of response rates, representativeness etc.;
- To identify the main attributes of the respondents and their organisations;

- To assess the two sets of respondents' expertise in relation to their knowledge of law and legal services (i.e. the sophistication of the respondents);
- To test the hypotheses proposed in the previous chapter;
- To identify the best fit model for the two respondent groups.

Structural Equation Modelling (SEM) is a tool used as part of the analysis. Tabachnick and Fidell (2001) suggest '*planning, driven by theory, is essential to any SEM analysis*' (p.659) and Hair *et al.* (1998) emphasise the importance of '*developing a modeling strategy*' (p. 590). To this end, the strategy adopted to achieve the aims stated previously is shown sequentially in Fig 9.1. Thereafter a more detailed explanation of each stage is provided.

#### *Stage One: Examining response rates and representativeness*

The initial stage examined the issues of response rates and representativeness to ensure that meaningful and worthwhile conclusions were drawn from the dataset. Response rates were analysed and the issue of non-response bias was examined. Critically, for the purposes of this thesis, an assessment of the respondents' expertise in relation to their knowledge of law and legal services was conducted to ensure that meaningful comparisons were made between the two groups of respondents.



**Figure 9-1 The Analysis Strategy for the Main Survey**

### *Stage Two: Formulating and presenting the descriptive statistics*

Having established the representativeness of the sample, the second stage of the analysis concentrated on conducting descriptive analysis so as to gain valuable insights into the samples and to provide a complete picture of the dataset. This includes an analysis of the respondents, their organisations, the number and size of law firms used, switching behaviour and assessments of the service they receive.

### *Stage Three: Conducting the exploratory factor analysis*

Having identified the salient descriptive features of the dataset, the exploratory factor analysis (EFA) was conducted. The purpose of this analysis was to substantiate or otherwise the existence of the dimensions identified earlier through the EFA conducted during the analysis of the data collected in the scenario based research.

### *Stage Four: Development of path models and hypothesised relationships*

Structural Equation Modelling requires a robust theoretical justification for the specification of path models. Path models are a visual portrayal of predictive relationships among variables and their hypothesised relationships. Drawing on the literature reviewed in previous chapters, the results of the exploratory interviews and the results of the scenario based research, two path models (Model 1 and Model 2) incorporating the hypotheses stated at the end of Chapter eight, are proposed for testing .

#### *Stage Five: Constructing the measurement model and confirmatory factor analysis*

Having hypothesised the relationships among the variables within the proposed path models, the next stage of the analysis was to specify the model using the dataset. For the purposes of this research, a two step approach was adopted where there was an initial assessment of the measurement model and a subsequent estimation of the structural model. Stage five, therefore specified the model and SEM was used to assess three issues: firstly, the factor loadings on their corresponding constructs; secondly, how much of the variance of the latent variables was explained by the manifest variables and finally; what was the extent of correlations among the variables (Tabachnick and Fidell, 2001). Composite variables were then constructed based on the results of the CFA and these were used for subsequent estimation of the structural models.

#### *Stage Six: Testing respondent groups for invariance against each model*

Stage six tested for invariance between the groups of respondents for Model 1 and Model 2. This allowed different relationships between the two groups of respondents to be identified and analysed.

#### *Stage Seven: Testing individual model fit for each group of respondents*

Stage seven focused on comparing the 'competing models' models with each group of respondents to ascertain which model best fitted the data for each group. Initially, Model 1 and Model 2 were examined relative to the data set for the in-house lawyer respondents and then Model 1 and Model 2 were examined relative to the data set for non-lawyers so

as to ascertain which model fitted the data better for each set of respondents. These results are then discussed relative to hypotheses proposed in the previous chapter.

#### *Stage Eight: Identification of a best fit model for each group of respondents*

Having identified which model best fitted the respective data sets for two groups of respondents, the final stage of the analysis involved an examination of the relevant models so as to identify paths which would improve the model fit for each set of respondents. At this stage of the analysis, the focus was on improving the models through modifications of the structural model but with robust theoretical support rather than purely an empirical justification (Hair *et al.*, 1998).

Having outlined the stages of the analysis undertaken, each step is now described and the results presented in more detail.

### **9.3 Stage One: Examining Response Rates and Representativeness**

Representativeness explores the issue of whether there is a sufficient spread of respondents in the sample to enable the researcher to form meaningful judgments and draw worthwhile conclusions from the dataset. This is crucial when the population as a whole cannot be questioned. Related to this is the issue of generalisability or “*the extent to which one can generalise from the observations in hand to a universe of generalisation*” (Rentz, 1987: p.20). More specifically within this research context, can the findings and conclusions from this sample be taken as broadly representative of the population in which the survey is interested, namely sophisticated and non-sophisticated

clients within business-to-business legal markets. A number of issues need to be contemplated when assessing representativeness and generalisability. These are now considered in more depth.

### *9.3.1 Response Rates*

Respondent cooperation is essential if the results of a survey are to be representative of the population (Shaw *et al.*, 2002). What constitutes the correct interpretation of a response rate has been an issue of much debate (e.g. Wiseman and Billington, 1984; Shaw *et al.*, 2002). However, for the purposes of this research, the response rate is defined as '*the percentage of questionnaires that are returned by the respondents and are usable*' (Wiseman and Billington, 1984, p.336). The overall response rate for this survey was 26.7%. Details of the response rates are shown in Table 9.1 below.

<u>In-house Lawyers</u>	<u>Number</u>	<u>Percentage (%)</u>
Distributed questionnaires	460	100
<i>Total Response</i>	164	35.6
<i>Incomplete or returns unanswered</i>	11	2.4
<i>Usable questionnaires</i>	153	33.2

<u>Non-lawyers</u>	<u>Number</u>	<u>Percentage (%)</u>
Distributed questionnaires	460	100
<i>Total Response</i>	109	23.7
<i>Incomplete or returns unanswered</i>	7	1.5
<i>Usable questionnaires</i>	102	22.2

<b>Total</b>	<b>255</b>	<b>27.7</b>
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**Table 9-1 Details of Response Rates**

Eighteen questionnaires were returned unanswered or were largely incomplete. The main reasons cited for this were: the organisation had ceased to trade; the organisation relied solely on in-house legal expertise or did not use external sources of legal advice; the respondent thought the questionnaire was 'inappropriate' to their organisational circumstances; the organisation received too many requests for such information and finally; the individual with legal expertise had left the organisation and had not been replaced.

This overall response rate of 27.7% is not uncommon for postal surveys and was considered to be satisfactory given that other studies with a focus on business-to-business markets report response rates lower than 5 percent (e.g. Morgan and Hunt, 1994).

### 9.3.2 Non-Response Bias

An issue of primary concern is not only the level or proportion of responses but the possibility of some bias being introduced to the sample as a result of those respondents who do not reply (Shaw *et al.*, 2000). Non-response error may be defined as:

*'Error that occurs because not all the respondents included in the sample respond therefore the mean true value of these sample respondents who do not respond may be different from the entire sample's true mean value.'*  
(Dillon *et al.*, 1994: p.248)

At an extreme, the implications of high non-response error are that generalisations about the sample data are essentially flawed because of issues of representativeness (Armstrong and Overton, 1977). For this reason, the issue of non-response error requires further investigation during the course of a cross-sectional study such as this one.

Armstrong and Overton (1977) recommend three ways of 'protection' against non-response bias. Firstly, implementing appropriate procedures to minimise non-response. Secondly, to sample non-respondents. Finally, the estimation of the effect of non-response through comparisons with known values in the population, through subjective estimates and through extrapolation. The extrapolation method is based on the assumption that subjects who respond 'less readily' are more likely to have the characteristics of non-respondents (Pace, 1939). Armstrong and Overton define 'less readily' as "*answering later, or as requiring more prodding to answer*" (p.397).

The most common type of extrapolation method is conducted over ‘successive waves’ (Armstrong and Overton, 1977). This entails comparing the answers of initial respondents with those who returned completed questionnaires only after subsequent follow up reminders. This latter group is therefore taken as a proxy for non-respondents. These respondents are then compared to those respondents who replied to the first wave of questionnaires. A proxy for non-respondents is required for this research as no information is available for true non-respondents. Whilst it is accepted that this approach has its drawbacks as those who responded to the follow up questionnaire will be different from those who did not respond at all, it is generally accepted as a reasonable test for non-response bias (Frankfort-Nachmais and Nachmias, 1996). The initial responses and follow up responses data for this study are shown in Table 9.2

It was decided that the means of the main sections of the questionnaire (Part 2: Assessment of the Cognitive Element of the Service; Part 3: Attitude towards Supplier; Part 4: Feelings towards Supplier and Part 5: Knowledge of Law and Legal Services) would be compared between the initial respondents and the follow- up respondents within the subsets of in-house lawyer and non-lawyer respondents.

	<u>In-house lawyers</u>	<u>Non-lawyers</u>
<i>Initial respondents</i>	115	80
<i>Follow-up respondents</i>	38	22
<b>Total</b>	153	102

**Table 9-2 Numbers of Initial Responses and Follow-up Responses for In-house Lawyers and Non-lawyers**

Independent sample t-tests were conducted to compare the mean scores of the different groups. These tests revealed that none of the items used showed a significant difference between early and late respondents therefore providing evidence for the absence of non-response bias.

#### **9.4 Client Sophistication**

As the main focus of this study is a comparison between clients with differing abilities to form expectation and performance assessments about the attributes of the technical and functional dimensions of the service, it was important to assess the respondents' expertise in relation to their knowledge of law and legal services. Therefore, independent sample t-tests were conducted to evaluate the respondents' self-assessment in relation to their knowledge of law and legal services. As previously explained in the methodology chapter, these scale items were based on Mitchell and Dacin's (1996) assessment of consumer expertise criteria scale. The reliability of this scale was established by utilising

Cronbach's alpha. This achieved an alpha score of .92 which is above .7 so the scales can be considered reliable with this sample. The results may be seen in Table 9.3 below.

<u>Item</u>	<u>In-House Lawyers Means</u>	<u>Non- Lawyers Means</u>	<u>Sig. of t (2-tailed)</u>
<i>Familiarity with legal services</i>	6.50	4.27	.000
<i>Confidence about which characteristics of the legal service are important</i>	6.46	4.77	.000
<i>Classification of legal knowledge</i>	6.43	4.90	.000
<i>Knowledge of the law</i>	6.4	4.42	.000

**Table 9-3 Independent Sample t-test for the Self Assessment of Knowledge of Law and Legal Markets**

As anticipated, the independent sample t-test results showed that there were statistically significant differences in the expected direction between the group means on questions relating to the respondents' familiarity with legal services ( $p < .05$ ), confidence about which characteristics of the legal service are important ( $p < .05$ ), classification of their legal knowledge ( $p < .05$ ) and whether they considered they knew a lot about the law ( $p < .05$ ).

The respondents' self-assessment of their legal knowledge was corroborated by the data collected on the respondents' educational qualifications. Of the in-house lawyers who responded, 100% had a minimum of a degree level qualification (see Table 9.4 below).

<u>In-house Lawyers</u>	<u>Number</u>	<u>Percentage (%)</u>
<i>Post-Graduate/Professional</i>	148	96.7
<i>Degree</i>	5	3.3
<i>Total</i>	153	100

<u>Non-lawyers</u>	<u>Number</u>	<u>Percentage (%)</u>
<i>Post-Graduate/Professional</i>	36	35.3
<i>Degree</i>	17	16.7
<i>Further Education</i>	22	21.6
<i>GCSE/O/A-Level</i>	18	17.6
<i>Other</i>	0	0
<i>None</i>	9	8.8
<i>Total</i>	102	100

**Table 9-4 Highest Educational Qualifications held by Respondents**

On closer examination, 97.3% of the in-house lawyer respondents had a degree in law (LLB) with 66% having a Masters in law (LLM) or a post-graduate professional qualification in a law based discipline such as the Legal Practice Certificate (LPC) or its equivalent (see Table 9.5).

<u>Qualification</u>	<u>Number</u>	<u>Percentage (%)</u>
<i>LPC/Equivalent</i>	89	58.2
<i>LLM</i>	11	7.2
<i>LLB</i>	46	30.1
<i>Legal Executive</i>	3	2.0
<i>None</i>	4	2.6
<i>Total</i>	153	100

**Table 9-5 Educational Qualifications held by In-House Lawyer Respondents**

This was in contrast to the non-lawyer respondents where 52% of the respondents had a degree or post-graduate qualification but none of these were related to law. Given these results, it would seem appropriate to assume that one set of respondents are more sophisticated than the other in terms of their ability to issue advice and instructions to the service provider, to understand the features and benefits of the service they are receiving and crucially, in terms of their ability to gauge the technical attributes of the service.

Having established the representativeness of the data and assessed the robustness of distinction between sophisticated and non-sophisticated respondents, the next section profiles the characteristics of the respondents and their organisation.

## **9.5 Stage Two: Formulating and Presenting the Descriptive Statistics**

In this section of the chapter the main descriptive statistics of the dataset will be presented and discussed. This is to gain valuable insights into the sample(s) and to provide a complete picture of the dataset.

### ***9.5.1 The Respondents and their Organisations***

The information discussed in this section is taken primarily from the classification sections of the questionnaire and covers aspects such as the characteristics of the respondents and their organisations.

### *The Respondents*

The respondents were predominately male for both groups of respondents (82.1%). However, there were a proportionally higher number of female in-house lawyer respondents (25.2%) to female non-lawyer respondents (7%) (see Table 9.6). The respondents' educational background has already been discussed in a previous section of this chapter.

	<u>Male</u>	<u>Female</u>	<u>Total</u>
In-house Lawyers			
Count	113	38	151
Percentage	74.8	25.2	100
Missing data			2
Non-lawyers			
Count	93	7	100
Percentage	93	7	100
Missing data			2
Total			
Count	206	45	251
Percentage	82.1	17.9	100

**Table 9-6 Gender of Respondents**

### *The Respondents' Organisations*

There were marked differences in terms of the legal identity and size of the organisations that the two sets of respondents were from (see Table 9.7). One key difference identified is that the majority of respondents from the non-lawyer sample were employed by private limited companies (90%) whereas the majority of in-house lawyers were employed by

private limited companies (39.8%) or public limited companies (44.1%). Over 14% of in-house lawyer respondents worked for Not-for-Profit organisations such as local government. The in-house lawyers worked for much larger organisations with the mean number of employees being 17,485<sup>12</sup> as opposed to the non-lawyer respondents whose mean number of employees were 116. This is to be expected as it is primarily larger organisations that require ongoing in-house legal expertise and have the resource base to have such expertise on a permanent basis.

<u>Group</u>	<u>Partner- ship</u>	<u>Private Limited Company</u>	<u>Public Limited Company</u>	<u>Not For Profit</u>	<u>Mutual</u>	<u>Total</u>
In-house Lawyer <i>Count</i> <i>Percentage</i> <i>Missing data</i>	1 0.7	59 39.8	67 44.1	22 14.0	3 2.0	152 100.0 1
Non-lawyers <i>Count</i> <i>Percentage</i> <i>Missing data</i>	1 1.0	90 90.0	7 7.0	1 1.0	1 1.0	100 100.0 2
Total <i>Count</i> <i>Percentage</i>	2 0.8	149 59.1	74 29.4	23 9.1	4 1.6	252 100.0

**Table 9-7 Legal Identity of the Respondent Organisations**

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<sup>12</sup> This figure is high because in-house lawyer respondents were primarily from large public limited multi-national organisations employing a large workforce

### *The Number of Law Firms used by Respondents*

The number of law firms used by the two sets of respondents differed insofar as the majority of non-lawyer respondents used one or two law firms whereas over 75% of the in-house lawyer respondents used four or more law firms (see Table 9.8)

<u>In-house Lawyers</u>	<u>Number of Law Firms</u>	<u>Percentage (%)</u>
<i>One</i>	6	3.9
<i>Two</i>	10	6.5
<i>Three</i>	22	14.4
<i>Four or more</i>	115	75.2
<i>Total</i>	153	100

<u>Non-lawyers</u>	<u>Number of Law Firms</u>	<u>Percentage (%)</u>
<i>One</i>	39	38.2
<i>Two</i>	43	42.2
<i>Three</i>	18	17.6
<i>Four or more</i>	2	2.0
<i>Total</i>	102	100

**Table 9-8 Number of Law firms used by Respondents**

The primary reason cited for using more than one law firm was the legal specialty of the law firms (82%) with the term 'horses for courses' used by a number of respondents. Other reasons cited included: geographical location; risk management; to ensure checks and balances between law firms were maintained in terms of fees charged and quality of service provided; provincial firms being cheaper for less complex advice than City-based firms and; personal relationships and loyalty to individuals.

There was also a significant difference in terms of the size of the law firms used by each set of respondents. Over 50% of the in-house lawyer respondents used firms with 100 or more partners. In contrast, over 50% of the non-lawyer respondents used firms with 25 or less partners (see Table 9.9 below).

<u>Group</u>	<u>0-9</u>	<u>10-25</u>	<u>26-50</u>	<u>51-75</u>	<u>76-99</u>	<u>100+</u>	<u>Don't Know</u>	<u>Total</u>
In-house Lawyer <i>Count</i> <i>Percentage</i> <i>Missing data</i>	5 3.4	13 8.7	15 10.1	20 13.4	8 5.4	79 53.0	9 6.0	149 100.0 4
Non-lawyers <i>Count</i> <i>Percentage</i> <i>Missing data</i>	28 27.7	32 31.7	13 12.9	6 5.9	1 1.0	11 10.9	10 9.9	101 100.0 1
Total <i>Count</i> <i>Percentage</i>	33 13.2	45 18	28 11.2	26 10.4	9 3.6	90 36	19 7.6	250 100.0

**Table 9-9 Size (no. of partners) of Main Law Firms used by Respondents**

These findings appear to reflect the findings of Hanlon (1997) discussed previously in Chapter two of the literature review. Larger, publicly quoted firms or state organisations will retain a number of larger law firms simultaneously on a 'panel'. These firms have in excess of 100 equity partners and usually employ over 1,000 fee earners.

Their primary location is within the financial centre of London, which is also headquarters to the twenty largest commercial organisations in the UK. Their location

reflects the services they provide. These may include legal advice on matters such as finance, corporate affairs, property, tax, company, commercial, banking and capital insurance, intellectual property etc. Much of the legal advice is highly specialised and complex in nature. In contrast, medium sized law firms (firms with between five and twenty five partners) are largely regionally based and focus on local small and medium sized business-to-business market needs within distinct geographic regions such as the East Midlands. However, there is an increasing tendency for these firms to compete nationally on a lower fee basis particularly for less specialised corporate work.

#### *9.5.2 Interaction with Law Firms*

Respondents were asked which was their preferred method of interaction with their law firms. Approximately 25% of both sets of respondents preferred to communicate face-to-face. However, the majority of non-lawyers preferred to communicate by telephone and the favoured mode of communication for in-house lawyers was by e-mail.

<b><u>In-house Lawyers</u></b>	<b><u>Number</u></b>	<b><u>Percentage (%)</u></b>
<i>Face-to-face</i>	40	26.1
<i>Phone</i>	44	28.8
<i>Letter</i>	3	2.0
<i>Email</i>	61	39.9
<i>Missing</i>	5	3.3
<i>Total</i>	153	100

<b><u>Non-lawyers</u></b>	<b><u>Number</u></b>	<b><u>Percentage (%)</u></b>
<i>Face-to-face</i>	26	25.5
<i>Phone</i>	52	51.0
<i>Letter</i>	4	3.9
<i>Email</i>	19	18.6
<i>Missing</i>	1	1.0
<i>Total</i>	102	100

**Table 9-10 Preferred Modes of Communication**

It is also apparent that in-house lawyer respondents meet with their lawyers more frequently on a professional and social basis than the non-lawyer respondents. On average they meet between three and four times a year on a professional basis and around three times a year on a social basis. The non-lawyer respondents meet around twice a year on a professional basis and between once and twice a year on a social basis.

<u>In-house Lawyers</u>	<u>Number of Law Firms</u>	<u>Percentage (%)</u>
<i>Never</i>	3	2.0
<i>Once or twice</i>	39	25.5
<i>Three or four</i>	47	30.7
<i>Five or six</i>	26	17.0
<i>Seven or eight</i>	8	5.2
<i>Nine to eleven</i>	8	5.2
<i>Twelve+</i>	20	13.1
<i>Missing</i>	2	1.3
<i>Total</i>	153	100

<u>Non-lawyers</u>	<u>Number of Law Firms</u>	<u>Percentage (%)</u>
<i>Never</i>	11	10.8
<i>Once or twice</i>	37	36.3
<i>Three or four</i>	25	24.5
<i>Five or six</i>	8	7.8
<i>Seven or eight</i>	6	5.9
<i>Nine to eleven</i>	4	3.9
<i>Twelve+</i>	9	8.8
<i>Missing</i>	2	2.0
<i>Total</i>	102	100

**Table 9-11 How Often Respondents Meet their Solicitors**

When considering these values, it is important to contemplate the contexts within which the respondents work. An in-house lawyer respondent's role is likely to concentrate more on legal issues than a non-lawyer respondent whose interaction with legal issues may only be on an *ad hoc* and reactive basis as opposed to an ongoing daily basis.

### 9.5.3 Switching Behaviour

Respondents were asked how frequently they had changed their law firms in the past five years. The majority of both sets of respondents (81% of non-lawyer respondents and 68% percent of in-house lawyer respondents) had not changed their law firm in the past five years. Of the 32% in-house lawyer respondents who had changed, nearly 10% had changed them more than once (see Table 9.12 below)

<u>Group</u>	<u>None</u>	<u>Once</u>	<u>Twice</u>	<u>Three</u>	<u>More than Three</u>	<u>Total</u>
In-house Lawyer <i>Count</i> <i>Percentage</i>	104 68.0	34 22.2	11 7.2	4 2.6	0 0.0	153 100.0
Non-lawyers <i>Count</i> <i>Percentage</i>	83 81.4	16 15.7	2 2.0	1 1.0	0 0.0	102 100.0
Total <i>Count</i> <i>Percentage</i>	187 73.3	50 19.6	13 5.1	5 2.0	0 0.0	255 100.0

**Table 9-12 How often Respondents have Changed their Law Firms in the Past Five Years**

Poor quality or poor value was the reason most cited for changing law firms by both sets of respondents, particularly for the non-lawyer respondents (see Table 9.13). A change of client partner solicitor was cited by five in-house lawyer respondents as a reason for changing firms. What it is not clear is whether the respondents' resulting switching behaviour is related to pull or push factors. The exploratory interviews conducted for this research suggest it is a frequently implicit practice within the corporate legal services

market that when a solicitor is 'headhunted' from one law firm to another, the solicitor will attempt to take key client accounts with them to their new firm. This may have culminated in their clients 'following' their solicitor to another firm.

Many public sector organisations, particularly at a local government level, are now compelled to undergo a re-tendering process for legal services every three to five years as part of the Government's initiative on 'best value'. Seven in-house lawyers indicated that they changed their law firms as a result of a re-tendering process. All these respondents worked in the public sector.

<u>Group</u>	<u>Spread Work</u>	<u>Poor Service/ Value</u>	<u>Change of Client Partner</u>	<u>Post- Merger</u>	<u>Re- Tendering Process</u>	<u>Other</u>	<u>Total</u>
In-house Lawyer <i>Count</i> <i>Percentage</i>	5 10.3	17 34.4	5 10.3	4 8.1	7 14.1	11 22.4	49 100.0
Non-lawyers <i>Count</i> <i>Percentage</i>	1 5.4	9 47.0	1 5.4	0 0.0	0 0.0	8 41.8	19 100.0
Total <i>Count</i> <i>Percentage</i>	6 8.3	26 39.0	6 8.3	4 6.0	7 10.3	19 28.1	68 100.0

**Table 9-13 Most Cited Reasons Respondents have Changed their Law firms in the Past Five Years**

Another reason cited for changing law firms by four in-house respondents was take-overs and mergers. This may occur because the dominant partner in the take-over or merger uses different law firms on their panel and a rationalisation process occurs where law

firms are 'dropped' from the panel. Indeed, this was a key concern of a number of solicitors interviewed for the exploratory research who had lost large clients in this way.

To summarise the findings so far, almost all of the comparisons that have been made between the two sets of respondents in terms of for example, the nature and size of their organisation, the number and size of law firms they use and even their switching of law firms, suggest that there are key differences between the two sets of respondents. However, these differences are to be expected and are representative of the different working contexts that the two sets of respondents are from.

## **9.6 Clients Assessment of the Service they Receive from their Law Firms**

This section of the chapter evaluates the two respondent groups' assessment of the services they receive from their law firms. It does this by initially looking at the cognitive element (in terms of the interaction, technical, responsiveness and fees components identified in the scenario analysis) followed by the affective element. Subsequently, the priority attached to each component of the service by the two sets of respondents is compared and evaluated using independent t-tests.

### **9.6.1 *The Interactive Component***

The results of the independent t-tests may be seen in Table 9.14 below. Both sets of respondents rated the interactive component of the service they receive from their law firms highly with mean scores well above 5 (1= '*Not at all Satisfied*' and 7= '*Extremely Satisfied*')

<u>Variable</u>	<u>IHL or NL</u>	<u>Number</u>	<u>Mean</u>	<u>Std. Deviation</u>	<u>Sig. (2-tailed)</u>
<i>Empathy</i>	IHL	146	5.44	1.02	.653
	NL	100	5.38	0.97	
<i>Courtesy</i>	IHL	146	5.97	.087	.687
	NL	100	5.92	.087	
<i>Reassurance</i>	IHL	146	5.57	1.00	.790
	NL	100	5.53	1.05	
<i>Cultural fit</i>	IHL	146	5.28	1.13	.183
	NL	100	5.48	1.17	
<i>How well get on</i>	IHL	146	5.79	1.00	.178
	NL	100	5.60	1.16	
<i>Confidence</i>	IHL	146	5.86	0.80	.617
	NL	100	5.81	0.83	

**Table 9-14 Independent Samples t-test for In-house Lawyers (IHL) and Non-lawyers (NL) for the Interactive Component**

The magnitude of the differences in the means between the two groups was small. Interestingly, the in-house lawyer (IHL) respondent scores were slightly higher than the non-lawyer (NL) respondent scores with the exception of '*cultural fit*'. There were no statistically significant differences between the means of the two sets of respondents ( $p > .05$ ).

### 9.6.2 The Technical Component

Once again, both sets of respondents rated the technical component of the service they receive from their law firms highly (see Table 9.15 below) with all mean scores well above 5 (1= '*Not at all Satisfied*' and 7= '*Extremely Satisfied*'). Similarly, the magnitude of the differences in the means between the two groups was small. However, the in-house lawyer scores were slightly higher than the non-lawyers with the exception of '*clarity*' .

<u>Variable</u>	<u>IHL or NL</u>	<u>Number</u>	<u>Mean</u>	<u>Std. Deviation</u>	<u>Sig. (2-tailed)</u>
<i>Legal detail</i>	IHL	146	5.56	0.87	.378
	NL	100	5.55	0.890	
<i>Specialisation</i>	IHL	146	5.95	0.83	.016
	NL	100	5.67	0.97	
<i>Commercial Viability</i>	IHL	146	5.49	0.96	.961
	NL	100	5.48	1.00	
<i>Quality</i>	IHL	146	5.82	0.79	.510
	NL	100	5.76	0.81	
<i>Clarity</i>	IHL	146	5.60	0.98	.156
	NL	100	5.77	0.88	

**Table 9-15 Independent Samples t-test for In-house Lawyers (IHL) and Non-lawyers (NL) for the Technical Component**

There was a statistically significant difference in scores for '*specialisation*' between in-house lawyer and non-lawyer respondents ( $p=.016$ ). As mentioned earlier in this chapter, a possible explanation for this is that the in-house lawyers, whilst able to deal with less complex or general legal work, out-source work which is of a more complex nature and requires a higher degree of specialisation. Different law firms have different specialties within particular niches of the law and are thus selected on the basis of their specialty.

What is not clear from these results is what criteria the non-lawyer respondents use to assess the technical component. As has previously been highlighted, the non-lawyer respondents do not appear to have the pertinent technical qualifications and knowledge to make performance assessments about the technical attributes of the service but the mean scores for the elements of the technical component are consistently above 5. Possible explanations for this are posited later in this chapter.

### 9.6.3 The Responsiveness Component

Both sets of respondents rated the responsiveness component of the service they receive from their law firms highly ( see Table 9.16 below) with most mean scores above 5 (1= 'Not at all Satisfied' and 7= 'Extremely Satisfied') .The exception to this was 'the frequency of contact initiated by the solicitor' ( IHL  $\bar{x}$  = 4.98, NL  $\bar{x}$  = 4.88).

<u>Variable</u>	<u>IHL or NL</u>	<u>Number</u>	<u>Mean</u>	<u>Std. Deviation</u>	<u>Sig. (2-tailed)</u>
<i>Promptness</i>	IHL	146	5.55	1.03	.423
	NL	100	5.43	1.27	
<i>Accessibility</i>	IHL	146	5.57	0.98	.869
	NL	100	5.59	1.03	
<i>Frequency</i>	IHL	146	4.98	1.14	.490
	NL	100	4.88	1.28	
<i>Reliability</i>	IHL	146	5.58	0.80	.730
	NL	100	5.86	0.91	
<i>Attention</i>	IHL	146	5.71	0.93	.696
	NL	100	5.66	1.16	
<i>Involvement</i>	IHL	146	5.49	1.05	.585
	NL	100	5.41	1.10	

**Table 9-16 Independent Samples t-test for In-house Lawyers (IHL) and Non-lawyers (NL) for the Responsiveness Component**

The exploratory interviews conducted with clients did suggest that 'chasing' individual solicitors for progress reports was an issue and the lower score for this item may be a reflection of this. Once again, the size of the differences in the means between the two groups was small. There were no statistically significant differences between the means of the two sets of respondents ( $p > .05$ ).

#### 9.6.4 Fees

Satisfaction with fees charged received the lowest mean rating of all the cognitive components of the service for both sets of respondents (see Table 9.17 below).

<u>Variable</u>	<u>IHL or NL</u>	<u>Number</u>	<u>Mean</u>	<u>Std. Deviation</u>	<u>Sig. (2- tailed)</u>
<i>Fees</i>	IHL	146	4.49	1.31	.922
	NL	100	4.51	1.33	

**Table 9-17 Independent Samples t-test for In-house Lawyers (IHL) and Non-lawyers (NL) for the Fees Component**

It was still, however, slightly above the mid point at  $\bar{x}=4.49$  for in-house lawyers and  $\bar{x}=4.51$  for non-lawyers. Again, the size of the differences in the means between the two groups was very small and there were no statistically significant difference between the means of the two sets of respondents ( $p>.05$ )

#### 9.6.5 Positive Affect and Negative Affect

When considering the respondents relationship with their law firm in terms of particular emotions evoked (1= 'Not at All' and 7= 'Extremely'), it is interesting to note that positive Affect is more likely to be evoked than negative Affect and to a higher degree of intensity.

For positive Affect, the mean scores for both sets of respondents were above three for 'relief', 'pleasure' and 'pride' and above four for the rest (see Table 9.18 below).

<u>Variable</u>	<u>IHL or NL</u>	<u>Number</u>	<u>Mean</u>	<u>Std. Deviation</u>	<u>Sig. (2-tailed)</u>
<i>Optimism</i>	IHL	143	4.66	1.37	.383
	NL	100	4.52	1.15	
<i>Calmness</i>	IHL	143	4.94	1.23	.729
	NL	100	5.00	1.25	
<i>Enthusiasm</i>	IHL	143	4.53	1.35	.947
	NL	100	4.55	1.30	
<i>Relief</i>	IHL	143	3.25	1.77	.660
	NL	100	3.35	1.62	
<i>Pleasure</i>	IHL	143	3.88	1.45	.159
	NL	100	3.60	1.71	
<i>Contentment</i>	IHL	143	4.34	1.52	.806
	NL	100	4.39	1.41	
<i>Pride</i>	IHL	143	3.38	1.64	.091
	NL	100	3.75	1.67	

**Table 9-18 Independent Samples t-test for In-house Lawyers (IHL) and Non-lawyers (NL) for the Positive Affective Component**

The most intense positive emotion is ‘*calmness*’ ( IHL  $\bar{x}$  = 4.94, NL  $\bar{x}$  = 5.00) and the least intense is ‘*relief*’ ( IHL  $\bar{x}$  = 3.25, NL  $\bar{x}$  = 3.35) for both sets of respondents. The non-lawyer values were generally slightly higher than the in-house lawyer values with the exceptions of ‘*optimism*’, ‘*pleasure*’ and ‘*contentment*’. However, once again, the magnitude of the differences in the means between the two groups was very small.

For negative Affect the mean scores were considerably lower for both sets of respondents with most being below two (see Table 9.19 below).

<u>Variable</u>	<u>IHL or NL</u>	<u>Number</u>	<u>Mean</u>	<u>Std. Deviation</u>	<u>Sig. (2-tailed)</u>
<i>Frustration</i>	IHL	143	2.33	1.44	.304
	NL	100	2.52	1.45	
<i>Astonishment</i>	IHL	143	1.65	1.14	.141
	NL	100	1.87	1.14	
<i>Worry</i>	IHL	143	1.83	1.20	.113
	NL	100	2.08	1.19	
<i>Sadness</i>	IHL	143	1.38	0.93	.347
	NL	100	1.50	0.96	
<i>Fear</i>	IHL	143	1.44	0.90	.093
	NL	100	1.64	0.92	
<i>Shame</i>	IHL	143	1.18	0.66	.013
	NL	100	1.43	0.89	
<i>Discontentment</i>	IHL	143	1.79	1.32	.850
	NL	100	1.76	1.06	

**Table 9-19 Independent Samples t-test for In-house Lawyers (IHL) and Non-lawyers (NL) for the Negative Affective Component**

The exception to this was '*frustration*' for both sets of respondents ( IHL  $\bar{x}$  = 2.33, NL  $\bar{x}$  = 2.52 ) and '*worry*' for the non-lawyer respondents (  $\bar{x}$  = 2.08).

Interestingly, there was a significant difference in scores for the positive emotion of '*pride*' and the negative emotions of '*fear*' and '*shame*' between in-house lawyer and non-lawyer respondents (  $p < .01$ ) with the non-lawyer respondents feeling these emotions more intensely.

To summarise, it would appear that for both sets of respondents, positive Affect is more likely to be evoked than negative Affect when a client considers their relationship with their law firm. This may be a reflection of the high mean scores that the respondents have given their law firms in terms of the cognitive elements of interaction, responsiveness,

fees and the technical component thus suggesting a general level of satisfaction. If the mean scores for these were lower then there may have been higher levels of negative Affect evoked among the respondents. Another possible explanation for this is the 'atmosphere' (IMP Group, 1982) in which the interaction between the respondents and their law firm takes place. With the majority of both sets of respondents using the same law firms (s) for over five years , there is an implication that the closeness and mutual expectations of those involved in the relationship are acknowledged and understood and that the '*hybrid culture*' (Wilson, 1995) that has developed between the organisations is relatively positive and largely constructive.

#### *9.6.6 Importance Attached to Service Components When Assessing Quality*

Respondents were asked to rate how important they considered the different components of the service when assessing the overall quality of service received from their law firms and independent t-tests were conducted to compare and contrast the results (see Table 9.20 below).

<u>Variable</u>	<u>IHL or NL</u>	<u>Number</u>	<u>Mean</u>	<u>Std. Deviation</u>	<u>Sig. (2-tailed)</u>
<i>Legal advice</i>	IHL	150	6.50	0.58	.005
	NL	102	6.26	0.74	
<i>Interaction</i>	IHL	150	5.50	1.02	1.00
	NL	102	5.50	1.01	
<i>Responsiveness</i>	IHL	150	6.11	0.64	.295
	NL	102	6.01	0.77	
<i>Fees</i>	IHL	150	5.56	0.99	.031
	NL	102	5.26	1.20	

**Table 9-20 Independent Samples t-test for In-house Lawyers (IHL) and Non-lawyers (NL) for the Importance Attached to Service Components when Assessing the Quality of Service**

Both sets of respondents rated the importance of the quality of the legal advice as the most important component (IHL  $\bar{x}$ =6.50, NL  $\bar{x}$ = 6.26). However, this aside, there were differences between the two groups of respondents. The in-house lawyer respondents rated responsiveness as being the next most important component ( $\bar{x}$ =6.11), followed by fees ( $\bar{x}$ =5.56) and subsequently interaction ( $\bar{x}$ =5.50). The non-lawyer respondents also rated responsiveness as being the next important component ( $\bar{x}$ =6.01), followed by interaction ( $\bar{x}$ =5.50) and subsequently fees ( $\bar{x}$ =5.26).

There were statistically significant differences between the means of the two sets of respondents for '*Quality of legal advice*' and '*Fees*' ( $p<.05$ ). The in-house lawyer respondents rated these as more important than the non-lawyer respondents. This suggests that where the client is able to make performance assessments, they consider the core service and its cost to be of a higher importance than clients who are unable to make performance assessments.

Having explored some of the descriptive characteristics of the data, the next section of the chapter continues the analysis of the data by conducting exploratory factor analysis (EFA).

### 9.7 Stage Three: Conducting the Exploratory Factor Analysis

There is some debate among marketing academics surrounding the difference and use of confirmatory and exploratory factor analysis (e.g. Stewart, 2001). Lee and Hooley (2005) define exploratory factor analysis (EFA) as a factor analysis '*where no structure is pre-specified and the data are used to help reveal or suggest the structure of the model*' (p.384). Thus, the EFA conducted in the previous chapter which identified the attributes of positive Affect, negative Affect, the technical component, the interaction component and the responsiveness component was essentially exploratory in nature.

In contrast, Lee and Hooley (2005) suggest that confirmatory factor analysis (CFA) is '*where the precise structure of the model is hypothesized and based on some theory*' (p. 384) and should thus be viewed as a theory testing approach. They go on to state '*CFA in marketing appears to have come to mean any factor analysis using covariance structure analysis techniques*' (p.77). However, Stewart (1981) refers to two examples of CFA. Firstly, there is the traditional LISREL based approach and secondly there is a plain orthogonal rotation principle component factor analysis. Indeed, some commentators (Editors, Journal of Consumer Psychology, 2001) highlight how this '*appears to be in opposition to several colleagues and anonymous reviewers who seem to insist that confirmatory factor analysis is a technique, and usually they seem to be referring to*

*LISREL*' (p. 384). In contradiction to this, Stewart (2002) is clear that CFA is '*a type of factor analysis, and the purpose is to test whether an a priori dimensional structure is consistent with the structure obtained in a particular set of measures ...and therefore there are various methods for conducting a confirmatory factor analysis.*' (p.78)

In an effort to clarify the distinction, Editorial comment in the Journal of Consumer Psychology (2001) suggest these variations in factor analysis may be viewed conceptually as a continuum with EFA at one extreme. Moving along the continuum, a more confirmatory factor analysis approach is to specify the expected number of factors. At the other extreme of the continuum, researchers may be able to predict the number of factors, the loadings of the variables and the values of the loadings with perhaps LISREL or AMOS software being the most appropriate tool to do this. Interestingly, the Editorial comment within the Journal of Consumer Psychology (2001) implies the difference between EFA and CFA '*may be, sort of, a state of mind*' (p.384) and that CFA '*can be conducted to the extent that a researcher has theory and guidance regarding the expected factor structure*' (p.78).

To this end, EFA was initially conducted on the data collected in the main survey to confirm the existence of the service dimensions identified through factor analysis of the data collected in the scenario based research. This was done by specifying the expected number of factors (Editors, Journal of Consumer Psychology, 2001)

### 9.7.1 EFA: Affective Component

As discussed in the scenario based research, certain statistical procedures are required to be adhered to during factor analysis so as to ensure the robustness of the analysis. Prior to performing the analysis, the suitability of the data for factor analysis was assessed. Exploratory factor analysis using principal component analysis (PCA) with varimax rotation revealed the presence of three components with eigen values exceeding 1 and explaining 36.00 percent, 20.87 percent and 7.21 percent of the variance respectively .

When deciding the number of factors to retain for further analysis, an '*a priori*' approach was adopted (Hair *et al.*, 1992). As stated previously, when applying this technique, the analyst already knows how many factors to extract prior to conducting the analysis and is essentially testing a theory or hypothesis. In such instances, this approach may be justified (Hair *et al.*, 1992). The literature on Affect and EFA previously conducted for the analysis of the scenarios suggest that the expected number of factors is two (positive and negative Affect). This was subsequently specified.

The loading of these items was as anticipated. The factor analysis resulted in a two-factor solution accounting for 56.88% of the variance. All the items loaded significantly (minimum of .55 for a sample of this size according to Hair *et al.*, 1992) with the exception of '*relief*' which was consequently removed from further analysis. With three of the items ('*discontentment*', '*frustration*' and '*calmness*') there was some cross loading but as their values were less than the 0.55 cut off, they were not seen as problematic. The results are presented in Table 9.21 below.

<u>Items</u>	<u>Factor 1: Negative Affect</u>	<u>Factor 2: Positive Affect</u>
<i>Sadness</i>	.836	
<i>Shame</i>	.801	
<i>Astonishment</i>	.763	
<i>Fear</i>	.761	
<i>Worry</i>	.743	
<i>Discontentment</i>	.702	
<i>Frustration</i>	.566	
<i>Contentment</i>		.804
<i>Enthusiasm</i>		.803
<i>Pleasure</i>		.800
<i>Pride</i>		.786
<i>Optimism</i>		.670
<i>Calmness</i>		.590

**Table 9-21 EFA: Affective Component**

As anticipated, the results confirm the existence of positive and negative affective elements to the service identified in the analysis of the scenarios and substantiate the findings of Westbrook (1987) and Oliver (1993) insofar as the first factor is characterised by negative emotions (29.56% of variance) and the second factor is characterised by positive emotions (27.32% of variance).

#### **9.7.2 EFA: Cognitive Component**

The cognitive component of the service interaction was also subjected to EFA using PCA with a varimax rotation. Once again, prior to performing the analysis, the suitability of the data for factor analysis was assessed. Again, when deciding the number of factors to retain for further analysis, an '*a priori*' approach was adopted (Hair *et al.*, 1992). The literature and EFA previously conducted suggest the number of factors to be specified was five (the technical component, the responsive component and the interaction

component, trust and commitment). Satisfaction with '*fees charged for the advice given*' and '*overall satisfaction*' were excluded from the EFA as they are both single scale items.

The loading of these items adhered to expectations. The five-factor solution accounted for 74.7% of the variance. All the items loaded significantly (minimum of .55 for a sample of this size according to Hair *et al.*, 1992) with the exceptions of '*the law firm's cultural fit with your organisation's style of doing business*', '*the degree of confidence with which the advice was given*', '*the degree of attention the solicitor appears to give your request*', and '*the degree of reassurance with which the advice is given*'. These items were removed from further analysis. With a number of other items there was some cross loading but as their values were less than the 0.55 cut off they were not seen as problematic. The results are presented in Table 9.22 below.

<u>Item</u>	<u>Factor 1: Technical Component</u>	<u>Factor 2: Responsiveness Component</u>	<u>Factor 3: Interaction Component</u>	<u>Factor 4: Trust</u>	<u>Factor 5: Commitment</u>
<i>Commercial viability</i>	.791				
<i>Clarity</i>	.675	.420			
<i>Legal detail</i>	.647		.376		
<i>Reliability</i>	.638	.496		.356	
<i>Quality of legal advice</i>	.624	.371	.302	.396	
<i>Legal specialisation</i>	.604			.346	
<i>Frequency</i>	.574	.362	.311		
<i>Accessibility</i>		.800			
<i>Promptness</i>		.788			
<i>How well get on</i>			.770		
<i>Empathy</i>	.495		.627		
<i>Partner involvement</i>	.446		.594		
<i>Courtesy</i>	.321	.448	.570		
<i>Trustworthy</i>				.812	
<i>Integrity</i>				.802	
<i>Reliable decisions</i>	.499			.605	.306
<i>Continuity</i>					.863
<i>Maintenance</i>					.782
<i>Commitment</i>	.309				.760

**Table 9-22 EFA: Cognitive Component**

There were similarities between these results and the structure identified during the course of the EFA conducted on the scenario-based data. With regard to the technical component, the legal specialisation of the lawyer, the quality of the legal advice and the commerciality of the legal advice were similar. Interestingly however, '*Reliability*' was considered in terms of the technical component, whereas previously there had been considerably more cross loading with the responsiveness factor. '*Clarity*' loaded on the technical component factor whereas previously it was viewed as an element of the interaction component.

Interestingly '*frequency of contact initiated by solicitor*' loaded predominately on the factor related to the technical component. A possible explanation for this may be offered by the exploratory interviews. In the course of the interviews, it became apparent that many law firms now produce information sheets for key clients informing them of changes in legislation and the implications these may have on the way the client organisation may operate. Much of the information within these sheets is of a highly technical and legal nature and hence may be viewed as an element of the legal component. '*Promptness*' and '*Accessibility*' were consistent with previous results insofar as they both loaded on the responsiveness factor as were '*Courtesy*' and '*Empathy*' which both loaded on the interaction factor .

The results confirm that the cognitive components may not only comprise a 'technical component' (22.6% of variance) but also an 'interaction component' (13.4% of the variance) and a 'responsiveness component' (14.3.% of the variance) identified in the scenario analysis. In addition, the outcome constructs of trust (12.4%) and commitment (12.0%) are confirmed.

### 9.7.3 Reliability of Scales

The reliability of all the scales was established by utilising Cronbach's alpha. The technical, interaction and responsiveness components had an alpha score of .921, .848 and .822 respectively. Negative Affect and positive Affect had alpha scores of .857 and .867 respectively. Trust and commitment had alpha scores of .88 and .83 respectively. These values are all above .7 so the scales can be considered reliable with this sample.

## 9.8 Conclusion

This chapter reported the first part of the empirical data analysis. The chapter began by examining the response rates and representativeness of the data and checked the assumption of sophisticated and non-sophisticated clients. Descriptive analysis identified the key differences between the two groups of respondents in terms of, for example, the number and size of law firms used by respondents. This was followed by an analysis of the respondents' assessments of the quality of service they receive from their law firms and an exploration of the emotions evoked when considering their relationship with their law firms. Finally, EFA was conducted. This mirrored the results of the previous EFA insofar as it confirmed the existence of a cognitive element comprising of a technical, interaction and responsiveness component and an affective element comprising of positive and negative Affect.

The next chapter continues the analysis and tests the hypotheses informed by the results of the scenario based research. It begins by conducting a confirmatory factor analysis. Subsequently, two appropriate path models are developed based on the hypotheses proposed at the end of Chapter eight. Next, the two sets of respondent groups comprising of lawyers and non-lawyers are tested for invariance against the two proposed models. Subsequently, each of the two models is tested for 'fit' against each set of data so that the hypotheses may be evaluated in the light of the findings obtained. Finally, a best fit model is specified for each set of respondents. Chapter eleven concludes the thesis.

## **10 Analysis using a Structural Equation Modelling Approach**

### **10.1 Introduction**

This chapter continues the empirical data analysis with regard to the key research issues surrounding the role of Affect within credence services and the moderating effect of client sophistication. More precisely, it tests the hypotheses proposed as a result of the scenario based research conducted during the second stage of the investigation. The chapter begins with the fourth stage of the analysis which involves developing appropriate path models based on the hypotheses previously proposed. Subsequently, Confirmatory Factor Analysis (CFA) using AMOS 6.0 is conducted prior to testing the respondent groups for invariance against Model 1 and 2 using SEM techniques. The hypotheses are then discussed in the light of the findings obtained. A best fit model is then proposed for each set of respondents before the chapter ends with some conclusions.

### **10.2 Stage Four: Development of Path Models and Hypothesised Relationships**

It should be noted that prior to conducting the analysis using an SEM approach, the data was analysed using standard multiple regression techniques. Multiple regression analysis is “*a general technique used to analyse the relationship between a single dependent variable [overall satisfaction in this instance] and several independent variables interaction, fees responsiveness etc]*” (Hair *et al.*, 1995: p. 142 ). Whilst this analysis generated some interesting results<sup>13</sup>, standard multiple regression has one serious

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<sup>13</sup> The results of this analysis may be seen in a forthcoming edition of The Journal of Services Marketing.

limitation. Each analysis can examine only one single relationship at a time. Given the complex nature of the interrelations that appeared to exist between the variables, SEM analysis was considered appropriate as a means of providing a 'holistic' overview of these interrelations and building on the findings of the multiple regression analysis.

In general terms, Structural Equation Modelling (SEM) allows for the testing of specified relationships through the use of a set of linear structural equations (McDougall and Levesque, 2000). Baumgartner and Homburg (1996) suggest SEM may be used to: investigate measurement issues; examine structural relationships among sets of variables or do both of these at the same time. The advantage of this approach is that it allows for the testing of antecedent and consequent relationships simultaneously thus implying causality (McDougall and Levesque, 2000).

Baumgartner and Homburg (1996) suggest three broad methodological sets of issues which need to be considered when conducting SEM. These are issues related to the specification of the theoretical model, issues relating to sample size and issues related to the estimation and testing of the theoretical model. These are now discussed in more detail.

### *Theoretical Models*

Structural equation modelling requires a robust theoretical justification for the specification of the model (Astor *et al.*, 2006). Within this context, Hair *et al.* (1998) define theory as "*a systematic set of relationships providing a consistent and*

*comprehensive examination of a phenomenon*” [p.589]. It is anticipated that the previous chapters of this thesis will have contributed towards and fulfilled this criteria in terms of the review of the literature, the findings of the exploratory interviews, the findings of the scenario based research and the subsequent development of propositions and hypotheses to be tested. The two competing path models are presented in Fig. 10.1 and Fig. 10.2 together with their relevant hypotheses denoted by H<sub>1</sub>, H<sub>2</sub>...H<sub>x</sub> etc. By way of reminder, the hypotheses are re-presented in Table 10.1 below.

H1 : Where there is a higher degree of client sophistication, there will be a higher reliance on evaluation of the technical component of the service rather than the interaction or responsiveness components when gauging overall satisfaction.

H2: Where there is a lower level of client sophistication, satisfaction with the technical component will partly be a function of satisfaction with the interaction component.

H3: Where there is a lower level of client sophistication, satisfaction with the technical component will partly be a function of satisfaction with the responsiveness component.

H4: Where there is a lower level of client sophistication, satisfaction with the technical component will partly be a function of satisfaction with fees charged.

H5: Where there is a lower level of client sophistication , satisfaction with the technical component of the service will be a function of positive Affect evoked .

H6: Where there is a lower level of client sophistication , satisfaction with the technical component of the service will be a function of negative Affect evoked .

H7: Where there is a lower degree of client sophistication, there will be a higher reliance on evaluation of the interaction component of the service compared to more sophisticated clients when gauging overall satisfaction.

H8: Where there is a lower degree of client sophistication, there will be a higher reliance on evaluation of the responsiveness component of the service compared to more sophisticated clients when gauging overall satisfaction.

H9: Positive Affect evoked will partly be a function of satisfaction with the Interaction component.

H10: Negative Affect evoked will partly be a function of dissatisfaction with the Interaction component.

H11: Positive Affect evoked will partly be a function of satisfaction with the Responsiveness component.

H12: Negative Affect evoked will partly be a function of dissatisfaction with the Responsiveness component.

H13: Positive Affect evoked will partly be a function of satisfaction with the fees charged.

H14: Negative Affect evoked will partly be a function of dissatisfaction with the fees charged.

H15: Where there is a higher level of client sophistication, positive Affect evoked will partly be a function of satisfaction with the technical component.

H16: Where there is a higher level of client sophistication, negative Affect evoked will partly be a function of dissatisfaction with the technical component.

H17: Where there is a lower level of client sophistication, positive Affect evoked will make a higher contribution to overall satisfaction judgments than for more sophisticated clients.

H18: Where there is a lower level of client sophistication, negative Affect evoked will make a higher contribution to overall satisfaction judgments than for more sophisticated clients.

H19: Where there is a higher degree of client sophistication, there will a higher reliance on fees when making overall satisfaction judgments.

H20: There is a positive relationship between overall satisfaction and trust

H21: There is a positive relationship between trust and relationship commitment

**Table 10-1 The Proposed Hypotheses**

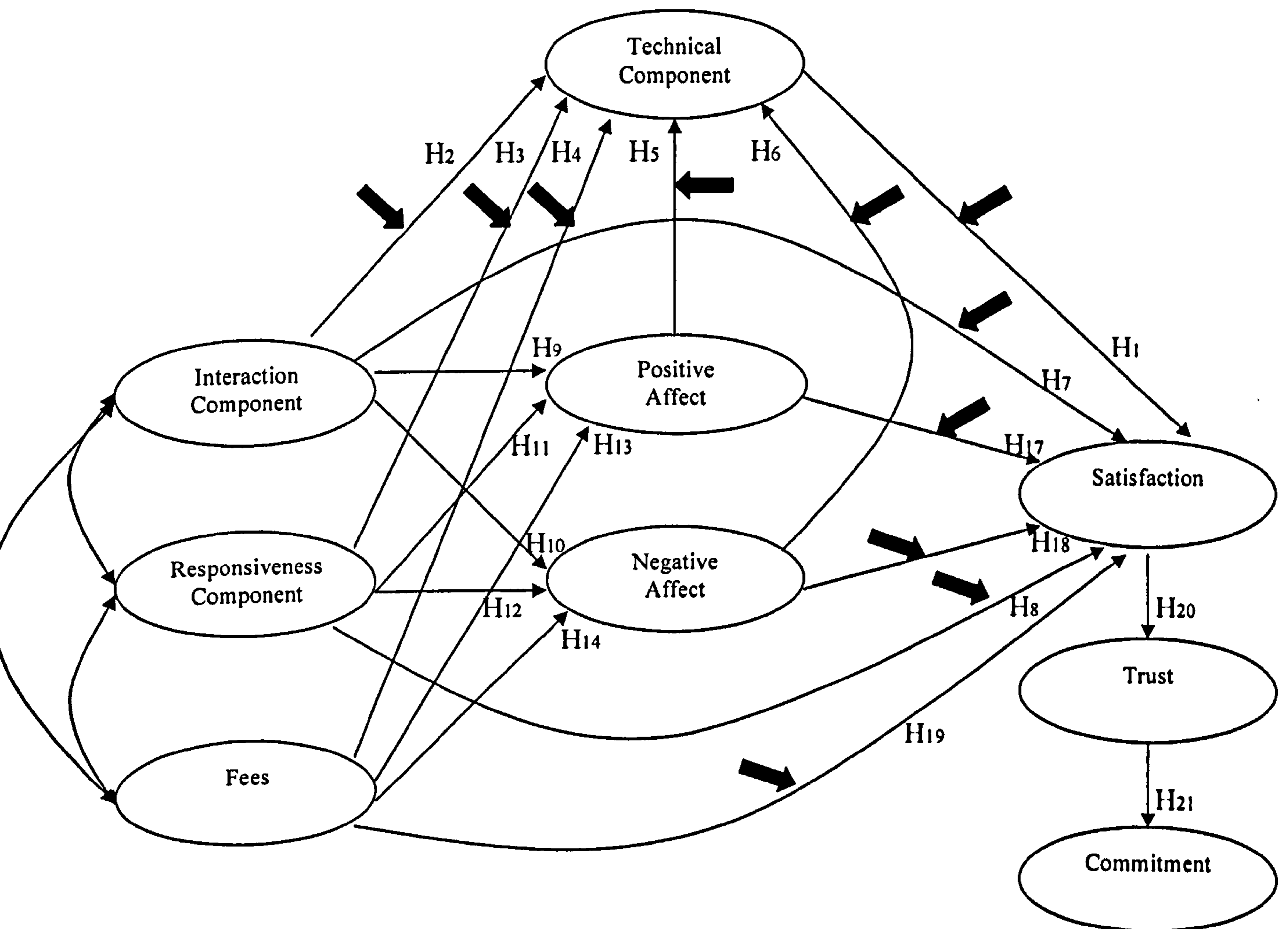
### *10.2.1 Model 1*

Model 1 applies to sophisticated consumers. With sophisticated consumers, the four constructs of the technical component, the interaction component, the responsiveness component and fees are exogenous variables with each evoking either positive or negative Affect as well as contributing directly to overall satisfaction. This will test H<sub>1</sub>, H<sub>7</sub>, H<sub>8</sub>, H<sub>9</sub>-H<sub>16</sub> and H<sub>19</sub>. . Positive and negative Affect also contribute to overall satisfaction thus testing H<sub>17</sub> and H<sub>18</sub>. Overall satisfaction will affect trust thus testing H<sub>20</sub>, and trust will, in turn, affect commitment thus testing H<sub>21</sub>. The model also proposes that there may be some correlations between the exogenous variables because of the nature of the service.



Model 2 proposes that these will, in varying, degrees contribute directly to overall satisfaction thus testing H7-H8, and H19.

However, with non-sophisticated consumers the technical component is now an endogenous construct. Satisfaction with the technical component is determined by the exogenous variables of the interaction component, the responsiveness component and fees thus testing H2-H4. This model also proposes that satisfaction with the technical component is a function of the endogenous variables of positive and negative Affect thus testing H5-H6. The technical component, positive Affect and negative Affect also contribute to overall satisfaction thus testing H1 and H17-H18. Similar to model 1, overall satisfaction will affect trust thus testing H20, and trust will, in turn, affect commitment thus testing H21. The model also proposes that there may be some correlations between the exogenous variables because of the nature of the service.



**Figure 10-2 Alternative Model : Path Model of Significant Paths for Non-sophisticated Clients.**

**➡** Depicts Hypothesised Moderating Influence of Client Sophistication

### 10.3 Stage Five: The Measurement Model and Confirmatory Factor Analysis

Many researchers propose a two-step approach when adopting SEM for analysis (e.g. Jöreskog, 1993; Anderson and Gerbing, 1988). Initially, the measurement model is

evaluated without imposing any structural constraints. This is particularly relevant where there may be a large number of indicators for each construct or where single item constructs may be used. Subsequently, in the second stage the structural model is estimated. The justification for this is that the interaction between the measurement model and the structural model (in terms of within-construct interaction and interconstruct interaction) may affect accurate representation of reliability (Hair *et al.*, 1995). This approach thus allows for inspection of the lack of fit that may be attributable to measurement alone (Andreassen, 2000).

#### *10.3.1 Estimation Procedure*

Many of the assumptions pertaining to SEM are appropriate for other analytical techniques and have been addressed in previous sections of this thesis (e.g. normality of data, distorting influences, missing data etc). However, it should be noted that whilst Baumgartner and Homburg (1996) suggest a ratio of sample size to number of free parameters of at least 5:1 (in this instance the ratio is 3.7:1 (253/68)), the sample size for each group of respondents does fall within the minimum acceptable limits of 100-150 for use of SEM for small to medium models suggested by Hair *et al.* (1995). The indicators of overall model fit may be seen in Table 10.2 below.

<u>Indicators of Overall Model Fit</u>	<u>Measurement Model</u>
$\chi^2$ (df)	1113.575 (df=507)
$p$	.000
$\chi^2 / (df)$	2.196
GFI	.789
AGFI	.752
RMSEA	.069
NFI	.822
CFI	.894
AIC	1289.571

**Table 10-2 Indicators of Overall Model Fit for the Measurement Model**

As may be observed in Table 10.2, the reported values for standard model fit indices are below recommended cut offs with the GFI and AGFI being particularly disappointing. The values for RMSEA are a little better and the  $\chi^2 / (df)$  is broadly acceptable. Clearly the poor fit indices do give some cause for concern but in evaluating their impact, it should be noted that these values relate to how well the covariance matrix associated with the parameter estimates is able to match the sample covariance. Indeed, given the number of items and variables within the model, it may be difficult at this stage to *‘parsimoniously represent the measurement structure underlying a set of observed variables and also to find a model that fits the data well’* (Baumgartner and Homburg, 1996:143). Thus, some authors argue the focus of this stage of the analysis is to evaluate how well the latent variables or item measures are predicted (Chin, 1998). More precisely, they would attach greater importance to checking that the structural paths and

loadings are of '*substantial strength as opposed to just statistically significant*' (Chin, 1998:7). Only after the measurement model is accepted as a '*proper*' (Singh and Smith, 2004: 396) measure of the constructs may the second stage involving the assessment of the structural model be conducted. Given the substantial strength of the majority of the loadings with loading values of at least .55 (Kumer *et al.*, 1998) and most .7 or above (Chin, 1998), it was decided that the measurement model should be accepted and the unidimensionality of the constructs accepted, notwithstanding the poor fit indices.

#### *10.3.2 Confirmatory Factor Analysis*

The measurement model was used to confirm the results of the EFA described in the previous chapter. Six factors and 32 indicators were tested. The results may be seen in Tables 10.3 and 10.4 below.

<u>Regression Path</u>	<u>Overall Model</u>	<u>In-house Lawyers</u>	<u>Non-Lawyers</u>
<i>Technical Component</i>			
Technical Component → Commercialism	.77	.76	.79
Technical Component → Clarity	.84	.86	.83
Technical Component → Detail	.81	.81	.80
Technical Component → Reliability	.87	.86	.90
Technical Component → Quality	.88	.88	.87
Technical Component → Specialism	.73	.75	.72
Technical Component → Frequency	.74	.77	.71
<i>Interaction Component</i>			
Interactive Component → Courtesy	.76	.75	.78
Interactive Component → Partner	.79	.78	.81
Interactive Component → Empathy	.83	.81	.85
Interactive Component → Get on	.68	.67	.70
<i>Responsiveness</i>			
Responsiveness → Promptness	.87	.91	.86
Responsiveness → Accessibility	.81	.78	.82
<i>Trust (R<sup>2</sup>)</i>	.51	.52	.58
Trust → Trustworthy	.90	.93	.86
Trust → Integrity	.89	.90	.86
Trust → Relied on	.76	.73	.82
<i>Commitment (R<sup>2</sup>)</i>	.46	.44	.65
Commitment → Continuity	.75	.66	.85
Commitment → Maintenance	.73	.63	.82
Commitment → Committed	.90	.87	.94
<i>Negative Affect (R<sup>2</sup>)</i>	.25	.43	.11
Negative Affect → Sadness	.81	.74	.90
Negative Affect → Shame	.73	.66	.86
Negative Affect → Astonishment	.68	.76	.56
Negative Affect → Fear	.65	.68	.64
Negative Affect → Worry	.72	.79	.59
Negative Affect → Discontentment	.74	.74	.72
Negative Affect → Frustration	.58	.66	.45

<i>Positive Affect (R<sup>2</sup>)</i>			.40	.44	.39
Positive Affect	→	Contentment	.77	.81	.71
Positive Affect	→	Enthusiasm	.83	.89	.69
Positive Affect	→	Pleasure	.72	.72	.81
Positive Affect	→	Pride	.68	.63	.82
Positive Affect	→	Optimism	.67	.74	.47
Positive Affect	→	Calmness	.61	.70	.42
<i>Satisfaction (R<sup>2</sup>)</i>			.66	.71	.66

**Table 10-3 CFA: Standardised Regression Weights**  
( Significant at the  $p<.001$ )

Table 10.3 above shows the standardised regression weights for the measurement model and Table 10.4 shows the factor intercorrelations for the measurement model.

<u>Correlation</u>		<u>Overall Model</u>	<u>In-house lawyers</u>	<u>Non-lawyers</u>
Technical Component	↔ Interactive Component	.89	.88	.89
Technical Component	↔ Responsiveness Component	.83	.84	.80
Technical Component	↔ Fees	.52	.56	.46
Interactive Component	↔ Responsiveness Component	.75	.74	.75
Interactive Component	↔ Fees	.61	.66	.55
Responsiveness Component	↔ Fees	.38	.41	.35

**Table 10-4 CFA: Factor Intercorrelations**

The results demonstrate that: firstly, all the factor loadings of items on corresponding constructs are significant (overall model minimum of .55 :  $p < .001$ ) demonstrating convergent validity for each of the measures (Kumar *et al.*, 1998) and secondly; that the absolute values of the factor intercorrelations are below one, providing discriminant validity of the constructs (Kumer *et al.* , 1998).

Whilst a number of the intercorrelations between factors appear highly correlated, there is no specific limit as to what should be considered a 'high' correlation. Hair *et al.* (1995) suggest that values exceeding .9 '*should always be examined, and many times, correlations exceeding .8 can be indicative of a problem*' (p. 613). However, in this instance these were not considered to be problematic as an examination of the individual items in the correlation matrix indicated no items to be above .8 (Hair *et al.*, 1995).

However, to strengthen the evidence of discriminant validity further, a series of CFA models were performed for each pair of exogenous constructs (Fornell and Larcker, 1981; Anderson and Gerbing, 1988) . This was done so as to examine the Chi-square difference between the standard model and the alternative model in which the correlations between the factors had been constrained to 1.0. As may be seen in Table 10.5, the change in the value of Chi-square is significant for each pair thus providing further evidence of discriminant validity.

<u>Pair of Exogenous Constructs</u>	$\chi^2$	$\Delta \chi^2*$
Unconstrained Model	1113.5	N/A
Technical Component ↔ Interactive Component	1142.4	28.9
Technical Component ↔ Responsiveness Component	1131.5	18.0
Technical Component ↔ Fees	1127.5	14.0
Interactive Component ↔ Responsiveness Component	1160.9	47.4
Interactive Component ↔ Fees	1137.6	24.1
Responsiveness Component ↔ Fees	1142.7	29.2
* ( $\Delta df=1, p=.001$ )		

**Table 10-5 Chi-squared Differences for Exogenous Constructs: Standard Model versus Non-Discriminant Model**

### *Stage 2: The Structural Model*

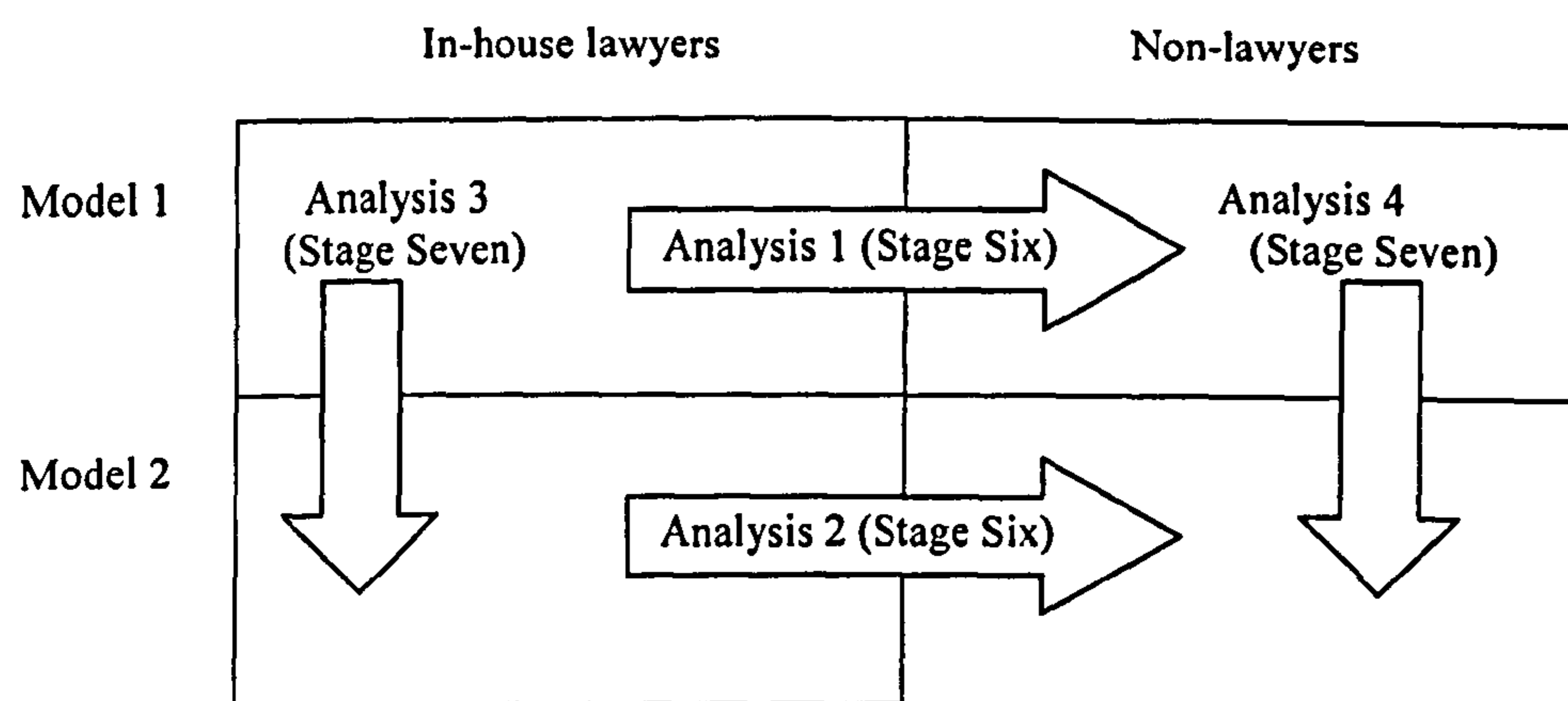
The path models were based on a total aggregation approach (Bagozzi and Heatherton, 1996) whereby a single composite construct is formed by combining all the observed measures of that construct (Bagozzi and Heatherton, 1994). The main advantage of this approach is that the model specification is simplified (Baumgartner and Homburg, 1996).

Whilst it is possible to test for invariance between groups for first-order CFA models, the primary focus of this study is the investigation of invariance with second order SEM models and, more specifically, the structural paths among the variables. For this reason, analysis of invariance between the groups at a first-order CFA model level was not

deemed necessary (Byrne, 2001). To this end, the testing of invariance for the structural paths between the groups is described in the next section.

#### **10.4 Stage Six: Testing Respondent Groups for Invariance against Proposed Models**

A multi-group, multi-model approach was adopted (Scott-Lennox and Lennox, 1995) for stages six and seven of the analysis. Initially, each model was tested against the two respondent data sets (see Fig. 10.3: Analysis 1 and Analysis 2) so as to allow different relationships between variables across the groups to be analysed (Astor *et al.*, 2006). Subsequently, the ‘competing models’ were tested within each group of respondents’ data set to ascertain which model best fitted the data for each group. Initially, Model 1 and Model 2 were examined relative to the data set for the in-house lawyer respondents (see Fig. 10.3.: Analysis 3) and subsequently Model 1 and Model 2 were examined relative to the data set for non-lawyers ( see Fig. 10.3: Analysis 4).



**Figure 10-3 Multi-group and Multi-model Analysis**

When testing respondent groups for invariance, Jöreskog (1971) recommends that all tests of invariance between groups should begin with a global test of the equality of the covariance structures ( $\Sigma_1 = \Sigma_2 = \dots = \Sigma_G$  where  $\Sigma$  is the population variance-covariance matrix and  $G$  is the number of groups). Thus, a rejection of the null hypothesis suggests that the groups are not equivalent and subsequent testing to identify the source of invariance should be conducted.

As recommended by Scott-Lennox and Lennox (1995), all the parameters in the structural model for Models 1 and 2 were constrained equivalent over the groups and estimated. Subsequently, all the parameters were estimated freely. The results of this test are shown in Table 10.6 below.

<i>Model Description</i>	<i>Comparative Model</i>	<i><math>\chi^2</math></i>	<i>df</i>	<i><math>\Delta \chi^2</math></i>	<i><math>\Delta df</math></i>	<i>Statistical Significance level</i>
Model 1 (Unconstrained)		159.18	28			.
Model 1 (Constrained)	Model 1 (Unconstrained)	187.43	44	28.25	16	$p<.05$
Model 2 (Unconstrained)		159.26	28			
Model 2 (Constrained)	Model 2 (Unconstrained)	189.52	47	30.26	19	$p<.05$

**Table 10-6 Results of Global Test of Invariance between Respondent Groups for Model 1 and Model 2**

*Note:*  $\Delta \chi^2$ = Difference in  $\chi^2$  values between models;  $\Delta df$ = difference in number of degrees of freedom between models

Table 10.6 shows the fit of Model 1 and Model 2 when tested simultaneously with no imposed equality constraints (i.e. unconstrained). The table then shows the fit of Model 1 and Model 2 when equality constraints are specified (i.e. constrained). The table also shows the difference in the  $\chi^2$  value ( $\Delta \chi^2$ ) between the unconstrained and constrained models. The results are statistically significant ( $p<.05$ ) for both models and therefore suggest that some equality constraints are not appropriate for both groups. For Model 1,  $\Delta \chi^2 = 28.25$  ( $\Delta 16 df$ ) with  $p<.05$  significance level and for Model 2,  $\Delta \chi^2 = 30.26$  ( $\Delta 19 df$ ) with the  $p<.05$  significance level. Having established that non-invariance exists between

the two groups across both models, the next stage is to identify the source of non-invariance.

#### *10.4.1 Testing for Invariance Between Groups Within Model 1*

Testing for invariance between groups requires a '*pinpointing of the location*' (Byrne, 2001:p. 187) of the non-invariance. Byrne (2001) suggests a '*logically organised approach*' (p. 192) should be adopted when attempting to achieve this. To this end, each structural path was systematically tested for non-invariance. Structural paths were selected as the focus of this stage of the analysis because the analysis is primarily one of causality. Testing for non-invariance was achieved by imposing a constraint associated with that particular parameter and testing the model for invariance between groups. The  $\chi^2$  value of the constrained and unconstrained models was compared to assess if there was a statistically significant change in the  $\chi^2$  value. Where group non-invariance was statistically significant, the parameters were cumulatively constrained equal while subsequent tests were conducted thereby '*providing a very rigorous test of equality across groups*' (Byrne, 2001: p. 193). The results may be seen in Table 10.7. Structural paths that were found to be non-invariant are shown in italics.

<i>Structural Weight</i>		$\chi^2$	<i>df</i>	$\Delta \chi^2$	$\Delta df$	<i>Stat. Sig.</i>
Unconstrained Model		159.18	28			
R1	Technical Component $\longrightarrow$ Positive Affect	159.23	29	.05	1	n/a
R2*	Technical Component $\longrightarrow$ Satisfaction	166.81	30	7.85	1	$p < .05$
R3	Technical Component $\longrightarrow$ Negative Affect	159.24	30	.01	1	n/a
R4	Interaction Component $\longrightarrow$ Positive Affect	159.47	31	.23	1	n/a
R5	Interaction Component $\longrightarrow$ Satisfaction	159.52	32	.05	1	n/a
R6	Interaction Component $\longrightarrow$ Negative Affect	161.04	33	1.52	1	n/a
R7	Responsiveness Component $\longrightarrow$ Positive Affect	162.24	34	1.20	1	n/a
R8*	Responsiveness Component $\longrightarrow$ Satisfaction	167.03	35	4.79	1	$p < .05$
R9	Responsiveness Component $\longrightarrow$ Negative Affect	163.64	35	1.4	1	n/a
R10	Fees $\longrightarrow$ Positive Affect	164.30	36	.66	1	n/a
R11	Fees $\longrightarrow$ Satisfaction	164.49	37	.19	1	n/a
R12*	Fees $\longrightarrow$ Negative Affect	170.96	38	6.47	1	$p < .05$
R13	Positive Affect $\longrightarrow$ Satisfaction	164.63	38	.14	1	n/a
R14	Negative Affect $\longrightarrow$ Satisfaction	166.45	39	1.82	1	n/a
R15	Satisfaction $\longrightarrow$ Trust	166.46	40	.001	1	n/a
R16*	Trust $\longrightarrow$ Commitment	177.24	41	4.78	1	$p < .05$

**Table 10-7 Model 1: Baseline Model**

$\chi^2 = 159.18$  (df=28)

\*=  $\Delta \chi^2$  is statistically significant relative to  $\Delta df$  at  $p < .05$

For Model 1, the source of the non-invariance is related to the following paths :

Responsiveness Component  $\longrightarrow$  Satisfaction ( $\Delta x^2= 4.79$  ( $\Delta 1df$ )), Technical Component  $\longrightarrow$  Satisfaction ( $\Delta x^2= 7.85$  ( $\Delta 1df$ )), Fees  $\longrightarrow$  Negative Affect ( $\Delta x^2= 6.47$  ( $\Delta 1df$ )) and Trust  $\longrightarrow$  Commitment ( $\Delta x^2= 4.78$  ( $\Delta 1df$ )).

### *Testing for invariance between groups within Model 2*

The procedure was subsequently repeated for Model 2. The results are shown in Table 10.8. In Model 2, the source of non-invariance is related to the following paths:

Responsiveness Component  $\longrightarrow$  Satisfaction ( $\Delta x^2= 4.76$  ( $\Delta 1df$ )),  
 Fees  $\longrightarrow$  Satisfaction ( $\Delta x^2= 6.57$  ( $\Delta 1df$ )),  
 Technical Component  $\longrightarrow$  Satisfaction ( $\Delta x^2= 10.95$  ( $\Delta 1df$ )) and Trust  $\longrightarrow$   
 Commitment ( $\Delta x^2= 4.78$  ( $\Delta 1df$ )).

<i>Structural Weight</i>	<i>x<sup>2</sup></i>	<i>df</i>	<i>Δ x<sup>2</sup></i>	<i>Δ df</i>	<i>Stat. Sig.</i>
Unconstrained Model	159.23	28			
R1 Interaction Component → Technical Component	160.09	29	.86	1	n/a
R2 Responsiveness Component → Technical Component	160.74	30	.65	1	n/a
R3 Fees → Technical Component	161.14	31	.40	1	n/a
R4 Positive Affect → Technical Component	161.19	32	.04	1	n/a
R5 Negative Affect → Technical Component	161.20	33	.01	1	n/a
R6 Interaction Component → Positive Affect	161.34	34	.14	1	n/a
R7 Interaction Component → Satisfaction	161.39	35	.05	1	n/a
R8 Interaction Component → Negative Affect	162.80	36	1.41	1	n/a
R9 Responsiveness Component → Positive Affect	164.23	37	1.43	1	n/a
R10* Responsiveness Component → Satisfaction	168.99	38	4.76	1	p<.05
R11 Responsiveness Component → Negative Affect	165.72	38	1.49	1	n/a
R12 Fees → Positive Affect	166.24	39	.52	1	n/a
R13 Fees → Satisfaction	166.43	40	.19	1	n/a
R14* Fees → Negative Affect	173.05	41	6.57	1	p<.05
R15* Technical Component → Satisfaction	177.38	41	10.95	1	p<.05
R16 Positive Affect → Satisfaction	166.58	41	.15	1	n/a
R17 Negative Affect → Satisfaction	168.39	42	1.81	1	n/a
R18 Satisfaction → Trust	168.40	43	.01	1	n/a
R19* Trust → Commitment	173.18	44	4.78	1	p<.05

**Table 10-8 Model 2: (Baseline Model**

**x<sup>2</sup>= 159.23 (df=28)**

**\*= Δ x<sup>2</sup> is statistically significant relative to Δ df at p<.05**

Having identified the sources of non-invariance across groups for each model, the relevant parameters were unconstrained and the models rerun (Pousette and Hanse, 2002). The results of this analysis suggest there are differences in the way the two sets of respondents assess overall satisfaction and the role and functionality of the components that contribute to overall satisfaction. The two sets of respondent results are now examined with reference to each of the models. Whilst it is recognised that there are issues of model fit, the focus of this stage of the research is to evaluate Model 1 and Model 2 for differences between the two sets of respondents rather than to assess overall model fit. Fit measures are examined and explained in more detail in a latter part of this chapter (see section 10.5).

#### *10.4.2 Model 1: In-house Lawyer Respondents*

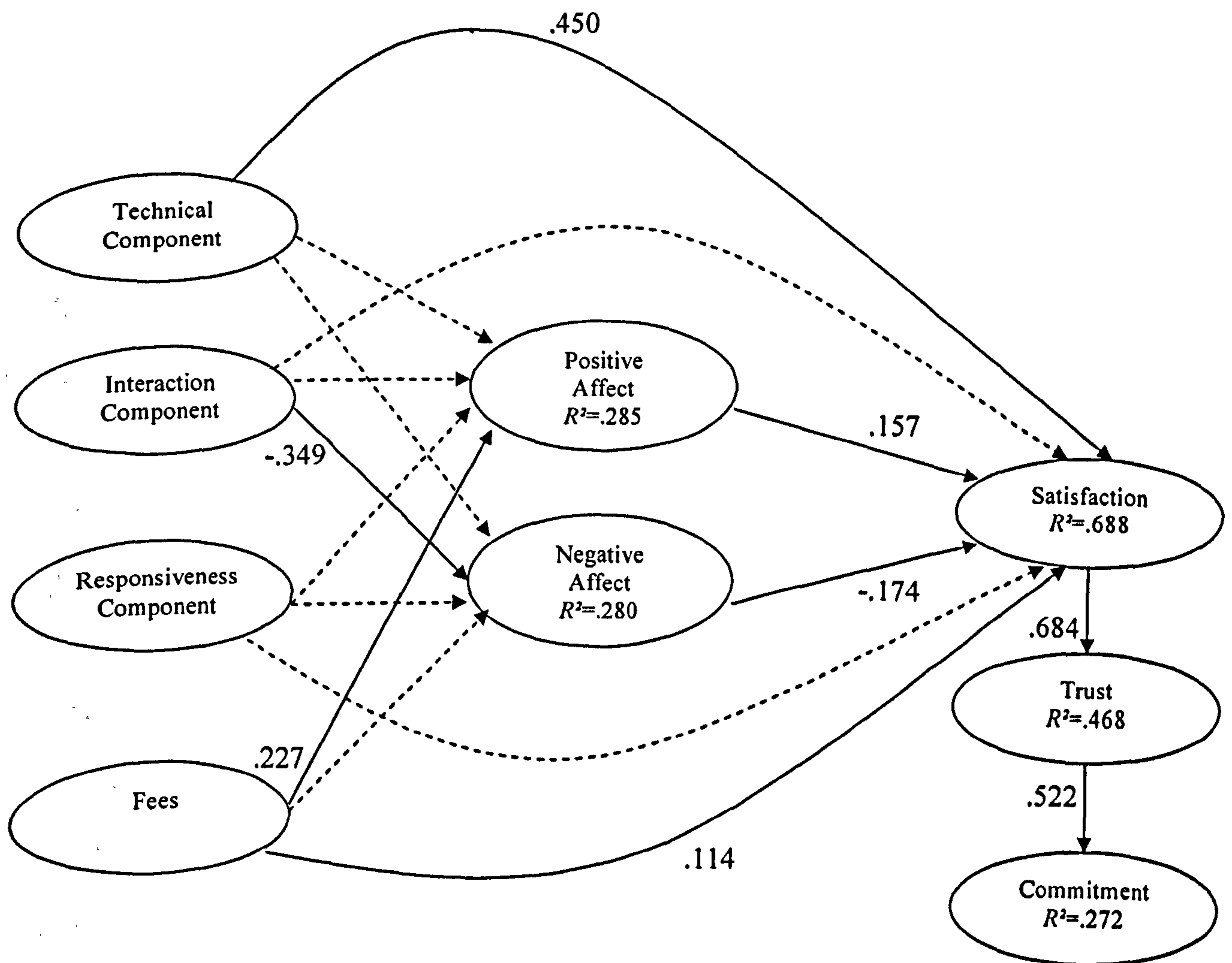
For the in-house lawyer respondents, the model explains 68.8% of the variance for overall satisfaction (see Table 10.9 below). This was directly affected by the cognitive elements of the technical component ( $\beta = .450, p < .05$ ) and fees ( $\beta = .114, p < .05$ ). Thus, the core product of the technical component is the single most important contributory factor to overall satisfaction followed by fees for this set of respondents.

Satisfaction, in turn, directly affects trust ( $\beta = .684, p < .05$ ) which in turn directly affects commitment ( $\beta = .272, p < .05$ ). The model explains 46.8% of the variance for trust and 27.2% of the variance for commitment.

Path	In-house Lawyers	Non-lawyers
<i>Positive Affect (R<sup>2</sup>)</i>	.285	.323
Technical Component → Positive Affect	.184	.203
Interaction Component → Positive Affect	.112	.126
Responsiveness Component → Positive Affect	.110	.129
Fees → Positive Affect	.227*	.242*
<i>Negative Affect (R<sup>2</sup>)</i>	.280	.155
Technical Component → Negative Affect	-.076	-.076
Interaction Component → Negative Affect	-.349*	-.354*
Responsiveness Component → Negative Affect	-.043	-.046
Fees → Negative Affect	-.126	.169
<i>Satisfaction (R<sup>2</sup>)</i>	.688	.627
Technical Component → Satisfaction	.450*	.149
Interaction Component → Satisfaction	.069	.080
Responsiveness Component → Satisfaction	.077	.370*
Fees → Satisfaction	.114*	.126*
Positive Affect → Satisfaction	.157*	.162*
Negative Affect → Satisfaction	-.174*	-.199*
<i>Trust (R<sup>2</sup>)</i>	.468	.427
Satisfaction → Trust	.684*	.653*
<i>Commitment (R<sup>2</sup>)</i>	.272	.445
Trust → Commitment	.522*	.667*
<i>Overall Model Fit</i>		
$\chi^2 = 166.46$ (df=40)		
p=.000		
GFI= .883		
AGFI= .736		
RMSEA=.112		
NFI=.882		
CFI= 906		

**Table 10-9 Partially Constrained Model 1**  
 (\* Significant at  $p < .05$ )

Overall satisfaction was also affected by positive Affect ( $\beta = .157, p < .05$ ) and negative Affect ( $\beta = -.174, p < .05$ ). The model accounted for 28.5% of the variance for positive Affect. This was in turn, affected by fees ( $\beta = .227, p < .05$ ). The model accounted for 28.0% of the variance for negative Affect which was affected by the interaction component only ( $\beta = -.349, p < .05$ ). These results are represented by a structural model in Fig. 10.4.



**Figure 10-4 Partially Constrained Model 1: In-house lawyer Respondents**  
 → Significant at  $p < .05$

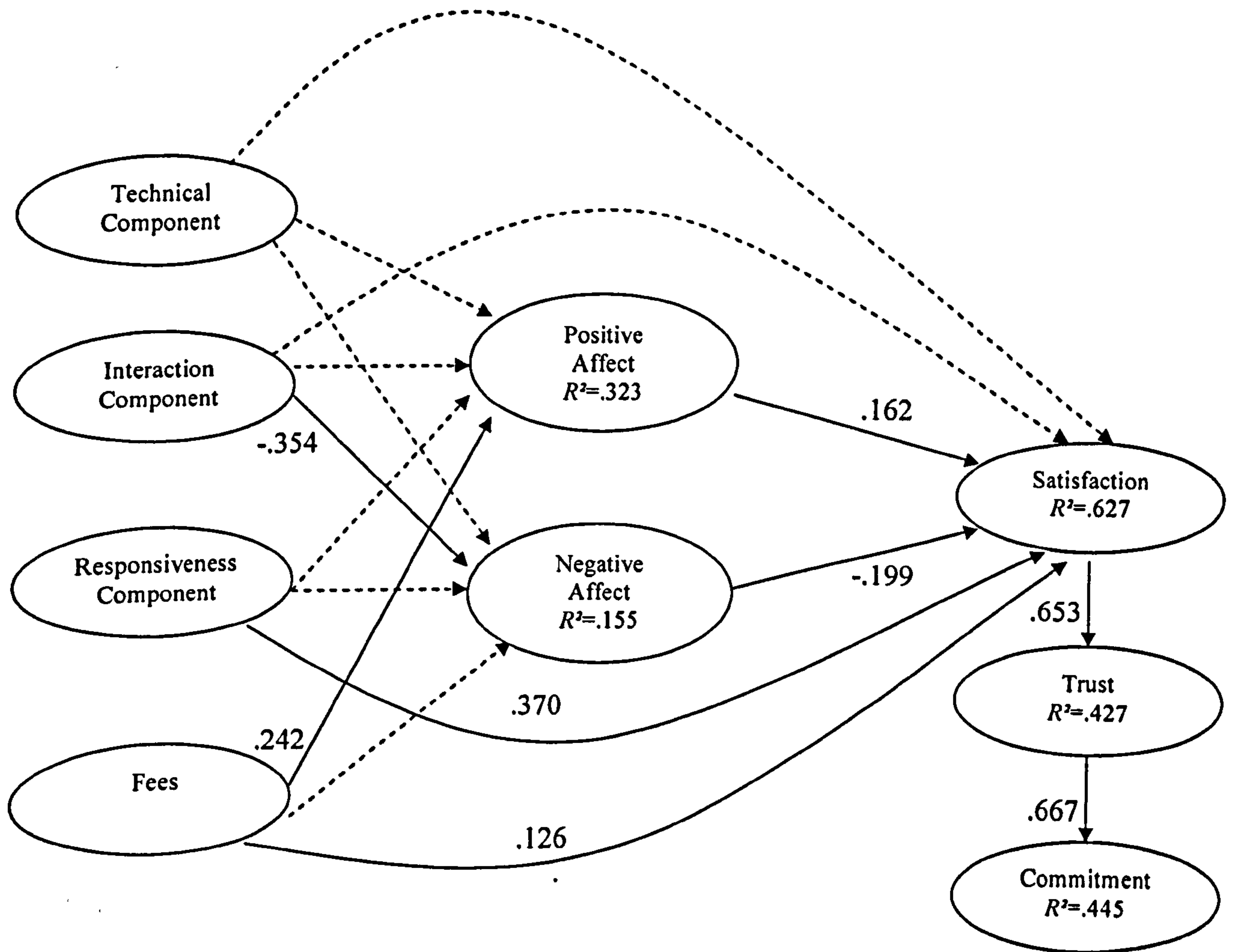
#### *10.4.3 Model 1: Non-lawyer Respondents*

The model explains 62.7% of the variance for overall satisfaction for the non-lawyer respondents (see Table 10.9). However, in contrast to the in-house lawyer respondents, the technical component does not make a statistically significant contribution towards overall satisfaction either directly or indirectly. Again, in contrast to the in-house lawyer respondents, overall satisfaction is directly affected by the responsiveness component ( $\beta = .370, p < .05$ ). Similar to the in-house lawyer respondents, fees make a significant contribution ( $\beta = .126, p < .05$ ).

Similar to the in-house lawyer respondents, satisfaction directly affects trust ( $\beta = .653, p < .05$ ) which in turn directly affects commitment ( $\beta = .667, p < .05$ ). The model explains 42.7% of the variance for trust. Interestingly, in contrast to the in-house lawyer respondents, there is a considerably higher value for the amount of variance explained by the model for commitment (44.5% as compared to 27.2%). This suggests that non-lawyer respondents are more likely to be committed to the relationship if they trust their solicitors.

Once again, overall satisfaction was also affected by positive Affect ( $\beta = .162, p < .05$ ) and negative Affect ( $\beta = -.199, p < .05$ ). The model accounted for 32.3% of the variance for positive Affect and, similar to the in-house lawyer group, positive Affect was affected only by fees ( $\beta = .242, p < .05$ ). The model accounted for 15.5% of the variance for negative Affect. Interestingly, this value is noticeably lower than the in-house lawyer respondents ( $\beta = .279, p < .05$ ). However, similar to the in-house lawyer respondents

negative Affect was affected by the interaction component only ( $\beta = -.354, p < .05$ ). These results are represented by a structural model shown in Fig. 10.5.



**Figure 10-5 Partially Constrained Model 1: Non-lawyer Respondents**  
 ———> Significant at  $p < .05$

Having evaluated Model 1 for differences across groups (see Fig.10.3 :Analysis 1), the next step is to evaluate Model 2 for difference across groups (see Fig.10.3: Analysis 2).

#### *10.4.4 Model 2: In-house Lawyer Respondents*

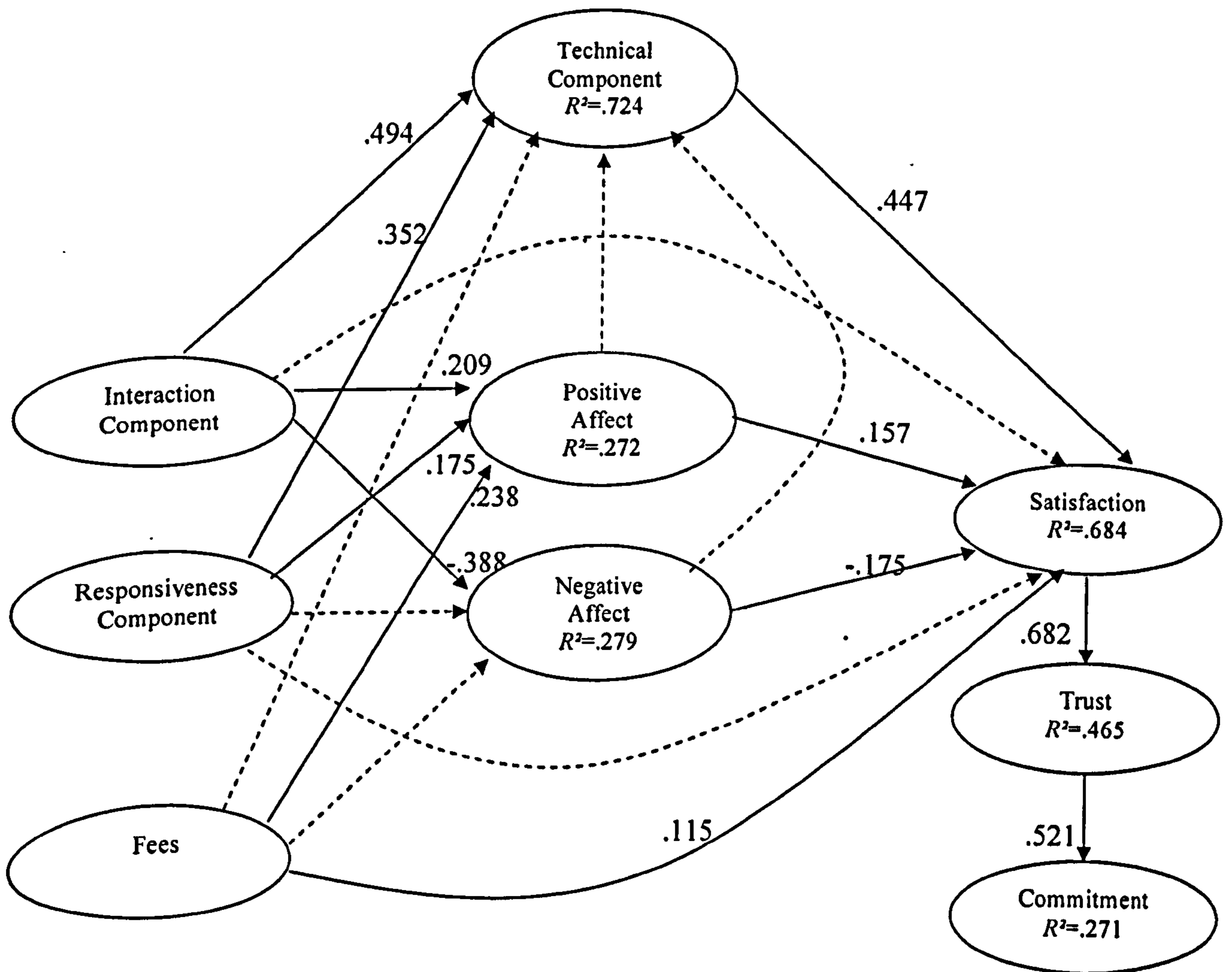
The model explains 68.4% of the variance for overall satisfaction (see Table 10.10) . For the in-house lawyer respondents, overall satisfaction was directly affected by the cognitive elements of technical component ( $\beta = .447, p < .05$ ), and fees ( $\beta = .115, p < .05$ ) and similar to Model 1, the affective components of positive Affect ( $\beta = .157, p < .05$ ) and negative Affect ( $\beta = -.175, p < .05$ ).

The model accounted for 27.2% of the variance for positive Affect. Similar to Model 1, positive Affect is effected by fees ( $\beta = .238, p < .05$ ). However, in contrast to Model 1, the interaction and responsiveness components also contribute to positive Affect evoked ( $\beta = .209, p < .05$  and  $\beta = .175, p < .05$  respectively). The model accounted for 27.9% of the variance for negative Affect which was affected by the interaction component only ( $\beta = -.388, p < .05$ ).

Path	Lawyers	Non-lawyers
<i>Positive Affect (R<sup>2</sup>)</i>	.272	.316
Interaction Component → Positive Affect	.209*	.234*
Responsiveness Component → Positive Affect	.175*	.205*
Fees → Positive Affect	.238*	.254*
<i>Negative Affect (R<sup>2</sup>)</i>	.279	.153
Interaction Component → Negative Affect	-.388*	-.394*
Responsiveness Component → Negative Affect	-.071	-.075
Fees → Negative Affect	-.132	.167
<i>Technical Component (R<sup>2</sup>)</i>	.724	.715
Interaction Component → Technical Component	.494*	.488*
Responsiveness Components → Technical Component	.352*	.364*
Fees → Technical Component	.047	.044
Positive Affect → Technical Component	.080	.070
Negative Affect → Technical Component	-.029	-.028
<i>Satisfaction (R<sup>2</sup>)</i>	.684	.630
Technical Component → Satisfaction	.447*	.151
Interaction Component → Satisfaction	.069	.080
Responsiveness Component → Satisfaction	.077	.368*
Fees → Satisfaction	.115*	.125*
Positive Affect → Satisfaction	.157*	.162*
Negative Affect → Satisfaction	-.175*	-.198*
<i>Trust (R<sup>2</sup>)</i>	.465	.429
Satisfaction → Trust	.682*	.655*
<i>Commitment (R<sup>2</sup>)</i>	.271	.446
Trust → Commitment	.521*	.667*
<i>Overall Model Fit</i>		
$\chi^2 = 168.40$ (df=43)		
$p = .000$		
GFI = .881		
AGFI = .750		
RMSEA = .107		
NFI = .881		
CFI = .906		

**Table 10-10 Partially Constrained Model 2**  
 (\* Significant at  $p < .05$ )

Satisfaction again, directly affects trust ( $\beta = .682, p < .05$ ) which in turn directly affects commitment ( $\beta = .521, p < .05$ ). Similar to Model 1, the model explains 46.5% of the variance for trust and 27.1% of the variance for commitment. These results are represented by the structural model shown in Fig. 10.6 below.



**Figure 10-6 Partially Constrained Model 2: In-house Lawyer Respondents**  
 —→ Significant at  $p < .05$

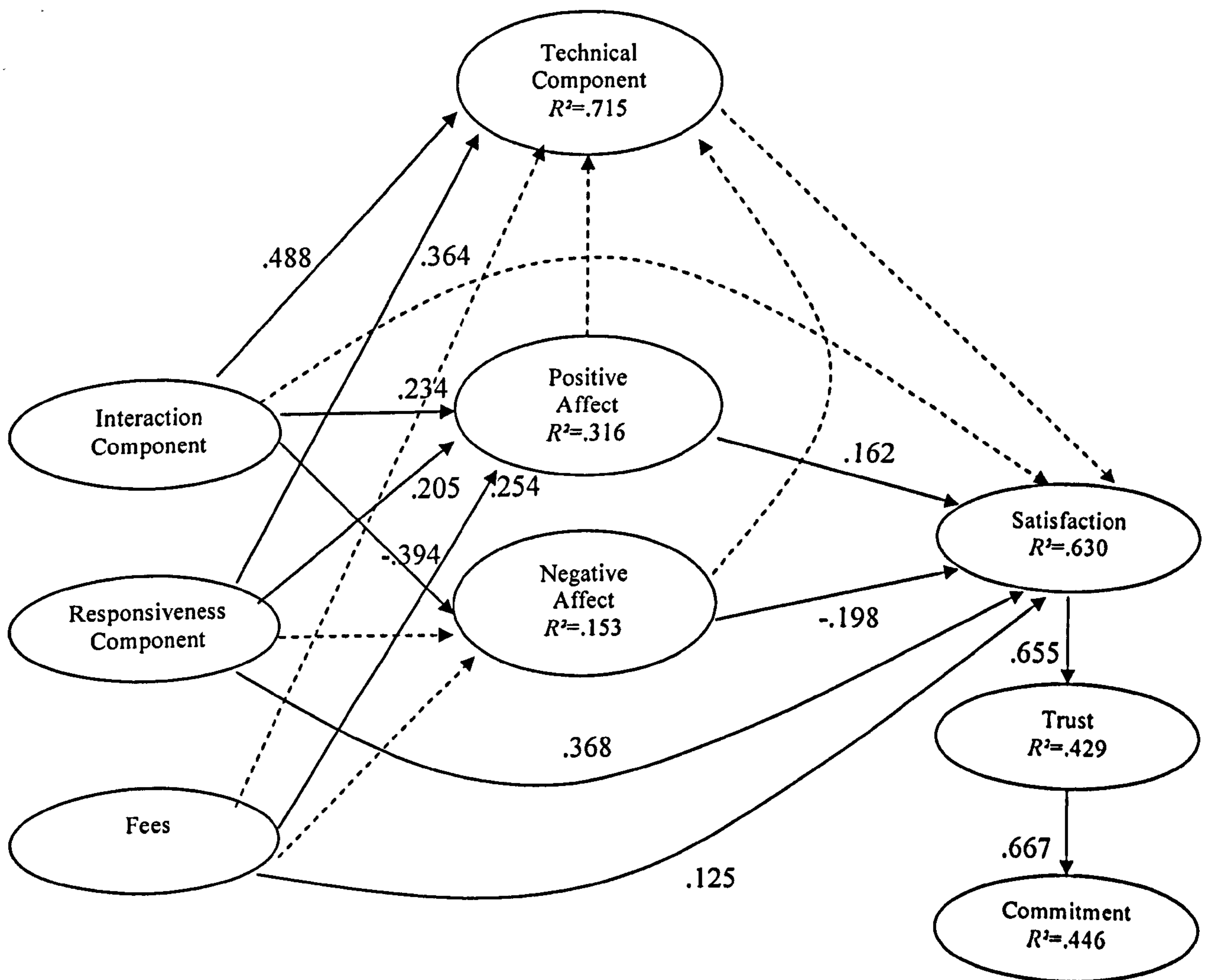
The model explains 72.4% of variance for the technical component. The technical component is primarily affected by the responsiveness component ( $\beta = .352, p < .05$ ) and the interaction component ( $\beta = .494, p < .05$ ). Once again for this set of respondents, the core product of the technical component is the single most important contributory factor to overall satisfaction .

#### *10.4.5 Model 2: Non-lawyer Respondents*

This model explained 63.0% of the variance for overall satisfaction (see Table 10.10). Similar to Model 1 , the technical component does not contribute towards overall satisfaction either directly or indirectly for these respondents. In contrast to the in-house lawyer respondents, overall satisfaction is directly affected by the responsiveness component ( $\beta = .368, p < .05$ ). Similar to the in-house lawyer respondents, fees also contribute towards overall satisfaction ( $\beta = .125, p < .05$ ). Once again, overall satisfaction was also affected by positive Affect ( $\beta = .162, p < .05$ ) and negative Affect ( $\beta = -.198, p < .05$ ).

The model explained 31.6 % and 15.3% of the variance of positive and negative Affect respectively. Similar to the in-house lawyer group, positive Affect is affected by fees ( $\beta = .254, p < .05$ ) and again, in contrast to Model 1, the interaction and responsiveness components also contribute to positive Affect evoked ( $\beta = .234, p < .05$  and  $\beta = .205, p < .05$  respectively). The model accounted for 15.3% of the variance for negative Affect, again noticeably lower than for the in-house lawyer respondents ( $\beta = .368, p < .279$  ) which was

affected by the interaction component only ( $\beta = -.394, p < .05$ ). The model explains 71.5% of variance for the technical component. Similar to the in-house lawyer group, the technical component is primarily affected by the responsiveness component ( $\beta = .364, p < .05$ ) and the interaction component ( $\beta = .488, p < .05$ ). Similar to the in-house lawyer respondents and Model 1, satisfaction directly affects trust ( $\beta = .655, p < .05$ ) which in turn directly affects commitment ( $\beta = .667, p < .05$ ). The model explains 42.9% of the variance for trust and 44.6% of the variance for commitment (again, noticeably higher than for the in-house lawyer respondents). These results are represented by the structural model shown in Fig. 10.7.



**Figure 10-7 Partially Constrained Model 2: Non-lawyer Respondents**  
 → Significant at  $p < .05$

Having evaluated Model 1 and 2 for differences across groups (see Fig. 10.3: Analysis 1 and Analysis 2), the next stage of the analysis focused on comparing the 'competing

models' with each group of respondents to ascertain which model best fitted the data for each group (see Fig. 10.3: Analysis 3 and Analysis 4).

### **10.5 Stage Seven: Testing Model Fit for Each Set of Respondents**

The next stage of analysis testing consisted of examining the validity of each of the causal structures relative to each group of respondents' data set. More precisely, this entails testing which model (i.e. Model 1 or 2) the in-house lawyer data set fits better (Analysis 3 in Fig. 10.3) and which model (Model 1 or 2) the non-lawyer data set fits better (Analysis 4 in Fig. 10.3). Using the results of the previous analysis, insignificant structural paths were constrained to zero and an overall model incorporating both Model 1 and Model 2 was tested for fit against each respondent data set. This was achieved by adding or removing constraints pertinent to each model and then running the model (Arbuckle, 2005). The results for each group are now discussed.

#### ***10.5.1 Assessing Overall Model Fit: In-house Lawyer Respondents***

The overall goodness-of-fit indicators for the in-house lawyer group may be seen in Table 10.11. As Hair *et al.* (1995) state, assessing the goodness-of-fit is '*more a relative process than one with absolute criteria*' [p.611]. For this reason researchers will apply multiple measures when assessing goodness-of-fit thus achieving a 'consensus' across different types of measures as to the acceptability of a proposed model. At this stage of the analysis, it is the absolute measures of overall fit that are evaluated so that a valid

comparison between the models for each data set may be made. These are now discussed in more detail with reference to each set of respondents.

<u>Indicators of Overall Model Fit</u>	<u>Model 1</u>	<u>Model 2</u>
$\chi^2$ (df)	277.55 (df=24)	81.42 (df=21)
$p$	.000	.000
GFI	.779	.895
AGFI	.585	.774
RMSEA	.264	.138
NFI	.674	.904
CFI	.689	.926
AIC	319.553	129.433

**:Table 10-11 Goodness-of -Fit between Model 1 and Model 2 for In-House Lawyers**

Jöreskog and Sörbom (1993) suggest it may be appropriate to consider  $\chi^2$  as a measure of fit rather than a test statistic with the recommendation that a small and non-significant  $\chi^2$  value with associated degrees of freedom corresponds to a good fit. However, the  $\chi^2$  is extremely sensitive to sample size and for this reason other tests should be considered. The  $\chi^2$  value of 277.55 (df=24) for Model 1 is highly significant ( $p=.000$ ). However, the smaller  $\chi^2$  value of 81.42 (df=23) for Model 2 is also significant at the  $p<.05$  ( $p=.000$ ). For this reason other tests were conducted (Jöreskog and Sörbom, 1993).

#### *The Goodness-of-fit Index (GFI)*

The Goodness-of-fit Index (GFI) indicates the overall fit of the squared residuals predicted against the actual data. However, with this value there is no adjustment for the

degrees of freedom (Hair *et al.*, 1995). The Adjusted Goodness-of-fit Index (AGFI) does adjust for the number of degrees of freedom (Byrne, 2001). A value close to 0 indicates a poor fit and a value close to 1 indicates a good fit. Whilst the GFI values for both Model 1 and 2 are unacceptable (i.e. Model 1 = .779; Model 2 = .895), the GFI value for Model 2 is higher than for Model 1 suggesting a better fit. The AGFI value for Model 2 also suggests a better fitting model than Model 1 (Model 1 = .585; Model 2 = .774)

#### *Normal Fit Index (NFI)*

The Bentler-Bonett (1980) normal fit index (NFI) evaluates the estimated model by comparing its  $\chi^2$  value to the  $\chi^2$  value of the independent model (i.e. the model that corresponds to completely unrelated variables). Once again, a value close to 0 indicates a poor fit and a value close to 1 indicates a good fit with values higher than .95 indicating a good fit (Hu and Bentler, 1999). The values for Model 1 and Model 2 are .674 and .904 respectively. Again, these values indicate poor fitting models but suggest that Model 2 is a relatively better fit when compared to Model 1.

#### *Comparative Fit Index (CFI)*

The comparative fit index (Bentler, 1988) employs noncentral  $\chi^2$  distribution with noncentrality parameters (Tabachnick and Fidell, 1996). CFI values greater than .95 are indicative of a good fitting model (Hu and Bentler, 1990). The values for Model 1 and 2 are .689 and .926 respectively. Again, both models are outside the suggested cut off values but indicate that Model 2 is better fitting than Model 1.

### *Root Mean Square Error Approximation (RMSEA)*

The root mean square error approximation (RMSEA) (Browne and Cudeck, 1993) compares the proposed model to a perfect (saturated) model thus allowing an estimation of its lack of fit (Tabachnick and Fidell, 1996). Values of less than .05 indicate a good-fitting model relative to the degrees of freedom (Hu and Bentler, 1999) with values as high as .08 being deemed acceptable (Browne and Cudeck, 1993). The RMSEA values in this case are .264 and .138 for Model 1 and Model 2 respectively suggesting neither model is particularly good fitting but with Model 2 having a RMSEA value closer to the cut off value than Model 1.

### *Akaike's Information Criterion (AIC)*

As this test is essentially comparing two models, the AIC value indicates the level of parsimony in assessment of model fit (Byrne, 2001). Extensive research by Williams and Holahan (1994) suggests the AIC is the most effective index '*for distinguishing between correctly and incorrectly specified models*' (Alden et al., 2006: p.235) with smaller values indicating a better fit. However, the AIC value has no absolute value and is only appropriate when comparing rival models. The AIC value for Model 2 is considerably smaller suggesting a better fitting model compared with Model 1 (Model 1= 319.553; Model 2=129.433).

Whilst these results indicate that neither model is particularly well fitting, they do suggest that Model 2 is a relatively better fitting model for the in-house lawyer group than Model 1.

### 10.5.2 Assessing Overall Model Fit: Non-lawyer Respondents

The next stage of analysis testing consisted of examining the validity of the causal structures relative to the non-lawyer data set (Analysis 4 in Fig. 10.3).

<u>Indicators of Overall Model Fit</u>	<u>Model 1</u>	<u>Model 2</u>
$\chi^2$ (df)	228.614 (df=25)	94.537 (df=21)
$p$	.000	.000
GFI	.722	.857
AGFI	.500	.693
RMSEA	.284	.186
NFI	.591	.831
CFI	.611	.860
AIC	286.614	142.537

**Table 10-12 Goodness-of-Fit between Model 1 and Model 2 for Non-lawyers**

Once again, the overall fit indicators suggest Model 2 is better fitting than Model 1 for this set of respondents (Model 1,  $\chi^2 = 228.614$  (df=25);  $p = .000$ ; Model 2,  $\chi^2 = 106.185$  (df=23);  $p = .000$ ). The GFI values of .722 and .834 for Models 1 and 2 respectively again suggest that Model 2 fits the data better than Model 1. The AGFI value for Model 1 of .50 falls well below the suggested cut off value of .90. Whilst, the Model 2 value is also below the cut off (AGFI = .675), it does indicate that Model 2 is a better fitting model than Model 1. Both the NFI values and CFI values follow a similar pattern with low values for Model 1 (NFI = .591; CFI = .611) and comparatively higher values for Model 2 (NFI = .810; CFI = .841 respectively) although once again, all these values are outside suggested cut off values indicating good fitting models. The RMSEA values also suggest

a poor fit for Model 1 and 2 but that Model 2 is a comparatively better fitting model (Model 1, RMSEA =.284; Model 2 RMSEA =.189 ). The AIC values of 286.614 for Model 1 and 150.185 for Model 2 also suggest Model 2 is a better fit.

Once again, whilst these results indicate that neither model is particularly well fitting, it also suggests that Model 2 is a relatively better fitting model for the non-lawyer group of respondents than Model 1. These results are now discussed in relation to the hypotheses proposed in the previous chapter.

## 10.6 Discussion of Hypotheses

Within this section, each hypothesis is reiterated and then there is a discussion of the results of the analysis relative to that hypothesis. Prior to this, Table 10.13 presents a summary of the results of the hypotheses testing.

	Hypothesised Moderating Influence of Client Sophistication	Hypothesised Path	Decision	Moderating Influence of Client Sophistication Accepted
H1	Yes	Technical Component → Satisfaction	Accept	Yes
H2	Yes	Interactive Component → Technical Component	Partial Acceptance	No
H3	Yes	Responsiveness Component → Technical Component	Partial Acceptance	No
H4	Yes	Fees → Technical Component	Reject	No
H5	Yes	Positive Affect → Technical Component	Reject	No
H6	Yes	Negative Affect → Technical Component	Reject	No
H7	Yes	Interaction Component → Satisfaction	Reject	No
H8	Yes	Responsiveness Component → Satisfaction	Accept	Yes
H9	-	Interaction Component → Positive Affect	Partial Acceptance	N/A
H10	-	Interaction Component → Negative Affect	Accept	N/A
H11	-	Responsiveness Component → Positive Affect	Partial Acceptance	N/A
H12	-	Responsiveness Component → Negative Affect	Reject	N/A
H13	-	Fees Charged → Positive Affect	Accept	N/A
H14	-	Fees Charged → Negative Affect	Reject	N/A
H15	Yes	Technical Component → Positive Affect	Reject	No
H16	Yes	Technical Component → Negative Affect	Reject	No
H17	Yes	Positive Affect → Satisfaction	Partial Acceptance	No
H18	Yes	Negative Affect → Satisfaction	Partial Acceptance	No
H19	Yes	Fees → Satisfaction	Partial Acceptance	No
H20	-	Satisfaction → Trust	Accept	N/A
H21	-	Trust → Commitment	Accept	N/A

**Table 10-13 Summary Table of Results of Hypotheses Tests**

Each hypothesis is now reiterated together with a discussion of the results of the analysis relative to that hypothesis

**H<sub>1</sub> : Where there is a higher degree of client sophistication, there will be a higher reliance on evaluation of the technical component of the service rather than the interaction or responsiveness components when gauging overall satisfaction.**

H<sub>1</sub> is accepted. There is a statistically significant difference between the two groups in relation to the contribution that satisfaction with the technical component makes to overall satisfaction. The results indicate that for both Models 1 and 2, the technical component was the highest variable contributing towards overall satisfaction for the in-house lawyer respondents. For both Models 1 and 2, the technical component was not statistically significant in its contribution to overall satisfaction for the non-lawyer respondents.

**H<sub>2</sub>: Where there is a lower level of client sophistication, satisfaction with the technical component will partly be a function of satisfaction with the interaction component.**

Satisfaction with the technical component does partly appear to be a function of satisfaction with the interaction component for less sophisticated clients.

**H3: Where there is a lower level of client sophistication, satisfaction with the technical component will partly be a function of satisfaction with the responsiveness component.**

Satisfaction with the technical component does also partly appear to be a function of satisfaction with the responsiveness component for less sophisticated clients.

**H4: Where there is a lower level of client sophistication, satisfaction with the technical component will partly be a function of satisfaction with fees charged.**

However, fees were not a statistically significant contributor towards satisfaction with the technical component for the non-lawyer respondents.

However, H2-H4 are only partly substantiated because the interaction and responsiveness components and fees are statistically significant contributors towards satisfaction with the technical component for both in-house lawyer and non-lawyer respondents. There is no statistically significant difference between the. Thus, the ability to assess the technical component does not have an effect on the significance or level of the contribution of the interaction and responsiveness components on satisfaction with the technical component. This maybe for a number of different reasons which are now discussed.

For the non-lawyer respondents, the results may partly substantiate the findings of Alford and Sherrell (1996) insofar as non-sophisticated clients will evaluate service attributes and derive satisfaction judgments using their intuitive logic and the consistency with which the service process is performed (i.e. the responsiveness and interaction components).

With the in-house lawyer respondents, these results may substantiate the findings of the exploratory interviews insofar as they suggest that the quality of the technical component is perceived as a hygiene factor and is implicit within the service offering. This perception emanates from a number of sources. These may include: the experiential knowledge of the solicitor within a particular area of the law; confidence in the extended academic preparation of the professional which ensures they possess the pertinent technical skills; the existence of a formal professional body which sets levels of competence and standards for its members and enforces codes of ethics where appropriate (i.e. The Law Society) and the intuitive logic of the respondents and the experiential consistency with which the service process is performed (Alford and Sherrell, 1998).

As a result, a higher reliance is placed on the functional attributes of the service delivery, particularly the more cognitively measurable of these such as promptness and accessibility. Another issue to emerge during the course of the interviews was the view that the technical component and its speed of delivery are inextricable linked. This may be a reflection of the nature of the environment in which many of the in-house lawyer

respondents operate in. Many of the activities that such respondents are involved in such as flotations and mergers are commercially sensitive and any information that may emerge in the public domain outside of official communications may affect the business community's perception of the organisation. An example of this maybe altered patterns of share dealings as a result of unofficial communications about a merger or take-over situation. Therefore, the speed with which such activities are conducted and concluded was viewed as a key factor in determining satisfaction.

**H<sub>5</sub>: Where there is a lower level of client sophistication , satisfaction with the technical component of the service will be a function of positive Affect evoked .**

**H<sub>6</sub>: Where there is a lower level of client sophistication , satisfaction with the technical component of the service will be a function of negative Affect evoked .**

H<sub>5</sub> and H<sub>6</sub> are rejected. There is no statistically significant difference between the groups. Neither positive nor negative Affect make any significant contribution towards satisfaction with the technical component for either set of respondents. Thus, whilst positive and negative Affect are evoked as a result of interaction, they do not act as a proxy for satisfaction with the technical component. This would appear to be in contrast with the findings of Alford and Sherrell (1998) insofar as the non-lawyers do not rely on

their emotional reaction to the service provider to derive performance judgments with the technical component . Thus, satisfaction with technical performance is a function of satisfaction with the interaction and responsiveness components but not emotions evoked.

**H7: Where there is a lower degree of client sophistication, there will be a higher reliance on evaluation of the interaction component of the service compared to more sophisticated clients when gauging overall satisfaction.**

H7 is rejected. There is no statistically significant difference between the groups in relation to the interaction component which does not make a statistically significant contribution to overall satisfaction in either model for either set of respondents. This would suggest that Affect evoked through interaction is a mediating variable for the interaction component for both sets of respondents.

**H8: Where there is a lower degree of client sophistication, there will be a higher reliance on evaluation of the responsiveness component of the service compared to more sophisticated clients when gauging overall satisfaction.**

H8 is accepted insofar as there is a statically significant difference between the groups with regards to the contribution of the responsiveness component to overall satisfaction judgments. For the non-lawyer respondents the responsiveness component has the largest affect on overall satisfaction judgments in both models. This would appear to substantiate previous findings (e.g. Crosby and Stevens, 1987) suggesting there is a reliance on the

more cognitively measurable components such as promptness and accessibility when making overall satisfaction judgments.

However, for the in-house lawyer respondents, the responsiveness component is not statistically significant. This may be a reflection of the technical component and its speed of delivery being viewed as inextricable linked for this group of respondents (as discussed previously under H2, H3 and H4) and thus the technical component acts as a mediator for the responsiveness component when making overall satisfaction judgments.

**H9: Positive Affect evoked will partly be a function of satisfaction with the Interaction component.**

H9 is partially accepted insofar as positive Affect is a function of satisfaction with the Interaction component for both sets of respondents for Model 2 but is not statistically significant for either set of respondents for Model 1.

**H10: Negative Affect evoked will partly be a function of dissatisfaction with the Interaction component.**

H10 is accepted. Negative Affect is a function of dissatisfaction with the Interaction component across both sets of respondents across both models.

**H<sub>11</sub>: Positive Affect evoked will partly be a function of satisfaction with the Responsiveness component.**

H<sub>11</sub> is partially accepted insofar as positive Affect, similar to the Responsiveness component, is a function of satisfaction with the Responsiveness component for both sets of respondents for Model 2 but is not statistically significant for either set of respondents for Model 1.

**H<sub>12</sub>: Negative Affect evoked will partly be a function of dissatisfaction with the Responsiveness component.**

H<sub>12</sub> is rejected. Negative Affect is not a function of dissatisfaction with the Responsiveness component for either set of respondents across either model.

**H<sub>13</sub>: Positive Affect evoked will partly be a function of satisfaction with the fees charged.**

H<sub>13</sub> is accepted. Positive Affect is a function of satisfaction with fees charged across both sets of respondents across both models.

**H<sub>14</sub>: Negative Affect evoked will partly be a function of dissatisfaction with the fees charged.**

H<sub>14</sub> is rejected. Negative Affect is not a function of dissatisfaction with fees charged for either set of respondents across either model.

**H<sub>15</sub>: Where there is a higher level of client sophistication, positive Affect evoked will partly be a function of satisfaction with the technical component.**

H<sub>15</sub> is rejected. Positive Affect is not a function of satisfaction with Technical component for in-house lawyer respondents across either model.

**H<sub>16</sub>: Where there is a higher level of client sophistication, negative Affect evoked will partly be a function of dissatisfaction with the technical component.**

H<sub>16</sub> is rejected. Negative Affect is not a function of satisfaction with Technical component for in-house lawyer respondents across either model.

There is no statistically significant difference between the groups. Satisfaction with the technical component does not evoke either positive or negative Affect for the in-house lawyer respondents or indeed for the non-lawyer respondents. This is contrary to

expectations and would appear to be in contrast with the findings of Oliver (1993) where product attribute satisfactions and dissatisfactions were the source of Affect evoked.

**H17: Where there is a lower level of client sophistication, positive Affect evoked will make a higher contribution to overall satisfaction judgments than for more sophisticated clients.**

H17 is partially accepted insofar as whilst positive Affect does make a contribution to overall satisfaction judgements, there is no statistically significant difference between the groups in relation to the contribution.

**H18: Where there is a lower level of client sophistication, negative Affect evoked will make a higher contribution to overall satisfaction judgments than for more sophisticated clients.**

H17 is partially accepted insofar as whilst negative Affect also makes a contribution to overall satisfaction judgements, there is no statistically significant difference between the groups in relation to the contribution.

. These results suggest that the contribution that Affect makes on overall satisfaction judgments for less sophisticated clients is only slightly higher for both positive and negative Affect.

**H19: Where there is a higher degree of client sophistication, there will a higher reliance on fees when making overall satisfaction judgments.**

H19 is partially accepted. Again there is no statistically significant difference between the groups. Interestingly, fees have a slightly higher affect on overall satisfaction for the non-lawyer respondents than for the in-house lawyer respondents. Fees are, however, a significant contributor to overall satisfaction for both sets of respondents but it is likely that this is for differing reasons. Hanlon (1997) discusses the ‘commodification’ of legal services and how for sophisticated clients, the purchase of legal services is viewed as ‘*any other commodity*’ with price being a key component of satisfaction. For non-sophisticated clients, price may be used as a proxy for the core product when making overall satisfaction judgments.

**H20: There is a positive relationship between overall satisfaction and trust**

H20 is accepted insofar as overall satisfaction has a considerable positive affect on trust. Thus, Palmatier *et al.*’s (2006) interpretation of relationship satisfaction being related to a ‘*customer’s affective or emotional state toward a relationship*’ [p.139] would seem particularly pertinent if one considers Morgan and Hunt’s (1994) interpretation of trust as being ‘*confidence in an exchange partner’s reliability and integrity*’ [p. 23] given the context of this research.

## **H21: There is a positive relationship between trust and relationship commitment**

H21 is accepted insofar as trust makes a positive contribution towards commitment. Interestingly, there is a statistically significant difference between the groups in terms of the extent of the positive relationship between trust and commitment. There is a higher likelihood of less sophisticated clients being more committed to the relationship as a result of trust.

When analysing switching behaviour, the in-house lawyer respondents had indeed changed their law firms more frequently in the past five years than the non-lawyer respondents. However, whilst the main reason for switching for both sets of respondents was cited as poor quality or poor value, an interpretation of Palmatier *et al.* 's (2006) findings may explain why the in-house lawyer respondents are less committed. They propose that within consumer markets, consumers are more likely to be committed because they have a higher degree of control over their actions than may be the case within business markets. Similarly, the respondents from SME are likely to have a higher degree of control over their organisational actions than in-house lawyer respondents within larger organisations have over theirs. This appears to be collaborated by the exploratory research. The in-house lawyer respondents were more likely to switch as a result of factors outside their control such as re-tendering, take-overs and mergers etc.

Having discussed the findings in relation to each hypothesis, the next section will evaluate a best fit model for each set of respondents.

## 10.7 Stage Eight: Identification of a Best Fit Model for Each Set of Respondents

Having identified Model 2 as the best fit for both sets of data responses, the analysis subsequently involved an examination of the modification indices (MI) for each data set's structural model to identify additional links which may improve model fit. The MI value corresponds to the reduction in chi-square that would occur if the coefficient was estimated. A value of 3.84 or above indicates that a statistically significant reduction in the chi-square may be obtained if that particular coefficient is estimated (Hair *et al.*, 1998).

However, it should be noted that '*any additional links should only be added if they are conceptually justified*' (McKechnie *et al.*, 2006: p.400) to ensure '*the risk of capitalisation of chance*' (Silvia and MacCallum, 1988) is minimised and model adjustments which make no substantive sense are avoided. The subsequent section proceeds to do this for each data set's structural model.

### 10.7.1 Re-specified Model: In-house Lawyer Respondents

The re-specified model for in-house lawyer respondents includes two further paths:

- Satisfaction       $\longrightarrow$  Commitment (MI= 12.897; Par Change (PC) = .241)
- Technical Component       $\longrightarrow$  Trust (MI=10.381; PC= .209)

As highlighted previously, if Palmatier *et al.*'s (2006) interpretation of relationship satisfaction is considered in relation to Moorman *et al.*'s (1992) interpretation of commitment as being '*an enduring desire to maintain a valued relationship*' [p.316] then this link may be conceptually justified. If a client has a positive affective or emotional state towards the relationship then they are likely to be committed to that relationship.

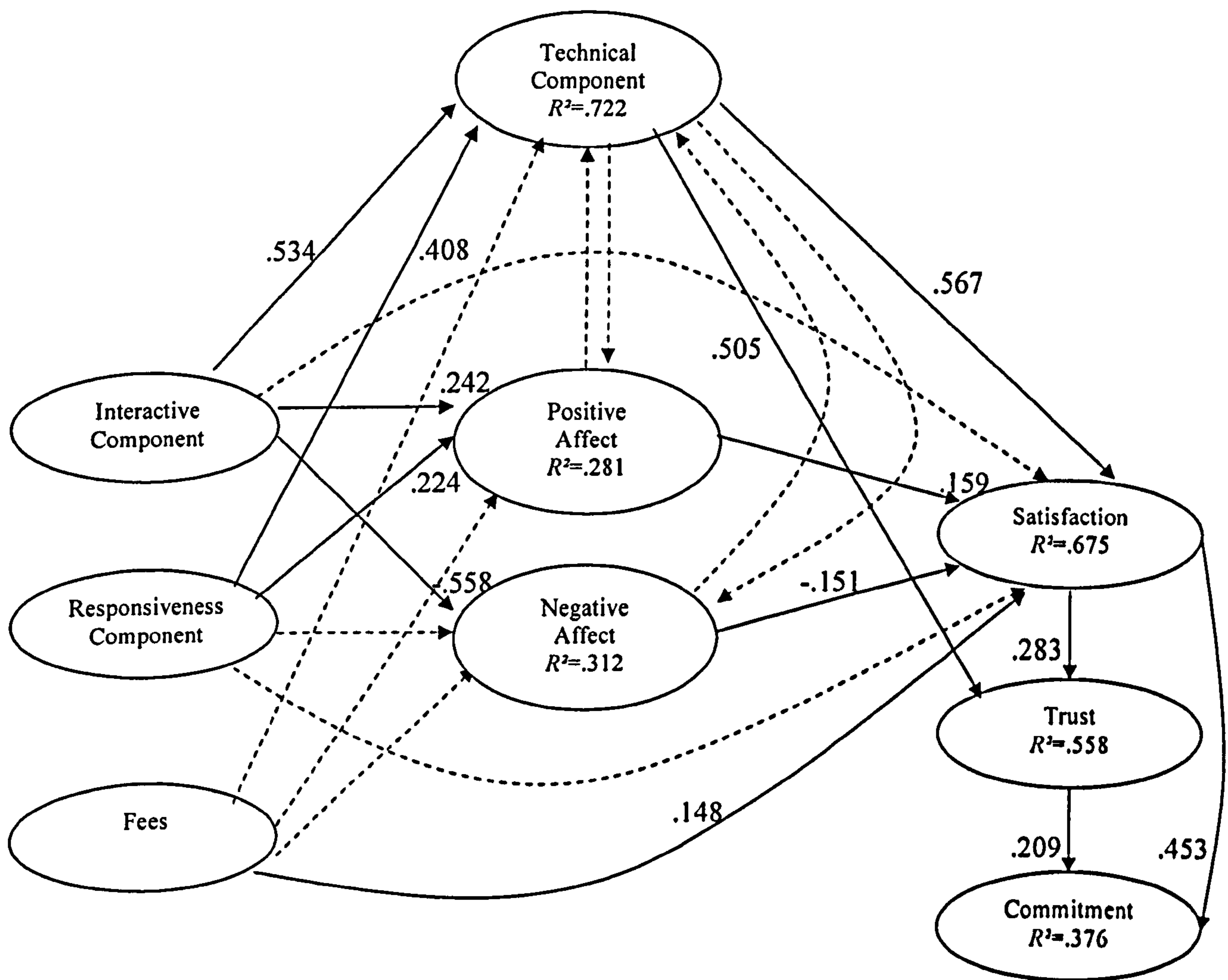
The link between the technical component and trust may be conceptually justified and is collaborated by the exploratory interviews (see Chapter five). Trust in the lawyer to deliver the appropriate legal advice as and when it is required and often, at a degree of technical specialty beyond the knowledge of the in-house lawyer was viewed as an essential component of a successful relationship.

The model for the in-house lawyer respondents was re-specified with the above paths included and the model rerun. All of the fit indices improved considerable (see Table 10.14 below) and are all within recommended cut off values.

<u>Indicators of Overall Model Fit</u>	<u>Model 2</u>	<u>Re-specified Model</u>
$\chi^2$ (df)	81.42 (df=21)	25.92 (df=19)
<i>p</i>	.000	.132
GFI	.895	.965
AGFI	.774	.916
RMSEA	.138	.049
NFI	.904	.970
CFI	.926	.992
AIC	129.433	77.923

#### **Table 10-14 Goodness-of-Fit for Re-specified Model: In-house Lawyer Respondents**

The re-specified model explains 67.5% of the variance for satisfaction (see Fig 10.8). This is a slight decrease on the previous model. Whilst some of the regression weights contributing to overall satisfaction have increased (technical component ( $\beta = .567, p < .05$ ), positive Affect ( $\beta = .159, p < .05$ ) and fees ( $\beta = .148, p < .05$ )), others have decreased (negative Affect ( $\beta = -.151, p < .05$ )). The variance explained by the model for positive and negative Affect ( $R^2 = .281$  and  $R^2 = .312$  respectively) have both increased slightly. The regression path values for the responsiveness component ( $\beta = .224, p < .05$ ) and the interaction component ( $\beta = .242, p < .05$ ) to positive Affect have increased. The interaction component to negative Affect ( $\beta = -.558, p < .05$ ) has also noticeably increased.



**Figure 10-8 Re-specified Model: In-house Lawyer Respondents**  
 → Significant at  $p<.05$

The variance explained by the model for the technical component has also decreased very slightly ( $R^2=.722$ ) but the contributions of the interaction component ( $\beta =.534, p<.05$ ) and the responsiveness component ( $\beta =.408, p<.05$ ) have increased noticeably. The technical component now makes a noticeable contribution towards trust ( $\beta =.505, p<.05$ ) and the variance explained by the model for trust has increased ( $R^2=.558$ ). The variance

explained by the model for commitment has also increased ( $R^2=.376$ ) with satisfaction ( $\beta =.453$ ,  $p<.05$ ) having the largest affect on commitment followed by trust ( $\beta =.209$ ,  $p<.05$ ).

#### 10.7.2 Re-specified Model: Non-lawyer Respondents

The re-specified model for non-lawyer respondents includes three further paths:

- Satisfaction       $\longrightarrow$       Commitment (MI= 19.205; PC= .372)
- Technical Component       $\longrightarrow$       Trust (MI=12.27; PC= .265)
- Fees       $\longrightarrow$       Trust (MI=4.825; PC= .089))

Similar to the in-house lawyer respondents, the paths between satisfaction and commitment and the technical component and trust may be justified as appropriate both conceptually and as a result of the exploratory interviews. Indeed, the case for a path between the technical component and trust for this set of respondents is perhaps stronger because of their inability to make performance assessments about the technical component. Similarly, the path between fees and trust is also conceptually appropriate as this set of respondents must trust their solicitors to charge them an appropriate fee for the advice they receive since they are unable to make price and performance assessments or comparisons.

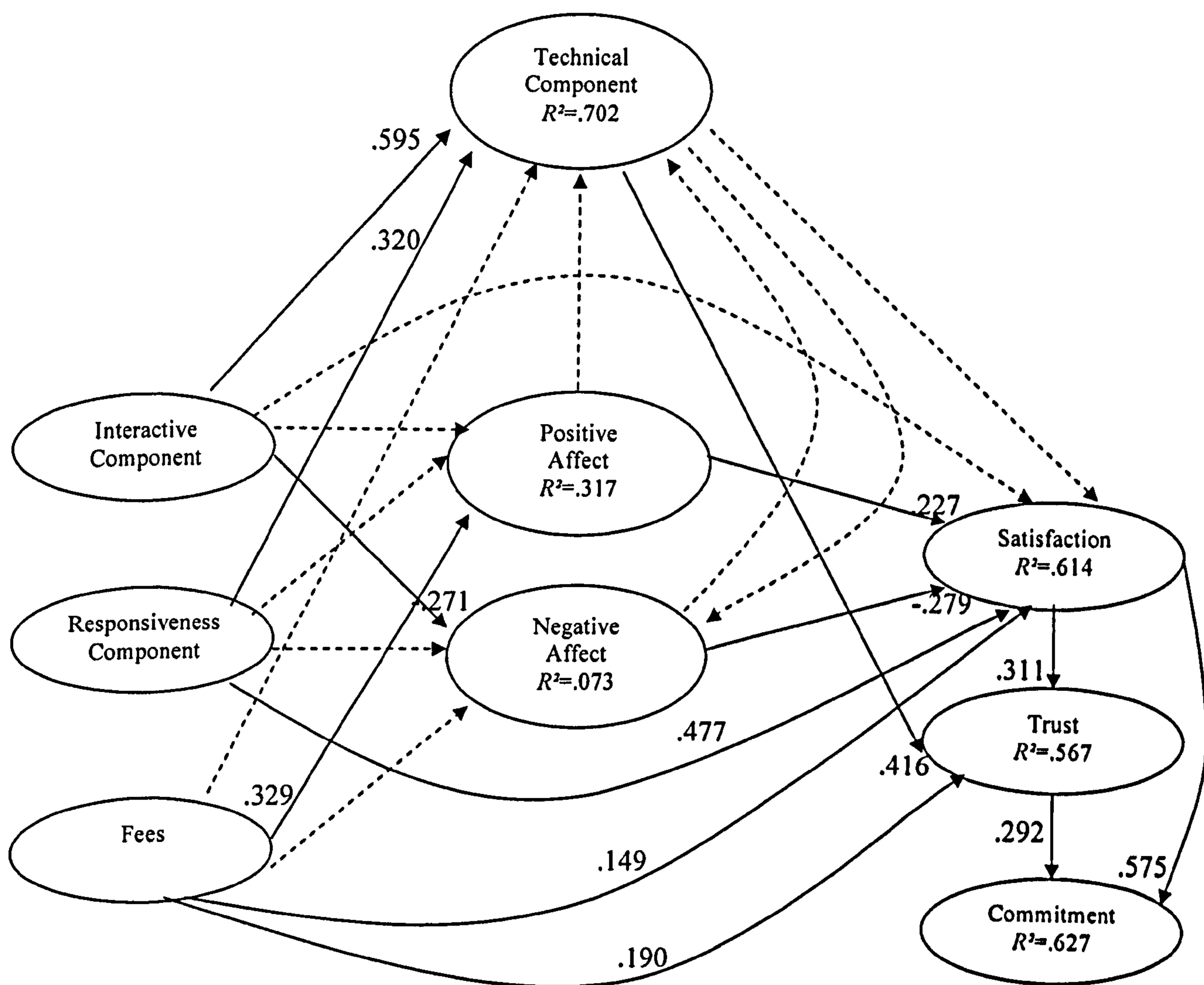
As previously, the model for the non-lawyer respondents was re-specified with the above paths and the model rerun. Once again, all of the fit indices improved considerable (see Table 10.15) and are now within the recommended cut off values.

<u>Indicators of Overall Model Fit</u>	<u>Model 2</u>	<u>Re-specified Model</u>
$\chi^2$ (df)	94.537 (df=21)	23.043 (df=18)
$p$	.000	.189
GFI	.857	.953
AGFI	.693	.883
RMSEA	.186	.053
NFI	.831	.959
CFI	.860	.990
AIC	142.537	77.043

**Table 10-15 Goodness-of-Fit for Re-specified Model: Non-lawyer Respondents**

The re-specified model explains 61.4% of the variance for satisfaction (see Fig. 10.9) . This is a slight decrease on the previous model. The variance explained by the model for negative Affect has decreased considerably ( $R^2 = .073$ ) and is now extremely low despite its contribution towards overall satisfaction ( $\beta = -.279, p < .05$ ). Alford and Sherrell (1996) discuss the existence of a dimension they subsequently label 'General Affect'. General Affect is defined as '*the existing affect stored with the service category, in the mind of the consumers*' (p. 75). This is a broad level Affect that has been generated over time by past experiences with service provider categories (e.g. lawyers) and is not linked to any individual service provider. The differentiation of general Affect and provider Affect and the role and functionality it plays may have a bearing on these findings. The variance explained by positive Affect has only decreased slightly ( $R^2 = .317$ ). The regression weights for positive Affect ( $\beta = .227, p < .05$ ), negative Affect ( $\beta = -.279, p < .05$ ) the responsiveness component ( $\beta = .477, p < .05$ ) and fees ( $\beta = .149, p < .05$ ) to satisfaction

have all increased noticeably. Interestingly, the interaction component is no longer affecting positive Affect ( $p < .05$ ), leaving only fees to significantly affect positive Affect ( $\beta = .329, p < .05$ ). The variance explained by the model for the technical component has also decreased slightly ( $R^2 = .702$ ) but the contribution of the interaction component ( $\beta = .595, p < .05$ ) has increased, whilst the affect of the responsiveness component ( $\beta = .320, p < .05$ ) has decreased. The technical component and fees now make a noticeable contribution towards trust ( $\beta = .416, p < .05$  and  $\beta = .190, p < .05$  respectively) and the variance explained by the model for trust has increased ( $R^2 = .567$ ). The variance explained by the model for commitment has also increased ( $R^2 = .627$ ) with satisfaction ( $\beta = .575, p < .05$ ) having the largest affect on commitment followed by trust ( $\beta = .292, p < .05$ ).



**Figure 10-9 Re-specified Model: Non-lawyer Respondents**  
 —→ Significant at  $p < .05$

## **10.8 Conclusion**

This chapter has continued the empirical data analysis with regards to the key research issues surrounding the role of Affect within credence services and the moderating affect of client sophistication. The chapter began by conducting CFA prior to testing the respondent groups for invariance against Model 1 and 2 using SEM. Whilst the fit indices of the measurement model are at best marginal, the model was deemed acceptable for this investigation as the focus of the analysis at this stage was to evaluate how well the latent variables or item measures were predicted and the strength of the loadings of the structural paths suggest satisfactory solutions for all the constructs. The hypotheses were then discussed in the light of the findings obtained from the analysis before the analysis continued with the identification of a best fit model for each group of respondents. The results of this analysis suggest there are differences in the way the two sets of respondents make performance assessments and how overall satisfaction judgments are made.

The final chapter begins by providing a summary of the key finding to emerge from this research and their contribution to marketing theory and contextual knowledge. It proceeds by discussing the managerial implications of these findings together with the potential limitations of this research. Finally, possible areas of future research in the light of these findings are explored.

## **11 Conclusion**

### **11.1 Introduction**

This chapter reiterates the objectives of this research and explains how these objectives were realised. The key findings are summarised before their theoretical and contextual contribution is evaluated. Managerial implications in the light of these findings are discussed before the potential limitations of the study are assessed and future areas of research are suggested.

### **11.2 The Research Objectives and their Realisation**

This thesis presented a study on the role and functionality of Affect within the UK corporate legal services market. In order to ensure that this could be conducted effectively and significant conclusions drawn, four main objectives were formulated:

- Firstly, to identify which existing theoretical concepts are the most appropriate to describe credence services generally and the law firm-corporate client service interaction and associated relationship in particular.
- Secondly, to identify new concepts which may be “*descriptively more powerful*” (Halinen, 1997: p.181) to depict this context.
- Thirdly, to undertake a detailed investigation of the role of Affect in terms of the priority and functionality accorded to it within the context of service interactions between law firms and their corporate clients.

- Finally, to propose a model of the law-firm corporate client interaction and associated relationship.

These objectives were realised in the following manner:

Chapter two helped set the research in context by presenting an analysis of the changing environment of the corporate legal services market. The chapter highlighted how the shared 'unified habitués' of status improvement, limited competition and a public service ethos was being eroded as many law firms operating in the business-to-business sector are now endorsing the commercialisation of legal services and transforming their cultures to nurture a stronger commercial/entrepreneurial element. Similarly, the chapter highlighted how changes in the demand structure mean that the level of resource and knowledge power of some client organisations has altered with the emergence of larger, more sophisticated client organisations with in-house legal expertise.

Chapter three focused on the inadequacies of traditional marketing theory and introduced the concept of Relationship Marketing whilst attempting to identify and categorise the variety of descriptors and theories revolving around the term. Particular attention was paid to the significance of the work of the IMP Group and the Interaction Model in terms of its conceptual contribution to this study.

Chapter four extended the literature review by examining the leading studies in the areas of service quality and satisfaction in order to identify the key findings to emerge from them. The main conclusion to emerge from this chapter was that there were significant

ambiguities and contradictions as to the role of the affective element and its functionality in relation to service and relational satisfaction particularly within the context of a credence service.

Chapter five reviewed the major studies of Affect and emotion in the general psychology literature so as to gain a greater understanding of how they may be applied to a credence service marketing context. Thus, chapter two set the context for this study, whilst chapters three, four and five reviewed the relevant literature and identified themes to be included in the exploratory interview stage.

Chapter six comprised of a discussion of the main methodological issues surrounding this research and justified the methodological strategy employed to investigate the focus of interest. The methodology incorporated both an inductive theory generation and deductive proposition and hypotheses testing approach.

Chapter seven presented the emerging themes, concepts and key conceptual factors based around possible causal relationships that were identified in face-to-face interviews conducted at the exploratory stage of the research. Subsequently, a conceptual model of law firm-client interaction was presented and research propositions consistent with this suggested.

Chapter eight presented the key findings from the next stage of data collection which comprised experimental scenarios. These results appeared to substantiate previous research insofar as where the client has difficulties in assessing performance, their affective reaction to the service provider during interaction may affect performance evaluations of the technical component. Based on these findings, the exploratory interviews and with reference to the review of the literature, a number of hypotheses were developed for further investigation.

Chapters nine and ten presented the results of the empirical data analysis of the main survey and provided an overview of the key considerations that influenced the choice of analytical strategy and methods adopted for the analysis. Initially, the issues of response rates, representativeness and non-response bias were considered. Subsequently, descriptive analysis of the main attributes of the respondents under investigation was presented. Subsequently, multi-group invariance tests within the two competing structural models were conducted before the analysis continued with the identification of a best fit model for each set of respondents. The hypotheses were then discussed in the light of the findings obtained from the analysis.

The role of the technical component was as anticipated and  $H_1$  was accepted. Sophisticated clients place a higher reliance on evaluation of the technical component when making overall satisfaction judgments than the other components.

With regards to the contribution of the interaction component, the responsiveness component and fees, there was surprisingly little difference between the two sets of respondents. As a result, H<sub>2</sub> and H<sub>3</sub> were only partially substantiated with H<sub>4</sub> being rejected. While fees are insignificant for both groups of respondents in terms of its contribution to satisfaction with the technical component, fees are also significant for both sets of respondents in terms of its contribution towards overall satisfaction.

The interaction component makes a considerable contribution to overall satisfaction with the technical component for both sets of respondents and there is no statistically significant difference between them. Interestingly, the interaction component does not make a direct significant contribution towards overall satisfaction but does make an indirect contribution through Affect evoked when best fit models are analysed. Thus, these results suggest that it is not interaction with the service provider that contributes towards overall satisfaction, but the emotions that are evoked as a result of interaction with the service provider that contributes towards overall satisfaction. Thus, Affect acts as a mediating variable.

The responsiveness component also makes a significant contribution to satisfaction with the technical component for both sets of respondents. The responsiveness component was the largest direct contributor to overall satisfaction for the non-lawyer respondents but was insignificant for the in-house lawyer respondents.

The role of Affect was not as anticipated. H<sub>5</sub> and H<sub>6</sub> were rejected. Of H<sub>9</sub>-H<sub>16</sub>, only H<sub>10</sub> and H<sub>13</sub> were accepted. This was unexpected given the results of previous research (e.g. Oliver, 1993, Alford and Sherrell, 1996). The significance of Affect as an antecedent or outcome of satisfaction with the technical component in this context is questionable. Whilst Affect clearly has a role in determining overall satisfaction judgments, these results suggest that other factors that contribute to the evocation of Affect within such contexts are not accounted for by these models. Further research is required to identify the factors that may explain a higher level of variance for Affect evoked.

However, these results do suggest that Affect does significantly contribute towards relationship satisfaction. Crucially, the importance of the evocation of Affect through interaction between client and solicitor is highlighted as being a more important contributor towards overall satisfaction than interaction itself for both sets of respondents. The results also demonstrate that there is a positive relationship between satisfaction and trust, satisfaction and commitment and trust and commitment regardless of the level of client sophistication.

### **11.3 Theoretical and Contextual Contribution**

In terms of the first research objective, this investigation identified a number of existing theoretical concepts that are appropriate in describing the framework within the law firm-corporate client context. These were primarily drawn from the IMP Group's Interaction Framework, services marketing quality and satisfaction literature and the Relationship Trust and Commitment literature. However, during the empirical investigation, it became

apparent that two newly identified constructs of Joint Interaction Goals and Expectations and Level of Client Sophistication may have a significant impact on relationships within this context.

With reference to the second research objective, these results may explain some of the ambiguities previous researchers have encountered in terms of the roles and functionality of the technical, functional and affective elements of the service within a credence service context. Certainly, the key issue of the inseparability of interaction with the service provider and the core technical or legal advice they are proffering is confirmed in terms of the direct relationship between satisfaction with the interaction component and its affect on satisfaction with the technical component for both sets of respondents. However, this appears to be the case whatever the level of sophistication of the client.

Likewise, Affect evoked through interaction with the service provider clearly has a role in determining overall satisfaction judgments regardless of the ability of the client to make performance assessments about the core service. That said, whilst research has previously recognised that satisfaction with services is neither purely cognitive nor purely affective but a joint operation of service attributes and emotions, this research demonstrates the empirical link between how clients are made to feel during interaction with the service provider and overall satisfaction rather than satisfaction with the interaction process itself. Again, this is regardless of the level sophistication of the client.

Related to this issue of client sophistication, it is perhaps in its contribution towards our contextual understanding of services that this research makes its main contribution. Whilst there has been some debate surrounding what constitutes a 'professional service' within the marketing literature (e.g. Thakor and Kumar, 2000), consensus suggests that legal services generally falls within this category (e.g. File *et al.*, 1994; Millman *et al.*, 1991; Hilte *et al.*, 1990; Congram, 1991; Bloom, 1984). Indeed, when reviewing the literature on the classification of professional services, Thakor and Kumar (2000) state that '*There seems to be a consensus among sociologists only about doctors, lawyers and clergymen*' (p. 66). This then raises the issue of what criteria have been advanced to distinguish one category of service from another. Historically, the focus has been on the tripartite classification system of a product or service's attributes called the 'search, experience and credence' (SEC) typology. Typically, the marketing literature has classified professional services generally and legal services in particular, as possessing credence characteristics (e.g. Bloom, 1984; Parasuraman *et al.* 1985; Hill and Neely, 1988). However, the results of this research suggest this may be inappropriate and that the SEC classification typology may be overly simplistic within particular service contexts.

Rooted in information economics theory, the SEC classification typology was originally proposed by Nelson (1970) and augmented by Darby and Karni (1973) and has subsequently been used extensively within the services marketing literature to conceptually 'frame' service attributes. The original criterion used for the classification of 'economic goods' was the cost of acquiring information about the quality of the

product or service. To quote Darby and Karni (1973) '*search qualities... are known before purchase, experience qualities...are known costlessly only after purchase, and credence qualities.... are expensive to judge even after purchase*' (p.69).

Whilst the SEC classification typology has '*virtually gone unchallenged since its first advancement nearly a quarter of a century ago*' (Mittal, 2004: p. 445), marketers have, over time, augmented it by drawing on the behavioural sciences literature whilst interpreting this element of micro economic theory. Thus, the assumption that consumers are reliable, rational and objective 'demanders of the product' has been adulterated insofar as consumers may be hypothesised as using personal inspection, product trial, word-of-mouth recommendations and marketing cues (e.g. Zeithaml, 1981).

Whilst the typology is useful as a generalised classification system for services, it does not appear to account for the variations in consumer sophistication within a particular marketing context. There is a tendency to focus on the inherent attributes of the service as a means of generic service classification (e.g. Alford and Sherrell, 1998, Muhanna and Wolf, 2002) rather than considering the heterogeneous nature of consumers and their differing abilities to make performance assessments about the service. Thus, according to the extant theory, credence attributes are not assessable even after purchase and consumers must rely '*essentially on trust and faith*' (Mittal, 2004: p. 450). This research demonstrates that this may not always be the case within a context that has historically been generalised as a credence service within the marketing literature. This research also demonstrates that consumer sophistication will be a determinant factor as to how service

expectations are set, evaluations of service delivery are made and the nature and characteristics of the client-solicitor relationship.

Perhaps a more appropriate service distinction within this context is the 'accessibility' and 'assessability' (Mittal, 2004) of service attributes from a consumer perspective. Mittal (2004) defines service attribute accessibility as "*a property of attributes as it resides in the product or service*". In contrast, "*assessability uses the product attributes as a starting point and implicates the assessor's ability*" (p.456). Thus, within this context, although the quality, commerciality and detail of legal advice may be experienced and thus accessible, its assessability in terms of determining overall satisfaction judgments is dependent on the sophistication of the client.

The implication of this is that the SEC classification of a particular service is not necessarily mutually exclusive but is dependent on the sophistication of the consumer. How accessible and assessable the service is from a consumer perspective will determine whether it is perceived as an experiential or credence service. This may have consequences for the outcomes sought by consumers of differing sophistication. For example, the results of this research suggest there may be variability in the role and priority accorded to experiencing the core service attributes (e.g. the level or commerciality of the legal detail) and experiencing the benefits that the service outcome may bring (e.g. the emotional experience of having a legal problem solved). Similarly, the benefits sought may be related to a single service encounter or to an extended use of the service and the characteristics of its associated relationship.

Understanding how consumers perceive a particular service in terms of its attributes may help practitioners manage the marketing of that service to consumers of differing sophistication. Thakor and Kumar (2000) highlight the importance that customer perceptions of the 'professionalism' of a service may have in terms of respect for the provider's expertise and crucially, the legitimisation of price negotiation. The results of this research suggest the client's perception of the professionalism of the service category is variable.

It is perhaps paradoxical that it is often those who have trained and practised in the field of law and subsequently moved 'in-house' that appear to be the key protagonists in perceiving the status of legal services as that of a 'commodity' (Hanlon, 1997). However, whilst some of the law literature discusses the 'commodification' of legal services, this would imply that search characteristics would be key in determining satisfaction judgements prior to purchase of the service (e.g. price). The results of this research suggest that even for the most sophisticated clients, legal services exhibits the characteristics of an experiential service and therefore must be experienced before satisfaction judgments may be made.

#### **11.4 Managerial Implications**

The managerial implications for law firms of this research may be classified into four key areas. These are: engendering and embedding a higher degree of client focus; devising

appropriate service delivery offerings relevant to individual client needs; developing employee sensitivity to emotional evocation and its consequences and finally; incorporating an emotions component into their existing satisfaction measurement. Each of these is now examined in more depth.

### *Engendering and embedding a higher degree of client focus*

Much of the work on the nature of professionals has examined the ability they have to interpret and transform client difficulties into some form of technical solution and this approach is still prevalent within many law firms. Within a business-to-business legal context, research suggests a proportion of law firms still do not appear to be driven by client needs and *'.....marketing continues to be viewed as a shoddy endeavour'* (Harris and O'Malley, 2000:p. 65). Consensus suggests such firms wish to retain at least some elements of the older form of professionalism in terms of providing legal advice which focuses on technical excellence. These firms are, in the main, hostile to the *'managerialist values of the commercialised professional'* (Hanlon, 1997:p. 821). This research suggests this traditional archetype of the professional partnership firm needs to incorporate and engender a stronger commercial/entrepreneurial element into their culture which culminates in an increased effort to focus on understanding the business and commercial issues facing their clients. Such firms need to re-organise their structures and redefine their perception of professionalism to embrace a value system which emphasises optimising value added provision for clients.

Consistent with these changes are the adaptation of Human Resource practices and rewards. Historically, the ‘*up or out*’ (Malos and Campon, 1995) career progression model and profit sharing between equity partners (Morris and Pinnington, 1998) needs to adapt so as to incorporate more client focused reward systems. Potential partners within law firms should be assessed on their ability to increase the firm’s business through developing ongoing and stable relationships with clients rather than purely on specified fee earning and financial targets. Such relationships are recognised by many as being mutually beneficial and powerful enablers within the legal profession at both a professional and personal level. To quote Harris *et al.* (2003), ‘*These relationships facilitate goal achievement, provide access to important social and professional networks and enhance long-term career opportunities*’ (p. 29).

#### *Devising appropriate service delivery offerings relevant to individual client needs*

Law firms need to devote effort to identifying and devising appropriate service delivery offerings that are relevant to their individual client needs and endeavour to ascertain where the prioritisation of the relational components may lie. This should, in part determine “*what kind of relationship is sought and in what circumstances*” (Blois, 1996) so that law firms can attempt to manage the service delivery and the evolving relationship with individual clients appropriately. This research demonstrates that client sophistication will be a determinant factor as to how service expectations are set and evaluations of service delivery are made. Understanding the business and commercial issues facing their clients may only be one consideration in building strong relationships. It is clear from this research that emotional intelligence and sensitivity may be as pertinent as technical and

commercial prowess in ensuring the success of such relationships. Law firms should focus on these 'softer' attributes to a greater extent when considering relationships with their clients. Indeed, the concept and consequences of client-employee 'rapport' (Hennig-Thurau *et al.*, 2006) is increasingly being recognised in terms of its influence on relational interactions. It is possible that more successful professional service organisations will be able to identify the social and emotional requirements of their clients and respond accordingly. This research suggests that allocation of client relationship managers by law firms should not be based purely on legal specialism but also consider social compatibility and the development of client-solicitor 'rapport'.

#### *Developing employee sensitivity to emotional evocation and its consequences*

Barsade (2002) highlights the importance of emotional contagion and how '*catching another person's emotions*' [p. 644] may affect the dynamics of interaction. Crucially, Grandey (2003) makes a clear distinction between 'shallow acting' whereby employees change '*only their outward behaviour.....and may simply put on a smile and pretend to be cheerful and friendly*' [p.59] and 'deep acting' whereby employees project anticipated emotions by attempting to create these internally through self induction. Hennig-Thurau *et al.* (2006) are able to demonstrate how anticipated and authentic displays of emotions by employees may evoke consumer Affect. This study augments these findings by demonstrating the link between Affect evoked through interaction and its impact on overall satisfaction judgments. Thus, law firms and their employees need to be aware and sensitive to the evidence that suggests the transfer of positive emotions from employees to clients through sincere and authentic emotional contagion may

influence overall client satisfaction levels. This may require additional training that teaches the processes of deep acting such as perspective-taking techniques.

Finally, law firms endeavouring to assess their client's satisfaction should consider incorporating an emotional component into their existing satisfaction measurement strategies.

### **11.5 Potential Limitations**

It is important to highlight the limitations of this research, some of which may be incorporated in potential areas of future research which are suggested in the next section.

Firstly, this study used data from one business-to-business professional services context. As such, generalisability may not be assumed. Given the unique evolution and development of corporate legal services within the UK highlighted in Chapter two, coupled with the nature of the technical complexity of the service, caution needs to be applied when considering to what extent the results are applicable to other business-to-business professional contexts such as accountancy and management consultancy. Thus replications of the research findings would be appropriate to assess the generalisability of the results.

Secondly, and as discussed earlier, there may be other factors outside of the model that could explain higher levels of variance (e.g. the variance for negative Affect was .073 % for the non-lawyer respondents). One such example is 'general Affect' towards the profession (Alford and Sherrell, 1996). During the exploratory interviews, the concept of

general Affect in terms of a generalised and a pre-conceived attitude towards the legal profession was alluded to on a number of occasions. However, given that one of the client data sets comprises in-house lawyers, many of whom are likely to have been private practice lawyers before moving in-house, it is feasible that the dimension of general affect may have a moderating influence on satisfaction judgements which has not been accounted for in the model.

Thirdly, studies that have focused on relationship length alone as a measure of loyalty and satisfaction are increasingly being questioned for a variety of reasons for which there is evidence within these findings. Both short-term and longer term customers may be profitable (Reinartz and Kumar, 2002). Long-term customers may not always be cheaper to serve and may be just as price sensitive as shorter term customers (Dowling and Uncles, 1997). Also, the value of long-term customers varies '*substantially with the category*' (East *et al.*, 2006: p. 12). Instead, other measures of loyalty and satisfaction that recognise customer polygamy and serial monogamy (Rust *et al.*, 2004) that were evident within this research, such as 'share of wallet', are increasingly being proposed as measures of loyalty and satisfaction (Cooil *et al.*, 2007). With hindsight, it may have been appropriate to include questions on 'share of wallet' so as to explore its relationship with the other variables examined.

Fourthly, these findings are primarily based on cross sectional data. Whilst every effort has been made to provide the theoretical underpinnings of causality, longitudinal data would provide supplementary evidence. Recent research in this area (Homburg *et al.*,

2006) also provides evidence to suggest that cognitive and affective roles may vary over a period of time. Research designs that include follow-ups may be appropriate to identify potential changes over a period of time and/or as the respondent accumulates experience and the life cycle of the relationship evolves.

Fifthly, a further potential limitation of the study is that of respondent bias. For pragmatic reasons, a single respondent was targeted within each organisation. Whilst attempts were made to ensure that this individual would be the most appropriate to complete the questionnaire, it is likely that within some larger respondent organisations the decision making unit involved in the selection and retention of law firms would involve a number of individuals.

Finally, there are a number of potential issues surrounding the models themselves. As highlighted in Chapter ten, the reported values for the standard model fit indices for the measurement model were below recommended cut offs and may give cause for concern. However, it should be re-iterated that the focus of the analysis at this stage was to evaluate how well the latent variables or item measures were predicted. Another issues related to the re-specified models. The re-specified models have not been tested and therefore their replicability has not been established. Given the debate in the literature concerning the appropriateness of the process of '*post hoc model fitting*' (c.g. Byrne, 2001: p. 248), cross-validation checks need to be conducted. This entails an estimation of the models against further pertinent data sets from the same population to establish the replicability of the findings.

## **11.6 Future Areas of Research**

This research has identified a number of interesting issues surrounding relationships in general and Affect in particular. As a result several potential directions exist for future research.

Firstly, Affect by nature is a nebulous dimension. It is the subjective appraisal of the evoking stimulus in the context of the individual's needs and coping potential that determine emotions evoked and not the characteristics of the event or stimulus (Nyer, 1997). It is this unique emotional response to the stimulus which determines the individual's subsequent coping mechanism. As has already been highlighted, this has implications for marketers because some of the coping mechanisms commonly used by clients include complaint behaviour, word-of-mouth recommendation and repurchase intention or relationship continuation. Thus, this conceptually rich and individually unique dimension requires further investigation at a more in-depth level. Qualitative research focusing on individual episodes of interaction between the parties to the relationship may be appropriate in examining the antecedents of particular emotions evoked, the nature of the appraisal of the evoking stimulus and the subsequent coping mechanisms that culminate from this.

A second potential future research area is the construct of 'attraction' between relational partners. Whilst much of the research focus surrounding attractiveness has been centred on economic benefits, there is an increasing appreciation of the role of social

compatibility, particularly within a professional services context (e.g. Harris *et al.*, 2003). There is scope for further research into the relationship between interaction, Affect evoked as a result of interaction and attraction judgments. It would also be interesting to identify if, and to what extent, client sophistication may moderate perceived economic and social attractiveness within such relational contexts. In particular, attractiveness and its relationship to the strategic component of the dimension of 'joint personal interaction expectations and goals' identified during the exploratory interview stage of this research may provide stimulating insights into the characteristics of dyadic relationships within a professional services business-to-business context.

A third potential direction to take future research is to examine the role of emotional contagion within the context of professional service interactions. Two lines of investigation are proposed. Firstly; from a supplier perspective, to what extent is the role of emotional contagion recognised and practised intuitively and secondly; from a consumer perspective, what is the role and importance of emotional contagion within a professional service interaction and does this vary according to the sophistication of the client.

A fourth potential research area relates to the investigation of the relational orientations of organisations. Montgomery (1998) distinguishes between two archetypal relational orientations. Firstly, a heuristic perspective revolving around socialised 'friends' who will '*cooperate as a matter of principal*' (p. 92) and secondly, a relational orientation where decisions are guided by utility utilisation sometimes to the point of '*self-interest*

*seeking with guile*' (Williamson, 1985:p. 47). Whilst there was evidence to support both these orientations, as has been highlighted within the research findings, these appear to be associated with individuals at a dyadic level rather than the relationship orientation of an organisation as a whole. There was, however, evidence to support differing degrees of relationship orientation at an institutional level. An interesting avenue of research would be to investigate the organisational perspective of relationship orientation to ascertain the extent that relationship orientation is '*culturally embedded*' (Winklhofer *et al.*, 2006 p. 171) at an institutional level.

Finally, further research should also examine the influence of client sophistication relative to Affect evoked within other contexts such as accountancy and banking and perhaps, medical and health related markets so as to examine whether satisfaction levels are altered as a result of this. It would also be interesting to research whether these results are consistent across national market contexts given the distinct history of law and legal services within the United Kingdom.