Integrating Internal and External Customer Relationships through Relationship Management: A Strategic Response to a Changing Global Environment

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This article examines the underlying rationale behind successful intra- and interfirm relationships. Relationships based on equity and social exchange are developing into major strategic tools. Productive and profitable partnerships can be built by creating trusting, committed, reciprocal relationships. Lasting, fruitful alliances are built and maintained by the employees charged with managing the alliance interfaces. The significance of relationship management is explored by examining the linkages found in the literature on organizational competition in a rapidly changing environment. In a global economy, all system members are interdependent and are customers. Companies are restructuring (i.e., downsizing) to fund only those core competencies that are key to their profitability and long-term survival. Managing relationships with their customers—especially with employees, channel partners, and strategic alliance partners—is critical to the firm’s long-term success. The article concludes that customer relationship management based on social exchange and equity significantly assists the firm in developing collaborative, cooperative, and profitable long-term relationships.

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Management theorists, and strategic management theorists in particular, have been concerned with the alignment of an organization’s strategy with the environment in which it competes (Porter, 1980; Schoeffler, Buzzell, and Heany, 1974; Miles and Snow, 1978; Mintzber and Waters, 1985; Chandler, 1962; Ansoff, 1988; Bedeian and Zammuto, 1991). Alignment of strategy with the environment significantly influences an organization’s ability to identify and meet the environmental threats and take advantage of opportunities presenting themselves. “If the strategy is out of step with the environment, no amount of changing individuals, structure, or reward systems will solve the problems of the organization” (Narayanan and Nath, 1993, p. 244). Organizations that have aligned their strategy with the demands of the environment in which their firm competes have performed significantly better than organizations that have not (Schoeffler, Buzzell, and Heany, 1974; Miles and Snow, 1978).

Post-industrial economies such as the United States have seen their manufacturing sectors decline steadily over the last several decades. At the same time, the number of service firms in such economies have grown rapidly. For example, it is estimated that by 2005 upward of 80% of all jobs will be accounted for by service firms in the U.S. marketplace (Gomez-Mejia, Balkin, and Cardy, 1995). In addition, fierce global competition and other major environmental challenges are confronting organizations trying to remain competitive in a dynamic global marketplace. Work force diversity, evolving work and family roles, and skill shortages are issues that are forcing firms to look carefully at the strategic implications of internal–external customer relationships (Gomez-Mejia, Balkin, and Cardy, 1995; Drucker, 1994). Dynamic environmental change in the marketplace has been increasing both the uncertainty and complexity in an already highly competitive environment (Pfeffer and Salancik, 1978; Duncan, 1972). As a result, developing strategic customer partnerships on all levels has become a necessary fact of organizational life (Spekman, Isabella, MacAvoy, and Forbes, 1994). The rationale
underlying establishment and growth of individual, customer-firm relationships offers insight into and suggests directions for interfirm customer partnerships and strategic alliances. Social exchange and equity based relationships may offer a means for developing an effective alternative strategy to the rational choice strategy currently being used.

Purpose

The initial purpose of this article is to offer an explanation of the contradiction between the outcome that a firm expects from a downsizing strategy and the downsizing research findings. A second purpose is to offer an alternative strategy for how firms might initiate, develop, and manage their intrasystem and intersystem relationships as a means for successfully competing in a complex and uncertain global marketplace.

Strategic planning theory (Chandler, 1962) has demonstrated the importance of aligning a firm's strategy with the environment to improve organizational performance and insure survival. Currently, firms are relying on downsizing to implement their planning strategy and react to the rapid changes confronting them. Underlying their choice of strategy is rational choice theory.

Two additional theories, social exchange and equity theory, are proposed as more appropriate than rational choice theory as means by which firms can enhance the quality of work life (QWL) and organizational citizen behavior (OCB). Cook and Wall (1980) defined QWL as the level of trust, commitment, and personal needs fulfillment existing within organizations as perceived by employees, the firm's internal customers (Ishikawa and Lu, 1985). Organizational citizen behavior (OCB) is defined as employee discretionary involvement and actions on behalf of the firm over and above their required job requirements which promote the effective functioning of the organization (MacKenzie, Podsakoff, and Fetter, 1991; Moorman, 1991; Morrison, 1994; Niehoff and Moorman, 1993; Williams and Anderson, 1991; Organ, 1988; Organ and Konovsky, 1989).

Social exchange and equity theory are used to develop an additional strategy alternative to supplement the rational choice based strategy of downsizing. Finally, attribution theory (Abel, 1991), which underlies service quality and customer satisfaction, is used to explain how customers value organizational performance and to suggest why firms need to rethink the full value of organization–customer relationships. Parasuraman, Zeithaml and Berry, (1988, 1990) developed an instrument with which to measure customer perception of service quality and satisfaction, which they named SERVQUAL.

Downsizing: A Rational Choice Strategy Response to Environmental Challenges

In response to environmental change and in an attempt to remain competitive, many organizations have chosen the strategy alternative of downsizing (the replacement of employees with technology and the reduction of organization–employee relationships through the use of temporary or contingent workers) (Gomez-Mejia, Balkin, and Cardy, 1994; Drucker, 1994). This strategy, which began as thoughtful reengineering to restructure resources to support the core competencies necessary to meet the organization’s basic mission, has turned into justification for widespread substitution of technology for employees (Downs, 1995). Downsizing as a strategy alternative continues to be used today. Further, firms continue to ask those employees who remain to (1) work harder, (2) do more, and (3) take on greater responsibility for the same or less total compensation (Downs, 1995). From the organization's perspective the firm has gotten "lean and mean." From the employee's perspective, the company has broken the fundamental, implied social contract between the organization and the employee and the organization has just plain gotten mean (Grunlach, Achrol, and Mentzer, 1994; Pressman, 1995).

To facilitate the process of downsizing, firms have instituted team-based structures and self-managed teams (groups of employees are given authority as a group to make decisions over task related issues) and/or have empowered employees (individual employees are provided with skills and given authority, usually reserved for managers, to alter activities and processes vis-à-vis their tasks) (Gomez-Mejia, Balkin, and Cardy, 1994, p. 638; Peters, 1992; Davidow and Malone, 1992). Firms, however, are holding teams and individuals accountable for tasks and areas of responsibility, often without giving them the resources and training needed to help them achieve long-term success. Mid-level managers are also being held accountable for responsibilities, delegated by superiors to teams and employees, they no longer directly supervise.

As part of the downsizing strategy, empowerment has begun to take on the aura of a not-so-subtle form of manipulation. For example, responsibility for decision making downward normally held by mid-level managers has been shifted to employees as their supervisors are eliminated. The firm’s public explanation for implementing the “lean and mean” strategy is that downsizing will rid the organization of redundant middle-level managers, while enhancing the role of the empowered front-line employee (Pressman, 1994; Downs, 1995).

Management believes that by giving employees more authority and responsibility, the firm will motivate the employee to strive harder and longer on behalf of the firm. This belief is contradicted by the research findings that suggest that employee motivation only comes from within the employee and occurs most significantly when employees perceive that there is a quality, two-way relationship between themselves and the organization (Gomez-Mejia, Balkin, and Cardy, 1995; Cook and Wall, 1980).

The Organization's Dilemma

Managers have already voiced their concern over a noticed drop in organizational loyalty, one of the key factors of underlying OCB (Van Dyne, Graham, and Dienesch, 1994). They also have noticed that, while employees are working harder,
the employees are focusing more on in-role behaviors, performance of duties, activities, and tasks normally assigned to a job and expected of the employee filling the position (Williams and Anderson, 1991; Morrison, 1994). At the same time, employees are refraining from expending effort on volitional, out-of-role behaviors, OCIs, "... spontaneous behavior, which includes cooperative gestures, actions protective of the system, and behavior that enhances the external image of the organization" (Organ and Konovsky, 1989, p. 157; Williams and Anderson, 1991; Morrison, 1994).

Following downsizing, those employees who remain continuously discuss when their turn to be restructured out of their jobs will come. Having to focus and worry about their personal survival, they are demotivated and distracted from the goals and objectives of their organization (Downs, 1994, p. 41, 43). Fearful of losing their relationship with the firm, they become focused and fixated on the perceived survival strategy, compliance with organizational rules and in-role tasks (Organ and Konovsky, 1989; Williams and Anderson, 1991; Morrison, 1994). Their trust and commitment to their firm is diminished and put aside (Gao, Camarata, and Wen, 1994). Their expectations of realizing their goal of personal need fulfillment is reduced to reflect what they perceive as current reality.

The rational choice theory model assumes that all business transactions are one-for-one, tit-for-tat, utility tradeoffs where the transaction outcome if expected to be a specific benefit of comparable value (Mills and Clark, 1994, p. 29, in Erber and Gilmor, 1994). The model "... assume[s] the actors who are responsible generating the outcome ... to be rationally self-interested in a transparent manner given their (exogenous) objective resources and (exogenous) preferences/utilities" (Abel, 1991, p. xi). Further, it assumes that each party to a transaction rationally evaluates and determines "... the best course of action from among all those available to him in order to maximize his returns" (Konovsky and Pugh, 1994, p. 659).

In an attempt to survive, employees follow what seems to them to be a very rational strategy and direct all efforts toward in-role behaviors. Employees choosing such a strategy alternative can be expected to become less productive as they lose their flexibility and their willingness to risk. Finally, they consciously, with or without malice, expend less effort on volitional, no-cost-to-the-firm, out-of-role behaviors and acts which had previously benefited the firm (Konovsky and Pugh, 1994; MacKenzie, Podsakoff, and Fetter, 1991; Moorman, 1991; Morrison, 1994; Organ and Konovsky, 1989; Williams and Anderson, 1991).

The organizational strategy alternative, to downsize, is being implemented and extended at the very time that dynamic changes in the internal and external environments are clearly telling both goods and service suppliers that service quality and customer satisfaction have become the sine qua non for organizational economic prosperity, growth and long-range survival (Parasuraman, Zeithaml, and Berry, 1988, 1990). Some global competitors have been rethinking their goods-based product strategy and begun to shift to a new customer-driven, total product strategy alternative. Their strategy alternative focuses on developing and maintaining long-term relationships with their customers. The strategy heeds recent empirical evidence that suggests that the service transaction interface between a firm's service employee and its customer is of major significance in the long-term performance, profitability, and survival of the firm (Bitner, 1995; Naumann and Shannon, 1992; Sheth and Parvatiyar, 1995; Vavra, 1995).

Other firms, whose incentive systems for senior managers remain couched in quarterly stock market P/E ratios and dividend pay-outs, appear to remain bent on focusing on profits via short-run efficiency tactics. Firms, who use the goods-driven strategy in complex and uncertain markets, see margins shrink and customers defect. They attempt to react to such competitive market pressures, however, by striving even harder to downsize by (1) using more technology and (2) further reducing to transaction-based exchanges, relationships with the employees who remain. They persist in this strategy even while marketplace intelligence tells them that customers are increasingly evaluating the firm and its products based on the satisfaction and perceived quality of service derived from their interaction and relationship with the firm's service employee (Bitner, 1995; Sheth and Parvatiyar, 1995; Vavra, 1995; Naumann and Shannon, 1992; Parasuraman, Zeithaml, and Berry, 1988, 1990; Berry 1995; Christopher, Payne, and Ballantyne, 1991; Crosby, Evans, and Cowels, 1990; Seabright, Levinthal, and Fichman, 1992; Downs, 1995). Table 1 displays the association between the current intra- and interorganizational relationships based on rational exchange theory and the proposed relationships based on social exchange and equity theory. In essence the table represents the article's proposed approach to realigning the organization's strategy from downsizing via rational choice theory to relationship management via social exchange and equity theory.

**Rethinking Organizational Strategy Choice**

In response to decreases in margins and increasing losses of customers, firms recognized the need to rethink the value or cost of all intraorganizational relationships. They also have begun to consider lessons learned from their environment, especially from relationships with customers. In particular, they have begun to understand that customer perception of service delivery heavily influences customer satisfaction.

Rethinking their strategic choice with which they plan to remain competitive, management has begun to shift its focus from explicit-outcome based, rational choice theory to implicit-relationship based, social exchange and equity theories to explain how and why basic organization–employee relationships develop and grow or decline (Homans, 1958, 1961, 1974; Blau, 1964; Thibaut and Kelley, 1959; Konovsky and Pugh, 1994; Organ, 1988; Moorman, 1991; Adams 1963; Korsgaard, Schweiger, and Sapienza, 1995; Niehoff and Moor-
Table 1. Toward Relationship Management

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<thead>
<tr>
<th>Current Relationships</th>
<th>Need for Change</th>
<th>Proposed Relationships</th>
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<tbody>
<tr>
<td>Rational choice theory</td>
<td>Uncertainty</td>
<td>Social exchange and equity theory</td>
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<tr>
<td>Short term</td>
<td>Complexity</td>
<td>Long term</td>
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<tr>
<td>Economic exchange</td>
<td>Technology life cycle</td>
<td>Trust and commitment</td>
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<tr>
<td>Quid pro quo</td>
<td>Market condition</td>
<td>Covenantal</td>
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<td></td>
<td>Time compression</td>
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<td></td>
<td>Logistics</td>
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<td>Human resource diversity</td>
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<tr>
<th>Realignment Change Strategy</th>
<th>Benefits</th>
<th>Realignment Change Approach</th>
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<tbody>
<tr>
<td>Downsize</td>
<td>Short-term stability</td>
<td>Relationship management</td>
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<td></td>
<td>Low investment</td>
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<td></td>
<td>Simple relationship</td>
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<td></td>
<td>Clear exchange expectations</td>
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<th>Benefits</th>
<th>Logistics cost savings</th>
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<td></td>
<td>Embedded opportunity identification</td>
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<td></td>
<td>Enhanced market intelligence</td>
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<td></td>
<td>Commitment/cooperation/collaboration</td>
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<td></td>
<td>Stability with flexibility</td>
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<td></td>
<td>Unspecified just future response</td>
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Man, 1993; Barling and Phillips, 1992; Gilliland, 1993). What follows is a discussion of social exchange and equity theory and their relationship to quality of work life and organizational citizen behavior.

**SOCIAL EXCHANGE THEORY.** While social exchange and rational choice theory are both exchange theories, they should be viewed as part of an exchange continuum. Social exchange more properly finds its place on the relationship end of the exchange continuum, while economic exchange and rational choice should be placed very near the continuum’s opposing end, the end stressing discrete transaction. Social exchange theory differs from rational choice in two notable ways: (1) in the specificity and timing of the reciprocal action taken by each party to fulfill exchange expectations and (2) in the tendency to shift from exchange to communal relationship “... in which participants benefit one another on the basis of concern for the other’s welfare” (Mills and Clark, 1994, p. 29). According to Blau (1964), social exchange refers to relationships that entail unspecified future obligations (Konovsky and Pugh, 1994, p. 657).

**EQUITY THEORY.** Equity theory is based upon the notion that “... employees compare their efforts and rewards with those of others in similar work situations” (Gibson, Ivancevich, and Donnelly, 1991, p. 152). Employees may choose their comparison person firm within the unit, the firm, or from another firm in the environment. Equity theory and social exchange theory are the theoretical bases upon which this article is built.

Social exchange and equity theory have been offered as plausible alternative explanations of firm-employee relationships and the behavior that underlie such relationships. They offer another more complete theoretical explanation as opposed to rational choice/economic exchange theory which, up to this point, has lent credence to management’s dominant strategic response choice, downsizing.

The basic misunderstanding and misuse of the constructs, empowerment and motivation, pinpoint and highlight a problem that has been created by firms choosing the downsizing management strategy alternative. The fundamental flaws in the strategy, asking employees to do more with less and turning the interactional relationships between firms and its employees into pure economic transactions, are seriously affecting many firms’ ability to capture real opportunities often generated by properly implemented empowerment programs (Gomez-Mejia, Balkin, and Cardy, 1995). Implementation of such a strategy will become more difficult and existing empowerment programs will come undone, as more employees perceive that empowerment translates into employees working harder for the same or diminished rewards and incentives. If employees believe that working harder will not reduce or halt organizational downsizing, they may well perceive empowerment as unjust and inequitable. Under these perceptions, it would be rational for employees to reduce any effort which they perceive as threatening their full-time, benefit-rich, permanent employees status (Adams, 1963; Gilliland, 1993; Huseman, Hatfield, and Miles, 1987).

Employee perceptions of team structures and empowerment programs may be seen as one more indication that firms, continue to treat firm-employee relationships as short-term, bottom-line expenses rather than as long-term investments in a rich, fertile asset. Their perceptions can cause employee trust in and commitment to their organizations and employee personal need fulfillment to decrease significantly (Barker and Barker, 1994; Cook and Wall, 1980; Eisenberger, Huntington, Hutchison, and Sowa, 1986). As employees perceive that the QWL in organizations is declining, their OCB, their involvement and actions on behalf of the firm over and
above their required job requirements, will also decline (Moorman, 1991; Niehoff and Moorman, 1993; Williams and Anderson, 1991; Organ, 1988; Organ and Konovsky, 1989; MacKenzie, Podsakoff, and Fetter, 1993; Morrison, 1994). As QWL declines so will employee motivation to deliver quality service (Cook and Wall, 1980; Eisenberger et al., 1986). Employees "...must have the skills, abilities, tools, and motivation to deliver. In other words, they must be enabled" (Bitner, 1995, p. 246). Decreased motivation due to perceived decrease in QWL can influence an employee's volitional out-of-role behaviors (OCBs), many of which support and enhance excellent service.

The influence of QWL on the employee's motivation and OCB and, in turn, their influence on customer perception of firm total product delivery performance establishes the interface between QWL and OCB and SERVQUAL, service quality and customer satisfaction. SERVQUAL measures the customer's perception of a firm's service quality. The customer, who often is in the middle of the production process, can easily recognize changes (a reduction or increase) in employee level of effort during service encounters. The perception of level of employee effort influences customer satisfaction with service transactions (Mohr and Bitner, 1994). "In service encounters, customers judge employees on their ability to deliver the service right the first time, their ability to recover if things go wrong, how well they deal with special requests, and on their spontaneous actions and attitudes" (Bitner, 1995, p. 249; Bitner, Booms, and Mohr, 1994; Bitner, Booms, and Tetreault, 1990). Motivated employees extended themselves and made the effort to build long-term relationships with customers, sometimes even becoming "...part of the consumer's social support system...". The social support benefits resulting from these relationships are important to the consumer's quality of life (personal and/or work life) above and beyond the technical benefits of the service provided" (Bitner, 1995, p. 250). As a result of employee efforts, relationships between customers and service employees grow, some to include the development of personal relationships. These relationships contribute to the customer's sense of well being and overall quality of life (Bitner, 1995). Further explanation of the measures of QWL, OCB, and SERVQUAL which could provide a more complete understanding of the importance of the theoretical bases for a new strategy approach follow.

QUALITY OF WORK LIFE (QWL). Cook and Wall (1980) have developed measures of interpersonal trust at work, organizational commitment and personal need non-fulfillment that show that these factors are significantly related to perception of QWL. They measured trust as a directly experienced evaluative or affective reaction, by means of a self-report scale. Their concept of organizational commitment referred to "a person's affective reactions to characteristics of his employing organization." Their measurements of personal need non-fulfillment followed Maslow's hierarchy (Maslow, 1969) in the belief that higher order needs act as moderators of relationships between job characteristics and job satisfaction (Cook and Wall, 1980). Internal homogeneity, reliability, and factor analytic data showed their scales to be psychometrically adequate and stable (Cook and Wall, 1980). QWL measures intrinsic job motivation. Motivation, trust, and commitment are fundamental to both social exchange and equity theory.

ORGANIZATIONAL CITIZENS BEHAVIOR (OCB). Employee work behavior that exceeds what is seen as the in-role duties contracted for by the firm and the employee, has been the focus of much theoretical attention, especially through the constructs of social exchange and equity. The challenges of rapidly changing competitive business environments have highlighted the significance of many employee work behaviors that occur volitionally as extra-role actions (Organ, 1988; Organ and Konovsky, 1989; Podsakoff, MacKenzie, Moorman, and Fetter, 1990; MacKenzie, Podsakoff, and Fetter, 1993; Van Dyne, Graham, and Diensche, 1994; Williams and Anderson, 1991; Williams, Podsakoff, and Huber, 1986; Morrison, 1994) have described such behaviors as OCB.

The Podsakoff scale (1990) and the Van Dyne measurement tool (1994) overlap, but appear not to be duplicative. The former focuses on micro-level issues such as interpersonal relations, cooperation, and teamwork while the latter focuses on macro-level issues such as responding to change and facilitating innovation. Both scales have been tested and found valid and reliable. Each has its origins in one or more preexisting valid and reliable instruments.

SERVQUAL. Zeithaml, Berry, and Parasuraman (1990) have found through the use of the SERVQUAL instrument that perceptions of service quality and customer satisfaction are significantly related to reliability, tangibility, responsiveness, assurance, and empathy. The shift by global competitors to a customer-driven market strategy has placed the focus of organizational efforts on the need to increase its relationships with its customers. The increases are needed in both intensity and duration. Developing, growing, and maintaining long-term, social exchange relationships have become the strategic goal of most firms competing globally. Aside from a limited number of profitable economic exchange, transaction-based relationships, social exchange relationships have become the sine qua non of organizational social, political, and financial success. The SERVQUAL scale has been the basis of most studies in service quality. It has been found to be both valid and reliable. Although customers view the firm as an outsider, they are often in the middle of the total product production and delivery and are influenced by the tenets of both social exchange end equity theory.

Management of Goods, Services, and the Total Product

More support for the organization's need to shift from the downsizing strategy as the means of maintaining strategy/environment alignment and from goods-based, supply driven...
economies to service-based, consumer-demand driven economies has been offered by Gronroos (1993). To describe the managerial aspects and implications of environmental change he introduces and utilizes the term, service management.

SERVICE MANAGEMENT. Gronroos (1993), in discussing the emergence of service management, points out that service management is more of a perspective than one discipline or coherent area of its own. It is a perspective that gives guidance to firms facing intense service competition and needing to understand and manage new issues in their customer relationships if they are to achieve and enhance any degree of competitive advantage. Service management represents three major shifts in strategic focus. The first is a shift from viewing customer utility strictly as a goods-based outcome to viewing it as total product utility, incorporating both the utility of the outcome (the what) and the functional utility (the how) and factoring this concept of utility into the customer–firm interaction and relationship. The second is a shift from striving to capture customers and create short-term economic exchange transactions to creating and achieving long-term social exchange relationships with customers. The final shift is from focusing on internal production processes as the critical success factor to focusing on the development and management, in the presence of and sometimes in partnership with the customer, of total product quality as the key to strategic effectiveness.

Gronroos (1990) suggests that five key facets of service management need to be understood if the manager is to fully grasp the scope and opportunities afforded by the service management concept. First, service management is an overall management perspective that guides and drives all decisions throughout the organization. Second, it is customer or market driven. Third, it is a holistic perspective. Fourth, service management is integrally linked to quality management. Fifth, service management recognizes that internal development of employees and reinforcement of their commitment to organizational goals and strategies are strategic prerequisites for organizational effectiveness and long-term survival.

Overemphasis on cost reduction and economies of scale can lead to decreases in service quality, deterioration of employee perception of the internal work environment, decreasing customer relationships, and lower profits. This occurs as employees, who could develop relationships with customers, are replaced with technology and employee perception of support from the firm diminishes (Zeithaml, Berry, and Parasuraman, 1990; Eisenberger et al., 1986). Service management, particularly useful in complex and uncertain environments, demands a shift from transaction-oriented, rational choice exchange relationships to intra- and interfunctional and collaborative teamwork and partnerships based on social exchange-oriented relationships (Gronroos, 1990).

RELATIONSHIP MANAGEMENT. While service management is most critical to the management on the macro-strategic level, relationship management becomes crucial on the operational and tactical level. Relationship management becomes the operational tool by which to bring about external effectiveness in the form of customer perception of "product" quality, and total company performance (Zeithaml, Berry, and Parasuraman, 1990). Finding out specifically what value the customer is seeking, (e.g., efficiency/convenience, play/fun, aesthetics, politics/success, morality/ethics, esteem/reputation, or spirituality/faith), becomes crucial to service management strategy selection (Holbrook, 1994).

Few researchers have studied the management of relationships between the firm and its employees from the perspective of employees as customers. Even fewer have attempted to integrate the notion of simultaneous relationship management of both internal and external customers, as conceptualized by Campion and McClelland (1991) and Ishikawa and Lu (1985).

A relationship management issue that immediately becomes apparent as a result of Gronroos' discussion of service management is, "Who are a firm's customers?" Campion and McClelland (1991) defined the customer to mean both company employees and the more traditional, external buyer of a firm's product. Ishikawa, the man recognized as the Japanese W. Edwards Deming, in describing his perception of total quality management (TQM), introduced the concept of next operation as customer (NOAC) (Bhote, 1991). In his explanation of NOAC, he pointed out that each process (and the personnel that carried out that process) within an interrelated system was a customer for the preceding process as well as a supplier for the ensuing process. Firms that implemented NOAC could realize significant improvements in both productivity and service quality (Bhote, 1991). Companies that meet customer expectations would reap significant financial and nonfinancial gains (Bhote, 1992). All necessary production processes, internal and external, were seen as critical parts of one overriding, interrelated TQM system (Ishikawa and Lu, 1985).

The transition from product (goods) management to relationship (total product) management came from several directions, including TQM, quality, and the work of academics such as Gronroos, Bateson, Berry, Webster, Bitner, and others. Relationship management has evolved from the relationship marketing literature. It has become a means to transition a firm's management thinking from capturing customers in order to sell them to retaining customers in order to seize the opportunities that come from long-term relationships. Transactional exchanges will continue to exist within the new strategy, but they will do so as one extreme on a relationship management continuum. The other end of the continuum will be represented by social exchange and equity based long-term relationships.

This is of particular importance as the national economies of many developed counties mature and market growth and new opportunities began to shrink in these environments. At the same time, countries such as Japan and newly developing countries such as Indonesia, Korea, and Taiwan are demon-
strating levels of production and market sophistication that allow them to become major competitors in the global marketplace. They are successful because they shifted from transaction-based selling or conquest marketing to customer-driven, relationship marketing. At the heart of their relationship marketing efforts is relationship management. For example, Japanese firms, through keiretsus have benefited from opportunities afforded them as a result of relationship management. At the core of each keiretsu are extensive long-term relationships. The relationships have been carefully and patiently constructed over a long time period and are based on social exchange and equity. Over time they have taken on the mantle of a societal (organizational) norm. The expectations of the members of the keiretsus are assured because of cultural traditional and the norm, “face” (Ivancevich, Lorenzi, Skinner, and Crosby, 1994). The strength of the relationships and the trust, commitment and personal need fulfillment are perceived by keiretsu members to be system support.

In the fast-paced, ever-changing marketplace firms are finding the need to partner with others with whom they have had little past experience. The rational choice contract approach to partnering has been found to have major limitations particularly in the areas of cost and resource and capability imbalances (Fisk, 1994; Naumann and Shannon, 1992). The following section delves into some of the difficulties documented to date with short-term and quid-pro-quo based contracts. It also develops a rationale for managing channel and alliance relationships through the mechanism of an alliance manager who perceives her/his work experience as offering a high quality of work life.

**Channel and Alliance Relationship Management**

Relationship management is critical to the creation and success of channel and strategic alliance partnerships. It assists firms in the redesign of their organizational structures to facilitate interaction between partners thereby enhancing the accurate and timely flow of information between firms (Spekman, Isabella, MacAvoy, and Forbes, 1994; Cravens, Ship, and Piercy, 1994). New organizational forms referred to as networks or webs are being suggested as a means by which organizations can cope with the risks of a dynamic environment and the skill and resource demands of fiercely competitive global markets. Using the dimensions (1) duration of change and (2) nature of organizational linkage (collaborative or transactional), organizational forms such as infinitely flat, spider web, starburst, and inverted forms are recommended accordingly.

For example, in short duration situation where the environment is changing rapidly, organizations using transactional relationships from hollow networks. The network is customer focused and marketing oriented. Collaborative relationship organizations use flexible networks. Spider web structures allow close communication linkages between nodes and the coordinating company, but stress the independence of each node. Such forms, assist the organization when the market environment requires fast response times, high value added, and poses high risk.

The starburst form offers both collaborative and transactional characteristics and fits organizations in the later growth or early maturity stage. The virtual organizational form stresses a long-term orientation and works in markets that experience long-term environmental fluctuations. The inverted form where customers had the structure could be utilized in most environments with minor modifications to accommodate specific situational factors (Cravens, Ship, and Piercy, 1994). Each form offers benefits if implanted appropriately and managed continuously.

Alliances formed for strategic purposes are characterized by greater uncertainty due to long-term outlook. Specific commitments of assets would be made to limit risk to the organization. Greater involvement of senior management in governance would be expected (Parvatiyar and Sheth, 1994). Other alliances formed for operational purposes would stress efficiency. They would require (1) an appropriate structure that would enhance multi-level communications/coordination and (2) carefully selected personnel (alliance managers [AMs]) that could create a responsive operational interface among the alliance partners. Still other alliances formed among competitors would be functionally specific in character. There would be close control over information flows and participant interaction. There may be a perceived threat of opportunism which would “justify” limited cooperation and trust. Finally, alliance partners who are not competing would (1) communicate more freely, (2) cooperate in multiple areas, (3) seek to learn from each other, and (4) collaborate to achieve mutual goals. Multi-level coordination would suggest that there be multilateral, mutual governance via alliance managers (Parvatiyar and Sheth, 1994).

Many of the actions occurring within these new structures and relationships transcend the boundary of a single firm. To facilitate the task of coordinating and integrating the vacillating needs of partnerships across time, cross-firm alliance managers must be selected, trained, developed and empowered to act quickly, decisively, and responsibly on behalf of their firms. Table 2 displays the characteristics of alliances and partnerships explaining the importance and significance of the AM.

The value of the alliance to each partner is in the partner's perception of the value of both the absolute (access to technology, cost savings, and risk sharing) (Nesse and Skjelnes, 1994) and relative (enhancement or erosion of relative capabilities) outcomes. For example, when the gap in capabilities is large there may be a limited basis for mutually beneficial exchange. When the gap is small, the partners may focus on the increasing loss of relative capability vis-à-vis their partner and escalate the rivalry. Over a period of time these evolutionary changes make it more difficult for the firms to work together for mutual benefit (Skjøstad, 1994). “Trust between partners...is a bridge between past experiences and their anticipated future” (Salmond, 1994, p. 2). It can afford partners synergies and
Strategic alliances are more than mere business arrangements. Alliances are complex interactions of business and interpersonal activities.

a. The business activities relate to the work tasks associated with implementing the alliance.
b. The interpersonal activities depict the steps through which the relationship between alliance managers and alliance participants develops.
c. Focusing on one activity in isolation is likely to cause the alliance to unravel.

The purpose of an alliance is to achieve mutually beneficial goals of the participating partners.

Alliance managers provide needed interorganizational process skills and serve as political power-brokers to ensure alliance development and survival.

Alliance managers work internally with product champions and organizational champions to jointly provide needed intraorganizational process skills and serve as deal-makers across multiple levels of the firm.

Strategic alliances survive or fail for the most part to the degree that alliance partners clearly understand (1) why the alliance is being created, (2) who and what it is bringing together, (3) how long it is expected to last, and (4) what is the skill levels of its internal and external gatekeepers, the product and organizational champions and alliance managers.

Table 2. Strategic Alliance and Partnership Characteristics

To be maximally effective, AMs need to be expert listeners and fully comprehend their role in creating a learning organization mindset between alliance partners. To be fully committed to carrying out this role, employees filling crucial AM roles must themselves perceive their QWL to be satisfactory or exceptional. If they are to exhibit the high level OCB needed to carry out the AM function optimally, they must perceive tangible evidence of the existence of a supportive, trusting, committed relationship between their firm and themselves. Firm responsiveness to their needs, as well as assurance and empathy about their future with the firm will constrain or enhance their perception of their QWL. Satisfactory QWL perceptions will influence their OCB. Together high QWL and OCB will positively influence the AM’s perception of the quality of the relationships with the firm and their satisfaction (Barker and Camarata, 1996). As fulfilled and satisfied internal customers, AMs trust their firms, commit to firm goals and objectives, and extend their volitional, extra-role behaviors vis-à-vis the firm’s channel and alliance partners. As their perception of the firm’s support for them increases, their enthusiasm and effort for undertaking the very difficult and arduous sponsor, advocate, facilitator, mediator, and manager role also increases. The extended effort is perceived by channel and alliance partners as goodwill and faith gestures by the AM’s firm enhancing the flexibility and stability of the interorganizational relationship (Mohr and Bitner, 1995). Taken together, the above characteristics are indicative of the service quality and satisfaction measures represented by SERVQUAL. “Future corporate success hinges on successful alliance management and on the development of strong alliance managers” (Spekman, Isabella, MacAvoy, and Forbes, 1994, p. 2).

Conclusions and Study Implications

Research findings such as suggested and proposed above may have implications for strategic management theory. Organizations and their managers would be confronted with the need to expand management theory to include an interdisciplinary view of relationship management and its application to the creation, growth, and maintenance of both the internal customer (i.e., firm employee) and external channel and alliance partnerships. Such a finding, that QWL, OCB, and SERVQUAL individually and/or collectively have a positive influence on organizational performance, could have significant implications for the redesign of organizational structures, processes, and strategy.

For example, if firms find that their relationships with their employees are critical to the development of strategic core competences vis-à-vis external customer relationships, those organizations will have to rethink their current downsizing strategy which aims at reducing relationships between the employee and the firm. Organizations and their managers would be confronted with the need to find and utilize an alternative strategy. They may have to shift their thinking and
change to a management strategy built on social exchange and equity based relationships rather than one built on downsizing and turning organization-employee exchanges into rational choice, economic transactions.

Organizations will need to seek, cultivate, and manage long-term relationships with carefully recruited, selected, socialized, and nurtured critical-skill employees, who can reliably perform in a manner that regularly meets and exceeds the service quality expectations of sophisticated, global customers wherever they are located in the value chain. Relationships between the organization and its employees, from the new internal/external customer perspective, would need to be conceptualized and managed as long-term organizational investments and recognized as the means with which to build core competencies and to take advantage of the opportunities embedded within such relationships. Such competencies, once built, could not be readily replicated by competitors. They would offer the firm long-term strategic advantages in the marketplace. Opportunities enmeshed in a complex, uncertain, and emerging marketplace could not be tapped by competitors who are not a part of the trusting, committed, supportive, and enthusiastically, managed network of social exchange and equity based intra- and interfim relationships. Future research efforts in these areas will provide a better understanding of the need for and importance of relationship management.

References
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