

Characterizing Online and Off-line Communications in Business Relationships

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Abstract

As partners in a business relationship interact, they rely on a variety of communication channels as their relationship develops. Although much has been made of the cycles of interaction that contribute to a working relationship, we are only beginning to develop the frameworks and theories that explain the specific communications that play such a large role in interpersonal interactions. Our paper contributes to understanding business communications by characterizing face to face and computer-mediated communications along dimensions pertinent to business interactions. Also, we describe a framework that identifies influences on communication channel selection. We conclude with an illustration of a research approach drawn from our on-going investigations of the institutional investment industry.

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Communication and Business Relationships

Information technology plays an important role in business relationships, yet we know little about how partners in a relationship utilize different modes of communication. Previous work proposes that information quality constructs can be used to explain and characterize how task-related Web site information influences business relationships (Schurr et al. 2002), especially in connection with relationship development (Dwyer et al. 1987; Ford 1980). Of course, even Web-based relationships utilize other communication channels. Accordingly, a logical extension of our previous work was to consider the role of other communication channels in relationship development. In particular, we examined face to face (FtF) communications, text-based computer-mediated communications (CMC), and other electronically mediated channels.

We first characterize the research on FtF and CMC communications. Then we introduce concepts that help explain the role different channels of communications play in a developing relationship. Finally, we discuss a case study to suggest how the conceptual framework might enhance our understanding of the role different communication channels play in relationship development.

FtF and CMC Communications Research

Task as well as interpersonal variables play important roles in business communication strategy. On the interpersonal side of investigation, the impression management model of communication channel strategy has successfully identified important differences between rich channels—such as FtF with nonverbal cues—and lean channels, especially those that are text-based and computer mediated (e.g., O’Sullivan 2000). Also, the impression management research offers a perspective on the trade-offs that exist with various communication channels and the results for self-presentation in relationships (e.g., Perse and Courtright 1993, Rice 1993).

While a review of this literature is beyond the scope of this paper (see Bordia 1997), it is useful to consider the perspective offered as well as some limitations. The perspective is that of managing self-relevant information (cf. Ford and McDowell 2002). For example, O’Sullivan (2000) explores communication when self-presentation in an episode has negative or positive outcomes. For episodes with negative self-presentation outcomes, leaner channels were

preferred. The opposite held true when positive self-presentation outcomes were likely. In other words, this study suggests that individuals use different communication channels to their advantage in social episodes of relationships.

Unfortunately, this stream of research has limitations for those interested in understanding business relationships (Håkansson and Snehota 2002). Nearly all of the CMC research lacks effective manipulation of expectations for future interaction, which is a hallmark of relational interaction. Also, many important variables in business relationships, such as reputation and trust development, are not given sufficient attention. Nevertheless, the impression management studies indicate that relational information is, indeed, managed consciously by individuals, and that communication strategy must take into account the character of different channels. Clearly, this avenue of investigation has relevance to relationship studies, yet there is a need for a roadmap that will identify the direction for future marketing interaction research.

Characterizing Online and Offline Communications

Table 1 summarizes our proposed variables for characterizing alternative communication channels (cf. Lichtenthal and Eliaz 2003). The constructs are identified as follows:

- **Non-Verbal Cues:** The extent to which a communication provides messages in modes other than words. This variable has been used to differentiate between lean and rich media. Lean media, which have few non-verbal cues, allow a higher degree of anonymity. Rich media provide a more accurate and complete picture of an individual. Communicators use such differences to manipulate impressions created in interaction episodes. In business relationships, non-verbal cues are used to assess the veracity of an individual's comments, to determine differences between what a person says and the way they seem to feel, and to gauge the progress of an interaction episode.
- **Personal Touch:** The degree to which a channel conveys enables humanizing the message. The "touch" term has been discussed in connection with humanizing technology (Naisbitt et al. 2001). We propose a more focused meaning that captures an important aspect of certain types of marketing interactions.

- Information Capacity: The volume of encoded data that may be transmitted. Different channels, of course, have different strengths in terms of the types of encoded data they may transmit.

Table 1: Communication Channel Characteristics

Channel	Non-Verbal Cues	Personal Touch	Information Capacity	Response Type	Ease of Coordination	Level of Involvement
	<u>Low-Tech Communication Channels</u>					
Face to Face (FtF)	Many	High	High	Real Time	Difficult	High
Mail	Few	Low Moderate	Moderate	Delayed	Easy	Low
	<u>Computer Mediated Communication</u>					
E-mail/Attachments	Few	Low	Moderate	Delayed	Easy	Low
Instant Messaging/ Chat Room	Few	Low	Low	Real Time	Mostly Easy	Moderate
Web Site	None	Low	High	Mixed	Easy	Moderate
	<u>Other Electronic Communication Channels</u>					
Video Conferencing	Many	Moderate	High	Real Time	Difficult	Moderate
Telephone	Some	Moderate	Moderate	Real Time	Some Difficulty	Moderate
Voice Mail	Some	Low	Very Low	Delayed	Easy	Low
Fax	None	Low	Moderate	Delayed	Easy	Low

- Response type: The extent to which sending and receiving takes place in the present or gets delayed into the future. Media that are real-time facilitate problem solving because discussions may be redirected and comments may be clarified immediately. However, real-time exchanges may also be interrupted, which is detrimental to problem solving.
- Ease of Coordination: The effort and time needed to synchronize activity in order to communicate.

- Level of Involvement: The degree to which the medium stimulates attention and interest.

While this list of characteristics seems to discriminate adequately between alternative channels and is parsimonious, it may not be exhaustive. The table contents suggest hypotheses, not findings. With respect to CMC, we should note that research into text-based computer mediated research does not include e-mail attachments. However, a realistic appraisal of this channel requires consideration of this feature, because it amplifies the channel's capacity.

By itself, the channel characteristics table contributes by organizing defining aspects of channel alternatives. A greater value of the proposed characteristics comes with trying to determine how to employ different communication channels throughout a developing relationship. Such determinations are not intuitive. For example, rich media are not necessarily superior to text-only CMC for developing relationships (Burgoon et al. 2002). Research shows that individuals adapt their relationship development messages to the medium available. That is, lean media are adapted for uses that are more easily conducted through rich media.

A sensible starting point may lie with practical questions, such as: Which channel is better for expressing interest in a customer's business? E-mail offers ease of coordination, a telephone call would provide more non-verbal feedback, and a FtF meeting would create high involvement. How do we determine the best approach? To answer such questions, we investigated relevant variables and summarized our work in a conceptual framework.

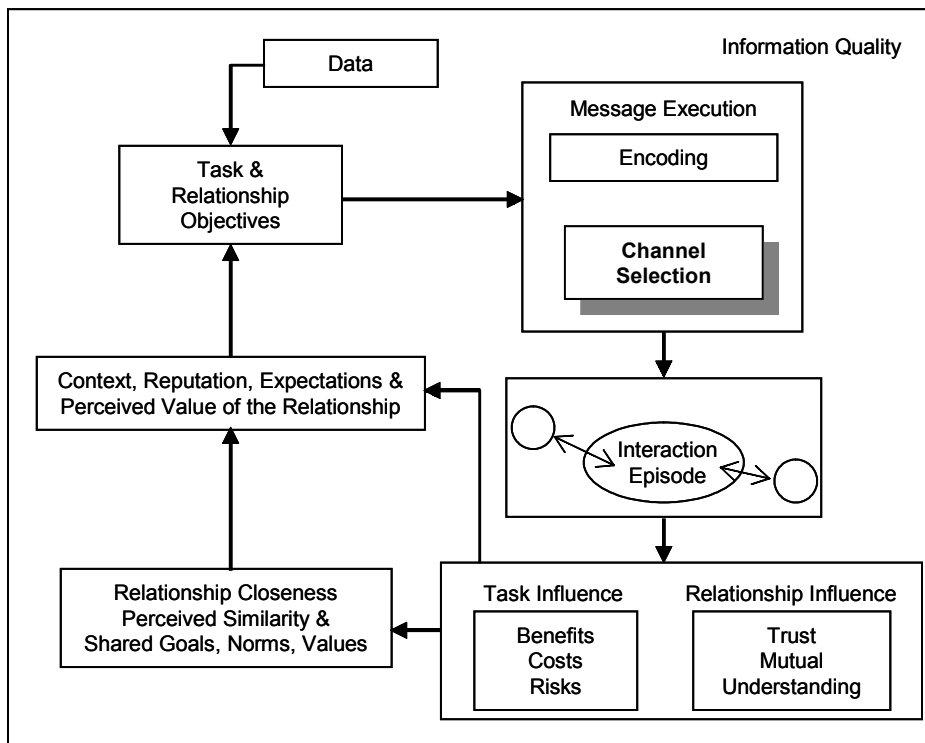
Channel Selection Conceptual Framework

We developed a conceptual framework (Figure) that is consistent with that found in the impression management literature (cf. O'Sullivan 2000, Figure 1). However, we added concepts that are pertinent to the study of relationship development and the IMP approach. The impression management and IMP perspectives are compatible for our purposes. For example, the impression management model points to the significance of an accumulation of episodes over time. Similarly, the IMP approach posits incremental investments and adaptations that accumulate through interactions (Turnbull et al. 2002). However, communication strategy (and

impression management), are but a component of relationship strategy, which includes the wider “analysis of the company, its individual relationships, and its overall relationship portfolio and network position” (p. 5). Our model offers a communication channel selection perspective on relationships and interaction episodes that has not been considered previously.

In the Figure, communication objectives are the starting point for communication channel selection. Both task and relationship objectives are relevant. The context for the communication may take into account the phase of relationship development, the stage of the buyer adoption process, culture, atmosphere, and a host of other considerations (cf. IMP Group 2002). In relationship management, the value of a relationship represents a key driver of strategy. Further, theory suggests that expectations will play a large role in any communication episode, because expectations are a reference point for what is reasonable.

Figure: Channel Selection Conceptual Framework



Individual variables in the framework deserve attention. To illustrate, reputation, which may be an individual's reputation or a company brand, directly influences what can be accomplished in an interaction episode, whether we are considering task effects or relationship development

effects. A strong reputation, for example, makes the drawn out process of trust building less necessary. A damaged reputation, on the other hand, substantially increases the time needed to establish trust.

The context for any relationship communication is constantly changing, because each interaction has some affect on a relationship. Our central thesis is that channel selection ultimately depends on the drive to develop the value in a relationship. A communication channel, according to the Figure, is chosen so that both the task outcomes and relationship outcomes are positively influenced. These outcomes stimulate relationship closeness and perceptions of the value of a relationship.

An Approach for Investigating the Channel Selection Conceptualization

In a short space it is difficult to discuss the complexity of our conceptual model. As an alternative, we offer an illustration of how the communication channel selection decision might be studied. As indicated in Table 2, one approach is to begin with the critical episodes that correspond to one or more interaction episodes and, thus, contribute to relationship development.

Our research into business to business communications has focused on the institutional investment industry (e.g., Tyler, 1996; Tyler, McGirr & Stanley, 1998; Tyler, 2002). For this example we will focus on a relationship between a fund-management organization (the seller) and a consulting organization (the buyer), whose client is an investment board responsible for investing money accumulated in a corporate retirement fund for employees.

Table 2 summarizes our analysis. The relationship development process begins when a fund management organization applies for consideration by a financial consulting business. The financial consultant will evaluate the qualifications of the fund as a possible vehicle for investing the money of a client institutional investor. The fund will be chosen based on its fit in an overall portfolio. The consultant initially assesses the “seller’s” value proposition—the fund’s return and repeatability. The reference point for the analysis is performance of similar funds within an investment category. In this case, the fund was invested in small-cap value stocks. The buyer

(here, the consultant) activity indicated in Table 2 was examination of metrics, the fund's performance statistics. The consultant looks for consistency in performance: to what extent was the investment philosophy and performance repeatable?

From the fund manager's point of view, the marketing task is to create perceived value, but in this context the seller has very little latitude. Information must be submitted for objective evaluation. The preferred channel attributes were easy coordination and appropriate information capacity. From an information quality standpoint, the goal would be to submit information so that it is consistent with the form expected by the financial consultant. In addition, the information needed to be complete (no missing data) and accurate (cf. Schurr et al. 2002). In this context message execution occurs using a form that is filled out online. A Web site form facilitates comparisons with alternative funds in the same category.

Table 2 Critical Incident Analysis: Institutional Fund – Consultant Interaction

Critical Incident	Example of Context-Specific Buyer Activity	Task and Relationship Objectives	Important Channel Attributes	Message Execution
Assess seller's value proposition	Examine metrics and repeatability	Create perceived value	Moderate information capacity Easy Coordination	Fill out form online.
Evaluate seller's credibility	Evaluate ability to respond to concerns	Develop credibility and trust	High personal touch Real time response	FtF meeting
Establish norms of working relationship	Develop mutual understanding	Create shared norms	Moderate personal touch Real time response	FtF meeting
Monitor and adjust relationship	Periodic updates and problem recognition	Support value of the relationship	Ease of coordination Real time response Some non-verbal cues	Telephone conference call
Address concern	Discuss concern	Support value proposition (benefits)	High personal touch	FtF meeting or telephone conference call

The next critical incident concerned establishing the credibility of the fund's management process. The consultant wants to see and hear how the fund managers respond to questioning.

Note in Table 2 the use of the FtF channel with high personal touch and real time response. This finding is consistent with the work of Chilcoat and DeWine (1985). Credibility is an individualistic characteristic, possibly augmented by reputation (perceptions created by messages from other contact points). While the statistical analysis in the first critical incident provided objective evidence of the fund's value proposition, individuals who must employ specialized skill deliver the value proposition. Under the intense give and take of FtF questioning, the consultants could evaluate the credibility of the skilled fund managers.

Once the first two critical incidents are successfully concluded, the relationship has developed to the commitment phase: the fund managers will receive a portion of the consultant's client's money for investment in the fund. As Table 2 indicates, the next steps are norm development and then monitoring and adjusting the relationship. At this point, the relationship is routinized—until the fund makes an unexpected decision that raises the concern of the investment consultant. High personal touch is preferred for addressing problems and concerns, perhaps because through personal touch an individual expresses the importance given to the buyer's concerns, and because FtF provides one of the best channels for a problem solving interaction episode.

Data from one case does not confirm a theory, of course. We support the view that investigation should proceed in stages. Multiple case studies will refine our conceptualization so that the channel selection framework and the communication characteristics identified here offer an informative and complete set of conceptual relationships. Then, large-sample studies will contribute tests of the proposed relationships identified in our model.

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