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Transformational Relationship Events
Colleen M. Harmeling, PhD, Robert W. Palmatier, PhD, Mark B. Houston, PhD, Mark J. Arnold, PhD, and Stephen A. Samaha, PhD

Every relationship has moments that define the expectations and feelings of the individuals in that relationship. Business relationships are no different. Specific events act as fundamental building blocks of those business relationships and are essential in shaping the relationship development. These events can be positive and bolster the business relationship or they can be negative and hinder development. Yet determining which of these events will pass unnoticed and which will dramatically impact the relationship is challenging.

In our research, we set out to improve the understanding of the role of these dramatic events in relationship development and exchange performance by proposing a theory of transformational relationship events (TREs). A TRE is an encounter between exchange partners that significantly disconfirms relational expectations (positively or negatively) and results in dramatic, discontinuous change to the relationship’s trajectory.

TREs: Research and Results

The theory of TREs is based on the following two foundational assumptions: (1) product expectations and relational expectations have different effects on a person’s interpretation of exchange events; and (2) relational expectations are dynamic, continuously evolving in ways that alter each person’s perceptions of disconfirming events and the subsequent effect on the relationship.

Exchange events, customer interactions with a seller’s personnel, products, services, or technology, help form the relationship and each person’s expectations for that relationship. We find that people form two distinct types of expectations regarding an encounter, product and relational. Product expectations are what agents typically focus on (e.g., service satisfaction). They are what a customer expects to get from their exchange for what they give (money, time) – the core aspects of the transaction (Fiske and Tetlock 1997). However, people are naturally inclined to form relational expectations in any social encounter (i.e., interaction with an agent). These expectations are less focused on the transaction and are framed more in terms of friendship, trust, interpersonal sharing, and solidarity (Lewicki and Bunker 1996).
While everyone has a zone of indifference or a range of minimum to maximum “acceptable” events around their expectations, falling outside of this zone and breaking a relational expectation triggers intense social emotions (betrayal, gratitude) that cause clients to redefine the entire relationship and change their future course. Compared to feeling disappointment (as when a service is less-than-expected), betrayal sparks a much more visceral reaction (a desire for retaliation, distance, etc.); on the positive side, gratitude is similarly more intense than general satisfaction.

Additionally, client relational expectations evolve as they repeatedly interact with an agent. At the beginning of the relationship, expectations are low and range from very positive to very negative. With each successful encounter, trust grows and expectations become more narrowly defined. Resulting in higher and more firmly defined standards for evaluating future events, this evolution had two relevant repercussions in the relationships we studied. First, customers who are earlier in their relationship were more likely to experience dramatic positive change in response to a generous act compared to customers who received that same generosity in more fully developed relationships. Second, although we observed that strong relationships insulated the firm from negative customer response to product failure, in the face of relational failure, these same strong relationships amplified the effect (highlighting a potential risk to strong relationships).

We find that TREs can dramatically influence the definition of a relationship as well as its financial performance (i.e., percentage change in sales for the year after the TRE). When customers feel that they have been betrayed, they begin to redefine the exchange relationship, and many times will retaliate against that betrayal. The primary way for customers to retaliate is to reduce the amount of purchases they make from that salesperson. For a real estate agent that may mean the client not doing business with the agent in the future, ending the relationship with the agent, or even retaliating against the agent through negative word of mouth. Conversely, if a customer feels a sense of gratitude toward the salesperson, the customer also reassesses the relationship, and the primary means of repayment for that sense of gratitude is through increasing purchases from the salesperson. A positive TRE may result in the client referring others to the real estate agent, or doing additional business with the agent in the future.

Because negative TREs are potentially devastating and, by definition, unexpected, we tested a number of reactive strategies for mitigating their negative effects. We find an apology more than compensation or collaborative repair (working with the customer to come to a solution) can help guide relational sensemaking (thoughts of redefining the relationship) and insulate the salesperson from the detrimental effects of betrayal in negative TREs.

In summary, a noticeable proportion of business relationships do not follow that normal life cycle trajectory, and TREs help us understand why. A single event can disrupt gradual
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relationship development and serve as a defining moment in a relationship’s history, which can cause a dramatic change in the relationship’s trajectory due to transformational emotions and cognitions that stem from that event. TREP are distinct from other similar constructs (e.g., service failure, delight) in their underlying nature (relational vs. product) and operations in that they can unleash relationship-altering emotions and cognitions that reshape exchange performance. Therefore, TREP have significant implications for business relationships and firm performance and it is essential for business people to go beyond measuring product or service expectations and be vigilant about recognizing disconfirmations of relational expectations.

Real Estate Perspective

Like every other relationship, the relationships between real estate agents and their clients are marked by events that will cause significant emotional reactions causing clients to reassess their relationship with their agents. These events can be positive, such as getting an offer accepted for when buying one’s dream home, or the events can be negative, such as having to tell the buyer that a dream house with the accepted offer is outside of the preferred school district, something the agent overlooked. Understanding the state of the relationship and the client’s expectations for the relationship before these TREP can help the real estate agent mitigate the negative reactions or capitalize on the positive results of these TREP.

Real estate agents dedicate time, energy, and resources to forming strong relationships with their clients. This relationship building fuels recurring business and referrals from clients and can insulate the agent from the unavoidable service failures. However, our research suggests these strong relationships can also come with certain risks. Those same strong relationships can also bring about stronger negative reactions by the clients after a relational failure. Key to managers and leaders, our research suggests a new form of customer health checkup that not only assesses service quality, but also provides an assessment of how a client views the relationship. In our study, we offer a metric for capturing relational expectations that can complement current metrics used for service quality checkups. The key to these metrics is to ensure alignment between the way the agent views the relationship with a client and the way the client views the relationship with the agent; misalignments can be the root of negative TREP.
Our research also offers insight on delivering positive events. While it is customary to reward the most “loyal” clients, our research finds this might not be the best investment. Instead, our research suggests that generous acts are significantly more impactful early in the customer relationship when expectations are still pliable. This window of opportunity suggests an onboarding stage where interactions with new clients can evoke more gratitude and more thoughts about their role in the relationship (relational sensemaking), dramatically impacting the future trajectory the relationship. However, our research also found that events that were considered “too good to be true” prompted suspicion. Thus, it is key to calibrate relationship-building initiatives to identify the ideal window in which they exceed the customer’s expectations, but do not go so far as to trigger undesired responses.

Our research provides insights into managing TREs as well. We found that communication, or timely sharing of meaningful information, can help leverage the effects of a positive TRE. Communication facilitates the customer’s discovery of potential opportunities for reciprocation and other actions to reinforce the relationship. Unfortunately, not all of the events in the client/agent relationship are positive. Negative TREs can cause clients to drastically redefine their perceptions of the client/agent relationship, and thereby threaten the long-term viability of a relationship. Communication can also help insulate the agent from negative TREs. In addition, our research showed that a seller apology suppresses the negative effects that redefining a relationship has on sales performance and partner identification. Therefore, it can be effective for a salesperson to quickly respond to betrayals and other relational violations by managing the client’s initial response to a negative TRE. Real estate agents should not cower from sharing bad news with their clients, even if that bad news was caused by the agent. Get in front of the message, be direct, and apologize to the client for any mistake or error that led to the negative result. However, in order to actually mitigate the negative impact, the apology must include remorse, taking responsibility without qualifying or justifying that responsibility, a willingness to make the matter right, and a promise to change in the future. If a real estate agent overlooked a fact, or even misstated a fact (e.g., client’s dream home with an accepted offer isn’t actually in the school district that the buyer preferred), the agent can mitigate the negative impacts of this TRE if she or he comes forward with a sincere apology and a willingness or a plan to make the issue right.

The relationship between real estate agents and their clients lasts over a length of time during the sale or purchase process. Throughout that process, real estate agents develop and strengthen their relationships with their clients. Further, while research identifies “pleasant surprise” as a desirable outcome of relationship-building efforts, our research suggests that the type of surprise (e.g., product versus relational) is critical to the longevity of its effects. Thus, investing in experiential (e.g., dinners, trips) rather than monetary (e.g., discounts, cash) rewards for clients, can have greater impact on the relationship, thus, warranting the investment. Strong relationships are important to build, but a real estate agent must also realize that with the strong relationship
comes the higher relational expectations the client has for the agent and the greater fall if the agent does not meet the client’s relational expectations.

**Recommended Reading**


**References**


**About the Authors**

**Colleen M. Harmeling, PhD**

**Assistant Professor of Marketing, Florida State University**

Colleen Harmeling (PhD – Saint Louis University) is an Assistant Professor of Marketing at Florida State University. Before joining Florida State University, Colleen was a Postdoctoral Research Fellow for the University of Washington’s Center for Sales and Marketing Strategy and now serves as the Director of Research Partnerships and Membership Programs for the center. She completed her Ph.D. at Saint Louis University. Colleen’s research focuses on customer relationship development, managing key events, and facilitating customer engagement and brand advocacy. Her research has appeared in *Journal of Marketing, Journal of International Business Studies, MSI Working Paper Series*, and has been presented at numerous marketing conferences. She has co-authored book chapters on relationship development and customer engagement. Her work on online engagement strategies has been funded by the Marketing Science Institute. She has provided consulting and worked on collaborative research projects with firms in various industries including Emerson Electric, Belkin, Wells Fargo, SC Johnson, Schneider Electric, and World Vision. Colleen has taught undergraduate and graduate
marketing courses including Marketing Strategy, Marketing Management, Consumer Behavior, and Marketing Research. Before entering academia, Colleen worked as the community relations manager for Barnes and Noble where she specialized in event marketing, sales management, customer relationship development, and government contracting. Colleen has additional experience working in non-profit marketing, sponsorship management, and tradeshow marketing.

Robert W. Palmatier, PhD
John C. Narver Professor of Marketing, University of Washington
Robert W. Palmatier (PhD – University of Missouri) is Professor of Marketing, and he holds the John C. Narver Chair of Business Administration at the University of Washington’s Foster School of Business. He is also the research director of UW’s Center for Sales and Marketing Strategy. He earned his bachelor’s and master’s degrees in Electrical Engineering from Georgia Institute of Technology, as well as an MBA from Georgia State University, a doctoral degree from the University of Missouri, and post-doctoral studies at Kellogg School of Management at Northwestern University. Prior to entering academia, Professor Palmatier held various industry positions, including President & Chief Operating Officer of C&K Components and European General Manager at Tyco-Raychem Corporation. He also served as a U.S. Navy Lieutenant onboard nuclear submarines. His research has appeared in Journal of Marketing, Journal of Marketing Research, Marketing Science, Journal of Retailing, Journal of Consumer Psychology, Journal of Academy of Marketing Science, and International Journal of Research in Marketing. He is the editor-in-chief for the Journal of the Academy of Marketing Science and Area Editor for Journal of Marketing. He has received the Harold H. Maynard, Lou W. Stern (3 times), MSI Young Scholar, Varadarajan Award for Early Contribution to Marketing Strategy Research, and the American Marketing Association Best Services Article awards. He has received numerous teaching awards for EMBA and MBA teaching including MBA Professor of Year, Robert M. Bowen EMBA Excellence in Teaching Awards (3 times), and PhD Student Mentoring Award (2 times).

Mark B. Houston, PhD
Department Chair and Professor of Marketing, Texas A&M University
Mark B. Houston (PhD – Arizona State University) is Department Head, Professor of Marketing, and Foreman R. and Ruby S. Bennett Chair in Business Administration at Texas A&M University. Mark is also affiliated with Arizona State University’s Center for Services Leadership and the University of Münster (Germany). His research on channels, movies, and innovation strategy has been published in Marketing Science, Journal of Marketing, Journal of Marketing Research, Journal of Consumer Research, and Journal of Financial and Quantitative Analysis, among others. He is Associate Editor of Journal of Service Research, AE of Journal of the Academy of Marketing Science, and a member of the Editorial Review Board of Journal of Marketing. Mark has served as President of the AMA Academic Council (2012-2013), and has
co-chaired the AMA Summer Educators’ Conference (2005) and the AMA/Sheth Foundation Doctoral Consortium (2010). He has received teaching awards at the national (Academy of Marketing Science), university (University of Missouri), and college levels (TCU’s Neeley School of Business; Saint Louis University’s Cook School of Business). He has conducted research, consulting, and/or exec education activities with many firms, including AT&T, Caterpillar, Dell, IBM, INGAA, Marriott.com, and WellPoint. Prior to joining Texas A&M in 2014, Mark was a chaired full professor at TCU.

**Mark J. Arnold, PhD**  
**Senior Associate Dean and Professor of Marketing, Saint Louis University**  
Mark Arnold (PhD – Saint Louis University) is Senior Associate Dean for Academic Programs and Professor of Marketing at the John Cook School of Business, Saint Louis University. Dr. Arnold will be assuming the role of Department Chair and the Clarence and Helen Steber Professor of Marketing in July of 2016. Prior appointments in the Cook School include Director of the Ph.D. program and Director for Faculty Development. Dr. Arnold has led numerous innovative institution-building initiatives over the years designed to improve research productivity, enhance teaching effectiveness, create new courses and programs, and improve current curricula across the Cook School of Business as well as University-wide. Dr. Arnold’s research is award-winning and impactful, appearing in leading journals in marketing such as the *Journal of Marketing*, *the Journal of Retailing*, and the *Journal of the Academy of Marketing Science*. He has authored or coauthored over 80 articles and conference proceedings to date and has numerous projects in the pipeline. Dr. Arnold has also won several teaching awards over the years with the most recent being the *2015 Emerson Excellence in Teaching Award* given to top educators in the St. Louis metropolitan region. Prior to entering academics, he worked for a number of years at the Federal Reserve Bank of St. Louis.

**Stephen A. Samaha, PhD**  
**Executive Research Fellow, University of Washington**  
Stephen Samaha (PhD – University of Washington) is an Executive Research Fellow for the Center for Sales and Marketing Strategy, Foster School of Business, University of Washington. His main research areas of interest relate to developing advanced empirical models for testing, enhancing, and optimizing marketing strategy and theory. He is a reviewer for the Journal of Marketing and has published numerous research articles in leading publications such as the *Journal of Marketing*, *Journal of the Academy of Marketing Science*, and others. He has extensive work experience in the fields of education, consulting, telecommunications, and financial services. He holds a BS in finance from the University of Southern California, an MBA in marketing from UCLA, an MS in statistics from Stanford University, and a PhD in marketing from the University of Washington.