DYNAMICS OF TRUST BETWEEN CLIENTS AND THEIR ADVERTISING AGENCIES: ADVANCES IN PERFORMANCE THEORY

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EXECUTIVE SUMMARY

Integrating concepts from the trust literature, this paper reconceptualizes Performance Theory (Davies and Prince 1999) and systematically explains why structural characteristics of advertising agencies (size, age, tie-in age) offer specific advantages or disadvantages in cultivating trust with their clients.

Two Generic Forms of Trust
The most salient sources of client trust of agency performance involve either agency creativity (Michell, Cataquet, and Hague 1992) or personal relationships between client and agency personnel (Beard 1996; Wackman, Wackman, and Salmon 1986/7). These sources signal agency competence and benevolence jointly as important measures of trustworthiness. Halinen's (1997) client-ad agency model of trust centers on focal relationship experiences, referred to as *specific trust.* However, *general trust* based on indirect communications (e.g., through consultants) and client knowledge of agency reputation has been neglected in the client-ad agency literature. We examine how clients' general trust of agencies can be cultivated prior to a relationship (referred to as pre-experiential trust). Both general and specific trust can assure clients about agencies' integrity, competence, and intentions. By integrating these concepts, revised Performance Theory offers several new contributions to previous trust-based client-ad agency models.

Pre-Experiential Trust
A central contribution is our codification of knowledge concerning several sources of pre-experiential trust. Clients aim to minimize the risk involved in agency performance by relying on a calculative approach to transactions (Williamson 1993). Referred to as *calculative trust*, this is estimated from a variety of sources of information. *Institution-based trust* comes from socially legitimated institutional procedures and practices (Baker, Faukner, and Fisher 1998). *Cognition-based trust* comes from organizational categorization associated with desirable qualities. As applied to Performance Theory, structural characteristics of advertising agencies are used by clients to form category expectations (or norms) about agencies' likely behaviors. *Value-based trust* ensues from perceived category similarities between clients and their agencies which convey a sharing of values that, in principle, encour-

ages more productive relationships. The advertising agency selection and client-ad agency relationship literature emphasizes the need for both parties to develop rapport and share a mutual business understanding (Cagley 1986; Michell, Cataquet, and Hague 1992; Michell and Sanders 1995; Michell 1998). This is most easily accomplished when common values exist between the two (Michell 1984; Michell 1988).

Pre-experiential trust theories and organizational structures
Structural characteristics of advertising agencies provide opportunities to improve a client's pre-experiential trust. Our theory asserts that opportunities for activating each source of trust are generally greater for large or mature agencies than for small or new ones, and for those agencies demonstrating high client-retention histories.

Sources of institution-based trust come from overall normative judgments emanating from agency structural characteristics. Sources of cognition-based trust include confidence that the structural characteristics are associated with the agency's versatility and access to capital. Sources of value-based trust include client confidence in matching categories between clients and agencies both organizationally and personally between staff to ensure compatibility and similar values. Each source can be applied to relationships and linked to elements of trustworthiness.

Experience-Based Trust

Another contribution is in explaining how trust placed in advertising agencies can be modified over different stages of the relationship. Clients initially gain information cues about agencies from procedural feedback and interaction qualities. Clients gradually find actual agency output to be more revealing and relevant, as sets of procedures and interactions translate into completed tasks.

The experiential phase of relationships can be subdivided into an initial stage and an established stage. The initial stage is the period when both client and agency are seeking to clarify their working norms. Clients attempt to compare expectations with experiences in order to evaluate the agency's integrity, intentions, and competencies. The established stage is the period in which clients and agency have worked sufficiently together on interactions, tasks, and roles so that both can clarify norms. Clients make informed judgments about the agency's intentions and levels of competence, gradually enabling them to replace previous sources of trust by norms of agency output.

Signals of account dissolution
We also explain why and how advertising agencies are unable to sustain creative output, thereby weakening client trust. A client's experience-based trust transforms during the client-ad agency relationship when the agency ceases to adapt its exchanges to meet client expectations, called *maladaptation*. In this event, trust may eventually turn dysfunctional. These dysfunctional processes include changes to client expectations, cognitive inertia, conservative performance, over-reliance on the client for direction, unjustified personnel changes, and opportunism that generally result in the agency's creative incompatibility with its client.

Trust-Creation Strategies

Our final contribution presents various client trust-creation strategies for advertising agencies to adopt over different stages of a relationship. Knowledge of pre-experiential trust sources gives agencies significant advantages, favoring their selection during the account pitching stage and continuing into later relationship stages. As clients gain experience in the relationship, agencies need to cultivate new ways of exploiting experience-based trust. They need to be aware of their own dysfunctional learning processes that, in turn, depreciate client perceptions of the agency's creativity and weaken client trust. During established relationships, clients can more easily and definitively assess the levels of success achieved by their agencies.

Directions for Further Research

Our trust model provokes a series of research questions. Do some particular sources of trust in agencies become redundant more quickly after the start of experiential exchange between partners? What mechanisms exist for rejuvenating sources of pre-experiential trust in agencies? To what extent can different sources of trust between clients and agencies coexist synergistically?

Conclusion
Revised Performance Theory explains changes in the ways trust evolves before and during different stages of client-ad agency relationships. Specific trust-creation strategies for agencies are recommended over the different stages and are linked to sources of trust that correspond to agency structural characteristics. Alerting agencies as to how to exploit their structural characteristics and improve their interorganizational legitimacy enables them to strengthen client trust and improve client-ad agency relationships.

Keywords: Client-ad agency relationships, Performance Theory, pre-experiential trust, trust-creation strategies.

Dynamics of Trust between Clients and Their Advertising Agencies: Revised Performance Theory

The following case illustrates the importance of the presence of trust for agencies and clients alike (Maney 2004). In 1984, Apple's Macintosh hired Chiat / Day for advertising their computer in the consumer market. The innovative ad featured skinheads watching big brother on a large screen, which is smashed by a young woman in bright red shorts, pursued by storm troopers. This event was followed by the new product announcement, “On January 24, Apple Computer will introduce Macintosh. And you’ll see why 1984 won’t be like 1984.” Although the commercial was considered risky by the client’s executives, Apple’s president, Steve Jobs, entrusted the agency with the huge production and media budget recommended. His trust paid off handsomely in an unprecedented positive sales response.

Sadly, all too often, trust can be a double-edged sword. In 2002, Labatt Breweries fired Ammirati Puris after a long-term relationship. Advertisers identified mistrust as the key force behind this break-up (Young 2002). Miscommunication between a client and its agency, an agency’s lack of directness and integrity about their own business values, missteps in how agency creative staff sought to be compatible with clients, and the misplaced emphasis in building trusting relationships at the expense of more evidence of accountability were all sources of mistrust. The case study highlights how boundary-spanning staff are instrumental in shaping client perceptions about their agency’s intentions and integrity. However, since the agency was mistaken about its client expectations, the client considered the agency investment in the relationship pretentious, with trust turning dysfunctional. In building a model of trust-creation, we suggest that professional management of accountability can help build trust. The Labatt case illustrates how specific processes that influence trust in client-agency relationships are not well understood by practitioners. This is regrettable, since with more trustful relationships, the agency can be empowered to improve the client’s market position. Strangely, academic theory and research on trust have also been relatively neglected in the client-ad agency literature.

We refer to client and agency as the decision-making units of organizations that are represented by account teams and often headed by an advertising manager and account director, respectively. In principle, these representatives may have their own separate identities and motives, but tend to mirror the culture of their organizations. Building on Performance Theory (Davies and Prince 1999), we present herein a new client-agency model of trust. The model explains how trust can be created prior to the client-agency relationship experience and how trust can be diminished in more advanced stages of the relationship. Revised Performance Theory provides a solid foundation for agencies to develop influence strategies useful for managing trust creation and sustainability. Influence strategies represent the most effective means of obtaining selection by rational persuasion, inspired appeals, and consultative advice (Farrell and Schroder 1996). The revised model of trust is conceptually appealing because it integrates disparate findings from client-agency relationship studies. We begin by defining trust and then explain its important role in these relationships before reviewing the literature and presenting the revised theory.

Building Blocks for Conceptualizing Trust

Interorganizational trust may be defined as a trustor’s willingness to rely on a trustee to fulfill important promises, guided by their expectations (mayer, davis, and schoorman 1995). A trustor's level of confidence in delivering on promises depends on estimating a trustee's likelihood of performing to expected desirable levels. This interdependency of parties assumes a risky commitment on behalf of the trustor and an expectation that the trustee will not exploit their vulnerability (lane and bachmann 1996). In client-agency relationships, the trustor is the client granting trust, whereas the trustee is the agency that is trusted. When a client is highly confident that an agency will meet its expectations, the client may be persuaded to commit resources to the agency, accepting some minimal level of risk. When clients select new agencies, clients commit their time and money in return for an expected desirable outcome.

In forming trust with agencies, clients use commonly accepted evaluative criteria for guiding their expectations. Perceptions of trustworthiness are necessary antecedents for confidence in professional relationships (Morgan and

Hunt 1994; Schurr and Ozanne 1985). According to Deutsch (1960), confidence is required in the capabilities, or abilities and intentions, of the trustee's actions. Trustworthiness is based on perceived integrity, competency (ability), and benevolence (intentions). Applied to client-agency relationships, integrity refers to the agency adhering to a set of principles deemed morally acceptable to the client (Mayer, Davis, and Schoorman 1995). Competency represents levels of technical abilities, skills, and know-how for effective task and situation-specific performance (Gabarro 1978). Benevolence refers to a helpful purpose, acting in accordance with the client's wishes, and fulfilling normatively approved intentions. A proxy of agency benevolence has been measured by perceived diligence in constructively responding to problems and cooperation to help the client achieve its objectives (LaBahn 1996).

The Role and Benefits of Client-Agency Trust

Clients hold an imperfect understanding of the long-term effects of advertising (Jones 1999), and lack technical knowledge about advertising campaigns (Devinney and Dowling 1999). This makes agency selection risky, necessitating the client's cultivation of trust. According to agency theory, although an agency may shirk its responsibilities or fail to deliver its promises (Fama and Jensen 1983), a client may find an agency's efforts and advertising capabilities difficult to evaluate. This ambiguity creates an underlying performance risk that clients may be unwilling to accept and may even lead to account switching (Helgesen 1994; Verbeke 1988/9).

The client's awareness of agency *performance risk* is heightened when seeking new agencies, given the lack of firsthand working partnership experience. Most agencies secure new business relationships by pitching or responding to a client's request with a presentation. These brief encounters increase the salience of agency performance risk for several reasons. First, the limited time frame makes it difficult to determine the quality of the future working relationship (Fill 2002). Compatible relationships appear to be of particular importance for some clients seeking agencies (Na, Marshall, and Son 2003). Second, there is the prospect that agencies can abuse pitching, switching more junior staff to new accounts after they are awarded. Third, the pitching process may not serve as a true indicator of creative potential. Strategic advertising proposals are not usually fully developed or presented in the required executional finish, nor tested under true market conditions.

The management literature suggests that clients cope with this problem, even without firsthand experience, by accepting a given level of risk. According to McKnight, Cummings, and Chervany (1998), trust can be cultivated prior to experience (as *pre-experiential trust*), or later built on firsthand experience in the relationship. Selnes (1998: 308) argues that without experience, trust must be present, since nobody would otherwise risk moving first. Similarly, Ford (1982) argues that clients gain their suppliers' trust by demonstrating early commitment. In turn, client commitment requires trust in agencies prior to the start of relationships. Trust offers hope to the client and faith in the agency that they will fulfill their promises. In the advertising business, trust is not blind but calculative. Clients determine an acceptable perception of risk after calculating the risks against the potential benefits of selecting a new agency. This is the basis of *calculative trust.*

In exploring relationships with newly hired agencies, we argue that clients can determine their own general rules and standards or norms of exchange by reflecting on culturally acquired beliefs and values. By applying these norms to new relationships, expectations about risk can be assessed. When trust is present, clients have assessed and accepted a given level of risk, reducing the apparent need for detailed and specialized knowledge of agency operations and advertising quality. Thus, trust enhances confidence in decision-making (Morrison and Firmstone 2000).

As client-agency relationships become established, clients are often eager to invest in the benefits of trust and commitment between partners. Commitment is a pledge to continuing relational exchanges based on mutual attraction between client and agency (Halinen 1997). Long-term strategic partnerships facilitate knowledge-based image-building (Harris and Taylor 2003). Shared knowledge, objectives, and plans depend on mutual trust. In turn, mutual trust is strongly associated with clients' loyalty to their agencies (Michell and Sanders 1995). From the agency perspective, having loyal clients means that more time can be spent in adding value to existing business rather than seeking new agency business. Understanding how clients cultivate trust in their agencies is critical as agencies continually face fresh challenges. The growing competition among ad agencies reflects the diversified functions of management consultancies and the unbundling of marketing communication services (Dawson 2000). With intensified competition, the risk to clients increases when agencies fail to perform. Agencies that can generate client trust will benefit by keeping client risk levels under control..

Studies of Trust Between Clients and Advertising Agencies

The client-ad agency literature can be split into the criteria that are attractive to clients and instrumental in agency selection, criteria affecting relationship development and maintenance, and criteria leading to relationship dissolution. Halinen (1997) has identified two types of trust in client-agency relationships. *General trust* is based on confidence through indirect contact and reputation and is instrumental in starting new relationships. *Specific trust* is based on past personal exchanges of interaction that help shape working norms during relationship development and dissolution (Halinen 1997).

The foundations of general trust may be inferred from the normative criteria clients use in agency selection. A shared purpose and compatibility of agencies with a client's business is important for agency selection (Cagley 1986; Dowling 1994; Fam and Waller 1999; Marshall and Na 1994). It follows that clients seek agencies that are specialized in the clients' businesses, and that are more likely to absorb their clients' cultures (Diaz 1985). Other selection criteria include agencies' reputations for integrity and technical performance (Na, Marshall, and Son 2003). Similarly, Verbeke (1988/9) identified as criteria meeting deadlines, performance targets, and budgets, as well as maintaining reputations for creative performance. A reputation for each criterion is a source of trustworthiness that clients seek in their relationships. Since speculative presentations may not accurately project trustworthiness, agencies need to cultivate strong reputations by sending consistent messages about their corporate cultures that conform to norms of client acceptability.

Relationship development and norm shaping. Sources of clients' trust in their agencies are more easily determined from working experiences. These involve either agency creativity (Michell, Cataquet, and Hague 1992) or personal relationships between agency and client personnel (Beard 1996; Wackman, Salmon, and Salmon 1986/7). LaBahn and Kohli (1997) found trust directly related to creative quality that was, in turn, related to productive interactions. They concluded that clients trust agencies that can deliver (creative) results that require good working relationships.

The relationship model of specific trust by Halinen (1997) supports the importance of perceived agency ability and constructive intentions for shaping norms. Her model involves agencies learning to adapt to their clients' needs while the clients' knowledge about their agencies' behavior grows with increasing tie-in age. This leads to clear behavioral expectations or norms for determining trust between partners. Risk is based on norms about future agency behavior that are confirmed (or denied) based on successive exchanges in the relationship. Interfirm knowledge from which norms are shaped is not only about how an agency objectively performs. Clear communication and roles are important for maintaining a relationship (Beard 1996; Waller 2004).

TRUST AND PERFORMANCE THEORY

Performance Theory examines how trust is generated and transformed during client-agency relationships. Building on the concept of performance risk, it offers a useful template from which to understand client-agency trust development. In explaining this development, Michell (1987/8) and Buchanan and Michell (1991) were the first to attribute levels of client-perceived risk to specified structural agency characteristics (such as size). Performance Theory shows how structural characteristics explain trust over the duration of client-agency relationships, supported by objective archived records of US and UK account behavior (Davies and Prince 1999).

Building on the role of agency structural characteristics in explaining adaptation, we seek further insight into how trust develops in relationships. *Adaptation* refers to altering the processes and items of exchanges to suit clients (Hakansson 1982). Performance Theory postulates that large, mature agencies with stable growth histories gain relational leverage with clients by exploiting their perceived superior abilities and motivation to adapt over other agencies. These structural attractions help position agencies to exploit their adaptational capabilities. In turn, their adaptation styles are instrumental in how clients perceive their performance. When client expectations of agency ability and motivation to perform are acceptable, the relationship is in a state of effective adaptation. Client-agency bonding is strengthened, which leads to sustained experiential client trust and commitment in future exchanges, explaining account longevity. Failure to achieve bonding provokes clients to select a new client-agency match.

Building on Halinen's specific trust model (1997), Performance Theory asserts that trust in client-agency relationships is conditioned by continuing client beliefs in the agency's abilities and motivation to serve their clients' needs. Trust is associated with expectations of the quality of future agency performance based on past experience with the agency. Lack of agency experience at the start of client-agency relationships makes clients more reliant on trusting their agencies. According to the theory, attractive agencies encourage early commitment signaled by client investment. This leads to reciprocal trust by the agency and serves to kick-start the relationship. The performance risk posed by agencies to their clients will then be reassessed by experience in later stages of their relationships.

Continuities and Advances in Performance Theory

Much recent managerial attention has been devoted to how knowledge is created and transferred in organizations (Choo 1998; Elsbach 2004; Ewing and West 2000; Gold, Malholtra, and Segars 2001; McKnight, Cummings, and Chervany 1998). Trust can act as a silent salesman for facilitating the sharing and transfer of knowledge. We assert that trust should be treated as a strategic resource that agencies can cultivate as an intangible asset. We suggest how agencies can design strategies to nurture client trust and achieve a competitive advantage in their client-agency relationships.

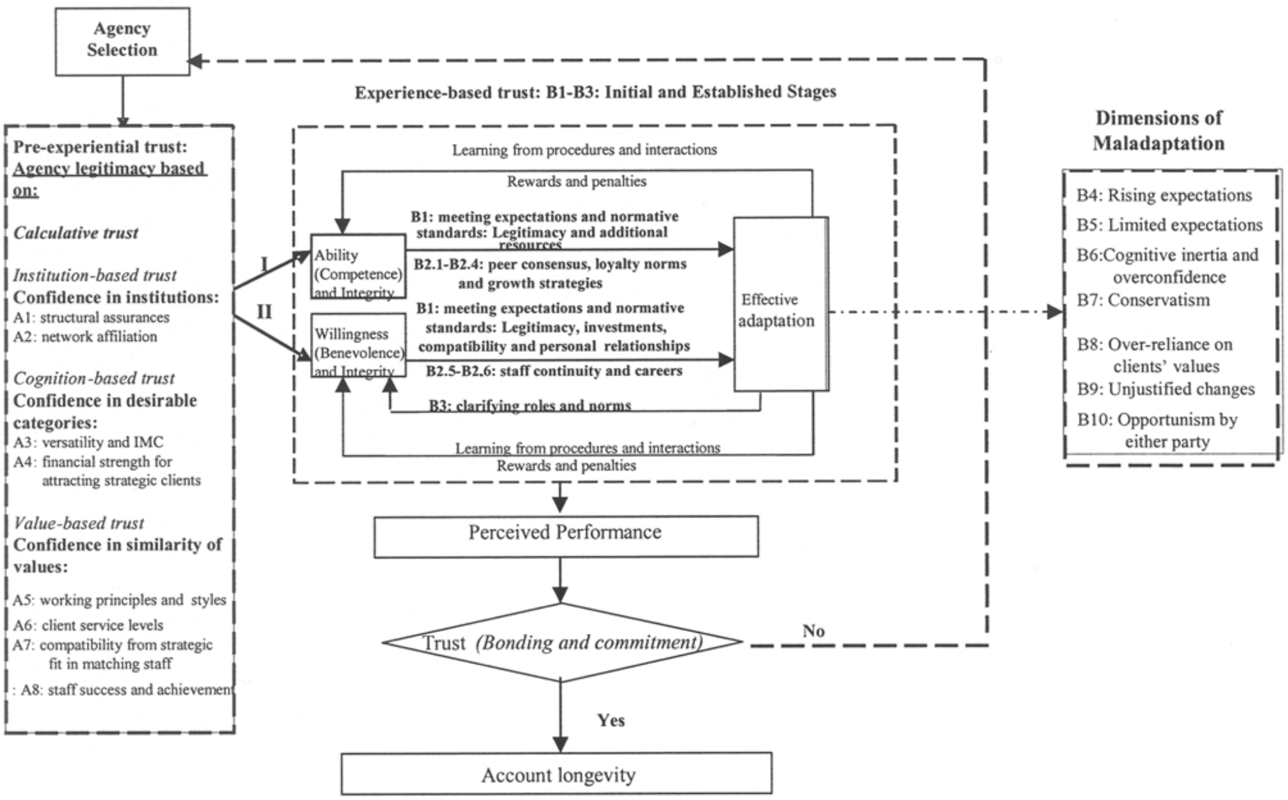
Performance Theory focuses on the development of trust that is consequential to a client's firsthand experience of agency performance (i.e., *experience-based trust).* Revised Performance Theory uniquely explains how sources of pre-experiential trust are created as criteria for evaluating, selecting and assignment of initial business to new prospective agencies. Revised Performance Theory advances explanations as to how agency structural characteristics such as age, size, and client retention of agencies (or client-retention histories) are used for judging agencies before firsthand experience. Our new theory shows how these structural characteristics can reflect sources of agency trustworthiness (integrity, competence, and benevolence) influential for agency selection by new clients. Operational definitions of agency size and age are consistent with those given in the original Performance Theory (Davies and Prince 1999).

McKnight et al. (1998) examined institutional and cognition-based cues designed to elicit first impressions and trusting beliefs prior to experience. Building on this work, our theory is based on how expectations of client trustworthiness are shaped by institutional norms, cognition-based cues, and client-agency similarity implying agency compatibility with client values. These expectations signal professional norms of behavior that can be traced to the structural characteristics of agencies. Although the interpretation of norms and structural characteristics can be considered at the impersonal organizational level, the opportunity for exploiting this knowledge is influenced by account teams and organizational representatives. Figure 1 is a schematic that formalizes the building block variables, their interrelations, and trust-related processes in agency selection and at various stages of client-agency relationships.

The first set of propositions involves building trust during agency selection at the start of a relationship (A1-A8). The second set concerns experiential trust processes, or experience-based trust (B1-B3). Since advertising agencies are mainly hired for their creative expertise, the final set of propositions considers the ways in which initially successful creative processes are unlikely to be sustained. These latter propositions explain how trust may turn dysfunctional, leading to eventual relationship failure and account dissolution between clients and agencies (B4-B10). Finally, we present a set of trust-creation strategies for advertising agencies.

FIGURE 1

REVISED PERFORMANCE THEORY
(Extended from Davies and Prince 1999)



Pre-Experiential Trust and Agency Selection

How agencies gain pre-experiential trust. Trust-based processes associated with agency selection are shown in the lefthand box of Figure 1, headed pre-experiential trust. Trust is predicated on a willingness to assume risk in the expectancy of benefits, inferred from the perceived characteristics of the trustee (Mayer, Davis, and Schoorman 1995). Trust levels are the calculative outcomes of risk assessment (Coleman 1990). Applied to agency selection, calculative trust involves clients weighing confidence by *estimating* the likelihood of gains and losses in choosing from among alternative agencies, and accepting a minimal level of perceived risk. Clients develop confidence based on calculations from three sources of pre-experiential trust. These are (a) norms about institutional practice; (b) categorical norms (i.e., qualities expected from association with particular agency features); and (c) norms based on identifying and sharing similar values with their agencies. We refer to these as *institution-based trust, cognition-based trust,* and *value-based trust,* respectively. These sources influence expectations about agency integrity, competency, and benevolence. Each source of trust can strengthen legitimacy, a strong sense of professional acceptability to facilitate client bonding during the selection process. In sum, pre-experiential calculative trust can be split further into three subtypes: institution-based trust, cognition-based trust, and value-based trust.

Institution-based trust. When risk cannot be easily assessed, clients may rely on legal sanctions if agencies default on contracts, sometimes dubbed 'weak trust'. For other clients wishing to avoid unnecessary risk, institution–based trust may be more actively pursued. Clients can assess whether agencies offer reassurances from observing normative trade practices. Positively assessed agencies convey levels of integrity and professionalism. According to DiMaggio and Powell (1983), institutional forces reflect pressures to rely on conformity to prevailing norms about the rules of exchange. Baker, Faulkner, and Fisher (1998: 159) and Keep, Hollander, and Dickinson (1998) argue that institutional forces are influential in client-agency relationships.

Cognition-based trust. Cognition-based trust assumes that clients draw on general experiences from outside the focal relationship by which they learn to associate desirable qualities with particular agency features or *categories,* using cues from structural characteristics. Clients estimate their perceived risk by drawing on familiarity with culturally understood categories for generalizing about behavioral expectations or norms relevant to agencies. According to Luhmann (1993), a client's attitude toward risk will be generally consistent with the expected minimization of losses. To remain commercially competitive, clients tend to choose agencies that are both competent in achieving at acceptable levels of performance and considered financially strong.

Value-Based Trust

Common perspectives about the importance of business strategies and goals signify *value-based trust* between clients and their agencies. The closeness and compatibility of agencies to a client's business are not only important for agency selection as previously discussed, but also for reducing the occurrence of client switching (Michell, Cataquet, and Hague 1992), and for relational harmony (Michell and Sanders 1995). These interpersonal qualities emphasize the need for clients and their agencies to share similar values (Michell 1988). According to Dwyer, Schurr, and Oh (1987), partners that share similar business values sense an initial attraction. This mutual understanding can strengthen relational values, trust, and contribute to high-quality creative work (Michell 1984). Compatible matching of client and agency staff can foster early rapport gained from first impressions, inspiring confidence in joint goodwill. Rapport is defined as enjoyable personal relationships with the “right chemistry” based on mutual benefits and liking of the working relationship (LaBahn 1996). Value-based trust is closely linked to shared values and a productive working relationship that promotes expectations of integrity and benevolence.

Trust Generation from Client Intelligence About Agencies

The analysis of pre-experiential trust is predominantly impersonal, being generally based on prior trade or organizational knowledge. Acquisition of knowledge about advantageous structural characteristics of organizations promotes trust (Luhmann 1979). This kind of knowledge typically relies on incomplete information gleaned from secondhand anecdotal reports. People make sense of such limited information by seeking *plausible* rather than necessarily accurate interpretations (Choo 1998). Due to the lack of working experience, clients select agencies by evaluating them primarily through *sense making*. Perceptions are filtered through norms of agency structural characteristics. Therefore, structural characteristics are instrumental in cultivating pre-experiential trust and offer clients a *plausible explanation* for agency selection. Agencies equipped with this knowledge can design trust-creation strategies for attracting prospective clients.

Clients' decisions about agency selection and investment necessitate risk. Agencies need to create impressions that they are credible and are safe in managing their client's business (Moeran 2005). Legitimacy can help clients to manage their accountability more professionally in this regard. With agency legitimacy, clients can more easily justify their agency choice directly to their network of stakeholders, influential peers, and the wider community based on normative criteria. Hence, investors prefer assigning new advertising business to either large or mature agencies (Mathur and Mathur 1996), primarily because additional agency resources are associated with greater salience and prestige. In turn, investor preferences predicated on agency legitimacy can influence a client’s agency selection. While this does not preclude the choice of small or new agencies, stakeholders would need more convincing in the event of poor performance.

Performance risk is heightened when clients seek to advertise in international markets, as the number of unknowns faced by their agency magnifies. The field of international advertising is replete with errors in brand positioning, brand naming, and corporate slogans that have worked well in domestic markets but failed elsewhere due to insensitivity to local cultures. Positive attitudes of local clients toward global strategies have the most influence in successful executions of global advertising campaigns (Kim and Mauborgne 1993). As Moeran (2005) observes, that when global advertising is planned and designed from a central source, it is important for the Head

Office to consult the views of local clients in agency selection. The legitimacy required by the Head Office in agency selection then extends as well to local client managers under global advertising. Consequently, client reliance on agency trustworthiness heightened in needing to meet multiple levels of legitimacy, making pre-experiential trust more salient. Further, if clients do not have a physical presence in their foreign target markets, their lack of direct control increases the risks inherent in agency selection.

Experiential Trust Processes

Client-agency bonding. Revised Performance Theory clarifies the multidimensional nature of client-agency bonding, an advance over original Performance Theory. Bonding is dependent on whether clients believe agencies can suitably adapt to meet clients' future needs. Effective adaptation, over time, affects perceived agency performance. Revised Performance Theory outlines how pre-experiential trust shapes client expectations of agency ability and willingness to perform during the relationship. Therefore, agencies with the same kinds of client-agency relational experiences may exhibit different levels of experiential trust. Arrows I and II in Figure 1 represent this process.

Revised Performance Theory introduces new elements of trustworthiness that promote client-agency bonding. Revised Performance Theory posits an agency's integrity and competence as indicators of its ability. Expectations of ability relate to economic bonding, and are supported by additional agency resources that lead to legitimacy. An agency's integrity and benevolence are indicators of willingness (motivation) to perform, reflecting social bonding. Expectations of an agency's willingness to perform can also signal its attractiveness for client business as an investment return. However, in social bonding, this is affected by relational features, such as compatibility with client values, and cultivation of formal and informal personal relationships between client and agency personnel. Each source of bonding can strengthen legitimacy.

Trust and Relationship Stage

Revised Performance Theory uniquely explains how selected bases of trust are salient over different stages of the client-agency relationship. Stages are defined by their typical relationship processes (e.g., Dwyer, Schurr, and Oh 1987; Ford 1982). The *initial stage* of a relationship is a testing period when client and agency seek to clarify their roles in their relationships. Such roles are the expression of pre-experiential behavioral expectations or norms of achievement. Clarification of roles is based on observing procedures and interactions during exchange between the organizations.

During the initial experiential stage, clients assess whether their agencies are meeting their pre-experiential expectations or norms. Clients judge agency performance on feedback that can be traced from effective adaptation to their original expectations about agency ability and willingness. Feedback from procedures and interactions and the pattern of rewards and penalties experienced by the client both shape the clients' learning experiences about agency ability and willingness. If client expectations appear to be met, performance adaptation and client trust will follow (proposition B1). If not, clients will initially reduce dissonance or heighten agency surveillance to test clients' previous levels of confidence in agency performance (proposition B2).

In the *established stage*, with more experience, clients can assess the agencies' contributions to their businesses with more conviction. Accordingly, prior expectations are more readily adjusted upon successive service encounters, gradually transforming into norms based on actual achievement or results (proposition B3). Clients use the same elements of trustworthiness for both relationship stages, but in the established stage apply their norms with greater specificity. In the established stage, agency reputation and style become less relevant whereas creativity, productivity, and information sharing become more prominent as evaluative criteria.

Trust and Account Dissolution

Original Performance Theory only briefly outlines how trust can turn dysfunctional during the client-agency relationship, leading to account dissolution. Revised Performance Theory elaborates on this process. It shows how changing client expectations and agency propensity to adapt are interconnected to organizational learning, often leading to failure to sustain creativity.

During established relationships, clients tend to draw more on the *actual output* from their agencies for revising their expectations. This increases their agency vulnerability to disappointing performance and maladaptation (i.e., ceasing to meet clients' expectations), weakening client trust.

Maladaptation can result in account termination. High trust encourages learning to be transferred between client and agency. Consequently, a change in client expectations can make agencies vulnerable because the effects of organizational learning on trust can reduce an agency's ability and /or willingness to sustain its creativity. Thus, there can be negative consequences of high levels of trust in relationships (Grayson and Ambler 1999). Our model shows how organizational learning, or failures of organizational learning, can generate negative consequences of trust over the relationship. In some cases, a lack of shared vision reduces information sharing necessary for learning, compatibility, and creative development. Maladaptation can emerge from rising expectations, limited expectations, cognitive inertia, conservatism and over-reliance on client values, unjustified changes, and opportunism in relationships. These refer to propositions B4–B10, shown in the right-hand inset box of Figure 1.

Revised Performance Theory is supported by studies of account dissolution that have consistently revealed *dissatisfying creative performance* as the most influential reason for clients switching from their agencies (Dowling 1994; Doyle, Corstjens, and Michell 1980; Durden, Orsman, and Michell 1997; Michell 1986/7; Michell, Cataquet, and Hague 1992). Other key aspects of dissatisfying performance are (a) unsatisfactory quality of working relationships and (b) inferior service quality (Beard 1996; Ghosh and Taylor 1999; Kaynak, Kucukemiroglu, and Odabasi 1994; LaBahn and Kohli 1997; Wackman, Salmon, and Salmon 1986/7). These studies confirm that perceived agency competence, integrity, and benevolence are central elements of perceived performance and trustworthiness in client-agency relationships.

REVISED PERFORMANCE THEORY PROPOSITIONS: PRE-EXPERIENTIAL TRUST IN AGENCY SELECTION

We start with the variables in Figure 1 that relate to bases of pre-experiential trust (A1–A8). We examine how clients' expectations of their agencies are shaped by normative assurances, network membership, agency versatility, financial strength, compatible working styles, dedication to client service, strategic staff fit, and success and achievement, all associated with agency structural characteristics.

Institution-Based Trust and Agency Selection

In assessing the risk of hiring agencies, clients calculate the likelihood of various agencies fulfilling promises. Risk is subjectively minimized by reliance on legitimacy drawn from expected working practices or institutional norms (such as informal rules of exchange) prevalent in the advertising field reflecting institution-based trust. Two conditions of legitimacy jointly determine which agencies are more likely to receive higher levels of institution-based trust from prospective clients. These institutional norms are built on (1) normative structural assurances and (2) the extent of qualifying agency network affiliations.

Normative structural assurances provide assurances of integrity that are often based more on informal rules of exchange, or by-products of more formal exchanges. The latter include legal contracts (Humphrey 1998) and guarantees (Dwyer, Schurr and Oh 1987). The likelihood of fulfilling promises is more contingent on the type of contract in force rather than its details. Clients that offer large contracts (such as multinationals offering global accounts to a central agency) can expect and demand agencies with strong claims to legitimacy, based on offering extended assurances. Client expectations of delivery are high due to their increased exposure to risk in relying on a single agency for coordinating their business, rather than diversifying their risk by using several agencies. Client demands are high due to their significant bargaining power from their contract to demand strong normative assurances. For example, in the event of agency-client disputes leading to the cancellation of creative work-in-progress, contracts can state who pays for any re-work.

Client confidence is more likely for agencies that can extend their normative assurances into foreign markets. According to Sorrell (1999) and Tharp and Jeong (2001), the recent trade norm for multinational clients is to prefer to work with one central agency worldwide for coordination of global advertising campaigns. Clearly this favors agencies that are well established with global connections to optimize audience reach, and can also assure local sensitivity to cultural norms. Such clients might expect *tightly specified contracts* and extended *guarantees* to enforce excellent agency performance.

For entering foreign markets with a standardized global campaign, large or mature agencies are likely to be preferred over small or new agencies for their normative assurances of managing global campaigns. In such cases, large clients, in particular, are more likely to favor large agencies, reflecting matching by size (Michell 1984), and to favor agencies with strong client retention histories as acceptably legitimate.

> ***A1**: Agencies that offer prospective clients extensive normative assurances in fulfilling their promises domestically and globally generate expectations of normative compliance, and are likely to be attributed legitimacy and granted client trust.*

Cultivating personal relationships and favorable publicity through business networks is more effective for attracting new agency business than are aggressive forms of personal and speculative selling (Waller et al. 2001). In terms of key capabilities, firms create and disseminate knowledge about norms through networks of relationships (Gold et al. 2001). Each ad agency is connected to a unique network of qualifying affiliated bodies associated with the advertising industry. Legitimacy is partly based on agency behavior by virtue of its connection to this network. Agencies that are members of trade associations are expected to comply with norms of codes of conduct outlining standards of professionalism. This heightens expectations that such members will deliver consistent service and reliability to their clients. Clients benefit from a strong sense of risk-reduction, conveying trust. *Agency network memberships* facilitate institution-based trust. This involves (1) the strategic roles of search consultants that use such networks to screen prospective agencies for clients and (2) the status conferral role of agency trade associations.

To help in agency selection, the Institute of Practitioners in Advertising, the UK trade body that represents advertisers, advises its clients to use agency accreditation with trade bodies, peer opinion, or *search consultants* if agency knowledge is not widely available (The Guide 2002). If clients lack resources to perform agency reviews, consultants are likely to be chosen for the task (Beard 2002). There is an intimate connection among these options, because trusted brand or corporate names can bolster a firm's institution-based trust (Zucker 1986). Search consultants gain credibility with their clients by recommending agencies that are endorsed by professional associations which are considered by clients to be objective, respected by peers, and trustworthy.

A key role in consultant searches is corporate reputation. Motivationally, when search consultants choose a reputable ad agency, they also reinforce client satisfaction with the consulting arrangement. For this reason, ad agencies with strong structural advantages and derivative reputations receive strong recommendations from search consultants. This is similar to inflated consumer perceptions of market shares associated with successful consumer brands (Doyle 1989). Agencies that have extensive business networks are likely to have strong connections with search consultants who, in turn, can influence client beliefs about agency capability.

> ***A2**: Agencies that hold extensive qualifying membership in advertising trade networks generate client expectations of commitment to trade norms, and are likely to be attributed legitimacy and granted client trust.*

In sum, agencies that offer normative assurances and belong to extensive qualifying networks benefit from the agency selection process. These agencies are more likely to be recognized for their professional integrity and granted high levels of institutional trust. Agencies offering structural assurances and extensive networks to potential clients include large or mature advertising agencies and those enjoying strong client-retention histories. Offset against size is the reputation for creative flexibility associated with boutiques. Due to the requirement of extended legitimacy, boutiques can improve their prospects of selection if (a) they are members of trade associations or respected networks, or (b) consultants are confident they are known to have a proven track record. Performance risk becomes unacceptably high without these caveats.

Cognition-Based Trust and Agency Selection

Client confidence in agency ability and professional commitment can be met by cognition-based cues. *Cognition-based trust* stems from categorization processes about a stimulus, a concept, and its features or attributes (Fiske and Taylor 1984). Clients can calculate and reduce risk based on categorization that involves several processes. Confidence in agencies from which selection is based, is derived from client beliefs about (a) agency membership in a desirable general category and (b) special qualities associated with the category, making it desirable. These cognitions are influenced by prior familiarity with the general category or from culturally understood categories (though not with the particular agency) from which generalizations about norms can be made. As Strub and Priest (1976) explain, prior schema, or structural associations of knowledge, are derived from general experience and meaning transferred through relevant culture.

The Revised Performance Theory propositions below suggest that attributing agency legitimacy depends on the client's expectations of the agency's (1) versatility and (2) financial strength. These two conditions of legitimacy jointly determine which agencies will be more likely to receive higher levels of cognition-based trust from prospective clients.

Clients may confer legitimacy on agencies considered to have a versatile range of competencies. An agency's versatility includes the ability to offer integrated marketing communications or IMC (Shimp 1997), to serve global brands through international market coverage (Kim 1995), and to offer creative freshness. More integration of marketing communications is achievable when business is consolidated to fewer agencies and agency turnover is minimized (Gould, Grein, and Lerman 1999). Under these circumstances, the legitimacy and trust placed in agencies with IMC capabilities is more likely to be rewarded with additional client accounts.

Large agencies may be positioned as versatile, given their breadth of skills, scale of operations, quality of creative teams, global networks, and range of services (Davies and Prince 1999; Halinen 1997, Michell, Cataquet, and Mandry 1996). Impressions of an agency's multifaceted competencies can be supported by its track record of impressive client retention (Butkys and Herpel 1992; Davies 1994). Mature agencies have obvious advantages in demonstrating a long-standing track record of client retention and an appropriate client pedigree. But mature agencies need to avoid becoming over-positioned or typecast if strongly known for a particular creative direction, since they may over-rely on replicating past success. In this respect, new agencies with less client history can more easily project an image of creative freshness because they will generally be less creatively over-positioned than mature agencies.

> ***A3**: Agencies that cultivate cognition-based expectations of versatility are likely to be attributed legitimacy and granted client trust.*

The abundant and lucrative business offered to well-capitalized agencies can be attributed to the quality of clients they attract. Sophisticated clients seek long-term assignments with their agencies. These clients are attracted to financially sound agencies that can assure strategic thinking capabilities associated with stable relationships. Unsophisticated clients are more attracted by price. Agencies engaged by sophisticated and lucrative clients have less urgency to pitch for new business and are able to allocate resources more efficiently. Agencies that are less financially stretched inspire client confidence, legitimacy, and cognition-based trust.

Large or mature agencies and those with strong client-retention histories are likely to attract a high proportion of sophisticated clients. This reasoning is supported by findings that show large and mature agencies share a high concentration of relationships with high survival rates and with large accounts (Davies and Prince 1999; Michell 1986/7). Such agencies find it easier to attract lucrative business compared to small or new ones that are tied to more unsophisticated clients. According to Michell (Campaign 1983), clients fear that small agencies will have limited financial backing or resources, exposing clients to financial risk.

> ***A4**: Agencies that cultivate cognition-based expectations of financial strength are likely to be attributed legitimacy and granted client trust.*

Value-Based Trust and Agency Selection

Value-based trust depends on the extent of *value homophily* between clients and agencies. Clients confer legitimacy to those agencies with similar business values, recognizing them as more compatible working partners. Clients must assess the risk of incompatibility with agencies at the organizational or interpersonal level. At the organizational level, similarity of values is gauged but not exclusively based on the perceived fit between organizational cultures. For example, agencies and clients must share a compatible risk tolerance perspective in their business partnerships. At the interpersonal level, client-agency value homophily is based on a compatibility of each firm’s representatives' backgrounds. Corresponding similarity assumes that values and goals are shared either interorganizationally or interpersonally (Nicholson, Compeau, and Sethi 2001). Both offer value-based trust.

The revised performance theory propositions below suggest that client attributions of agency legitimacy depend on (1) compatible client-agency working principles and marketing roles, (2) agency renown for meeting levels of client service, (3) initial matching of agency and client staff, and (4) strong agency values of success and achievement. These four conditions of legitimacy jointly determine which agencies will be more likely to receive higher levels of value-based trust from prospective clients.

When agency and client staff share similar values of integrity and benevolence, clients expect effective client-agency coordination of effort and compatibility, evoking legitimacy. Clients seek agencies that share their client’s values by initially sensing communities of joint interest, mutual understanding, liking, and anticipated reciprocity of welfare (Lewicki and Bunker 1996; McAllister 1995). Agencies can more easily convey similar values to clients if *they* have sufficient understanding of their clients’ products and needs. Hence clients seek agency experience and understanding of the client’s target markets. Agencies are screened for their level of similarity to the client based on industry market shares, company life cycle stages, levels of responsibility and investment, and levels of staff seniority that all point to likely compatible working values.

A prime consideration is to choose an agency that is well-respected by peers to avoid unnecessary client-agency conflicts (Jones 2001). One source of conflict is the amount of autonomy offered to agencies that represent local clients in foreign markets. In selecting a lead agency for coordination of global advertising, the lead client requires assurances that the level of autonomy offered to any local agencies hired will support the client's overall strategy to ensure consistency across markets. This favors lead agencies that are well established with global connections. Large or mature agencies are likely to have linkages to a network for facilitating a central coordinating role, or hold investment equity in other agencies, granting large agencies a measure of control. Small or new agencies generally have insufficient experience needed to convince clients that they (a) understand their client's products and needs, and (b) hold similar business values.

> ***A5**: Agencies considered to have a tacit understanding of client organizational values, based on similar working principles or responsibilities, generate client expectations of compatible working relationships and coordination of marketing effort, and are likely to be attributed legitimacy and granted client trust.*

Clients seek a desirable level of agency benevolence based on anticipated service levels. Service levels can be measured by the anticipated amount of attention and effort an agency will give to the client’s business. Organizational values are more likely to be similar between clients and agencies if each firm’s staff is either specialized or allocated larger role bundles. All agencies tend to *ration* client service according to account profitability (Ghosh and Taylor 1999). However, because small agencies are expected to meet the client’s organizational service requirements, small clients will often choose small agencies. For example, small clients are less likely to lose in a small agency relationship than a large one following realignment from agency merger activity. Under these circumstances, small agencies represent a lower degree of risk for small clients, granting them value-based trust.

Even large clients may occasionally consider hiring specially selected small agencies with values similar to their own in order to exploit their relative leverage. They do so with the intention of receiving lavish service. A regional US survey by Sekely and Blakney (1996: 26) shows a strong service orientation associated with small size. Small agencies were rated high on personal attention to their clients and account services (offering flexibility, meeting deadlines, providing communication, and following through with other account-handling activities). Hence, when service levels are a priority, the size of the client usually determines the size of agency required.

> ***A6:*** *Agencies considered to offer a tacit understanding of client organizational values based on clients' anticipations of meeting expected levels of client service are likely to be attributed legitimacy and granted client trust.*

Agencies that can match key staff to those of their clients can generate expectations of personal chemistry or rapport, responsible for building trust between people in relationships (Wackman et al. 1986/7). Key boundary-spanning members of the agency account team can be groomed to signal similar corporate values to their clients, cultivating personal value-based trust. People chosen for sharing similar backgrounds, tastes, and lifestyles improve interpersonal communication and understanding of objectives (Churchill, Collins, and Strang 1975). On the other hand, differences in education and experience can be dysfunctional for relationships (Beard 1996; Ewing, Pinto, and Soutar 2001). Sharing of similar business values is associated with closer identity and reduced conflicts of opinion strengthening trust (Nicholson, Compeau, and Sethi 2001), increased liking (Newcomb 1961), prosocial behavior (Batson 1991), and mutual comfort increasing prospects of being hired (Gallois, Callen, and Palmer 1992), all indicative of rapport.

Agencies rich in staff and in experience of handling a variety of relationships, including global accounts, can more appropriately match the background of account executives to those of their clients. The collective conditions above increase client confidence in selecting generally large or mature agencies, to encourage a shared understanding of client needs and rapport. Matching at the personal level is important for selecting multinational agencies. Large agencies, by virtue of their international affiliates, can draw on staff resources that are more specifically matched to the culture of their clients. This improves the prospect that value-based trust will develop.

> ***A7****: Agencies that promise to allocate an appropriate strategic fit of staff values encourage client expectations of mutual understanding and rapport, granting client trust.*

New agencies may emerge from successful splinters or spin-offs that break away from a parent (West 1996). These splinters can be identified as sharing similar values to the parent agency based on ambition, creative philosophy, or success. Selection of splinter agencies is facilitated by value-based trust whereby clients share similar values with the parent firm. Rapport and satisfying personal relationships are expected when supported by clusters of the original staff that share client values.

> ***A8****: New splinter agencies that attract staff from their successful parent agencies can generate client expectations of continuing rapport and values of achievement, transferring legitimacy to these new agencies, and granting client trust.*

EXPERIENCE-BASED TRUST AND CLIENT-AGENCY RELATIONS

The next section examines the variables in Figure 1 that relate to bases of experiential processes leading to effective adaptation (B1–B3). Experience-based trust is a process of clients and agencies interacting and learning about each other. Both partners generate a continuing stream of information about behavioral expectations. Clients expect agency staff to perform in ways initially guided by pre-experiential trust, but gradually refined upon cumulative experiences. Experience-based trust builds on direct or indirect knowledge about the exchange partner and is tied to signals of trustworthiness from past exchanges (Lane 1998: 11).

Norms based on the pre-experiential trust phase are gradually modified by norms based on observation through *interpersonal* and *interorganizational behavior* within the client-agency relationship. Norms are refined especially through interactive personal relationships of boundary-spanning staff that can share common interests and values.

Dynamics of Trust Over the Initial Stage of the Relationship

During the initial relationship stage, clients make judgments about their agencies based on their limited working knowledge of their agency, combined with the difficulty of evaluating professional services (Kumar 1999). Under these circumstances, individuals rely on heuristics (Payne 1976). To reduce cognitive burden, clients tend to selectively use information that is consistent with prior expectations or norms and achieve cognitive consistency (Fiske and Taylor 1984). When client interpretations of their experiences fail to match up to prior expectations, clients may show reluctance to switch agencies, relying on norms about their agencies' capabilities from pre-experiential trust. This need for consistency, to legitimize previous agency selection, is referred to as *cognitive inertia*. When the perceived fit between clients' expectations and their experiences is confirmed, this signals relationship adaptation, supports previous legitimacy, and strengthens trust, reducing the likelihood of cognitive inertia.

> ***B1**: The perceived fit between client expectations and experiences of agency ability and willingness increases favorable interpretations of adaptation, thereby supporting legitimacy, strengthening client trust, and reducing the probability of cognitive inertia.*

Clients begin to interpret the quality of their transaction experiences from procedures and interpersonal interaction (Bies and Shapiro 1987; Larzelere and Huston 1980; Leventhal 1980). Hence, client expectations are initially compared to a restricted set of client-agency experiences. Agencies demonstrate trustworthiness by adapting procedures and interactions consistent with the expectations of their clients. For example, agencies can influence the peer referral process by discussing good relationships they have with other clients who, in turn, they know will speak highly of them. Clients that interpret positive peer consensus may adhere to loyalty norms that signal their agency's legitimacy and help to sustain institution-based trust. Agencies that assure their clients they can meet their future growth strategies can signal additional resources for sustaining cognition-based trust. Assuring staff continuity at the agency strengthens personal relationships with clients and shapes future expectations of relationship continuity. Personal relationships encourage reciprocal investments in support of the agency's anticipated excellent performance. Peer consensus, loyalty norms, growth strategies, and staff continuity of personal relationships can all help to strengthen trust, explained in proposition B2 and shown by the center box in Figure 1.

Pronounced structural advantages are specified for new client-agency relationships in Performance Theory. Agencies that can exploit structural advantages, such as those with vast creative resources, or boutiques with the flexibility to supplement creative resources of an agency under pressure (White 2000:17) have the best prospects of effective adaptation. Further, effective adaptation is less threatened if agencies benefit from cognitive inertia during the initial stage. Selected agencies that do not benefit from structural characteristics will benefit less from cognitive inertia if they are accorded relatively low client expectations. Consequently, when client experience fails to match expectations during the early testing period of the relationship, such agencies are more vulnerable to early account dissolution.

Institution-Based Trust and Client-Agency Relations

Peer consensus. The perceived fit between clients' expectations and their agencies' performance is conditioned by an agency's mix of accounts. Clients can gain comfort from their peers' successful campaign stories in dealing with the same agency. When these peers have experienced similar marketing problems to the client, peer endorsements provide added salience. Such stories provide reassurances about their agency's capabilities, supporting legitimacy and strengthening institution-based trust. The perception of similar perspectives between the client and other peers with the same agency invokes the general concept of normative isomorphism (DiMaggio and Powell 1983), whereby expectations reflect common worldviews of networked advertiser organizations. Large and mature agencies are likely to benefit from reputational effects and strong client retention histories (Davies and Prince 1999; Mathur and Mathur 1996), strengthening trust. In turn, client expectations about their agencies affect their commitment to them.

Clients may feel obliged to adhere to advertising practices consistent with *loyalty norms* (Baker, Faulkner, and Fisher 1998). In doing so, clients signal commitment to their agencies, expecting reciprocal commitment from them (Halinen 1997). Clients wishing to protect their reputations for integrity can offer a pitch-free period with their newly appointed agencies, a move strongly advised by professional agency associations. Clients that are loyal to their agencies and conform to institutional norms expect rewards that can reaffirm the legitimacy of their agencies. Client rewards include the preferential assignment of the agency's best creative staff to their account and the expectation of their undivided loyalty, in return. Clients demonstrating loyalty assume that performance risk from their agency is lower than the risk from opportunity costs accruing from tarnished reputations (Klein, Crawford, and Alchian 1978).

Client expectations increase with the size of business awarded to an agency. Thus, agencies need to demonstrate their highest level of commitment if awarded large global accounts. In turn, such agencies can expect more enduring loyalty than for exclusively domestic accounts due to the additional switching costs associated with global realignment. Large or mature agencies are more likely to benefit from enduring loyalty due to their likely eligibility for global accounts.

> ***B2.1****: The perceived fit between client expectations and experiences of agency ability and willingness to act in the client's interest heightens institution-based trust and reduces the probability of cognitive inertia.*

> ***B2.2****: Perceived agency capabilities that meet or exceed client expectations based on an agency's likely adherence to trade norms support agency legitimacy and strengthen a client's institution-based trust.*

Cognition-Based Trust and Client-Agency Relations

Growth strategies. Expectations of an agency's competency are conditioned by agency categories that signal additional resources for efficiently meeting growth, and ultimately the global branding plans of ambitious clients. With the growth plans of global branding demanded by multinational clients that hold interests in transnational markets, agency size becomes a critical factor. Outstanding reputations of agencies for international operations and market coverage help sustain agency legitimacy during relationships. These agencies tend to be multinational (MNAs) in that they manage offices in two or more countries or have bought out local agencies in foreign markets. According to Kim (1995) and West (1996), MNAs hold growth efficiencies in terms of access to capital, reduced transaction costs in the coordination of markets, and synergy from the exchange of ideas and people across cultures. Collectively, these benefits strengthen cognition-based trust. The limited access to capital for small or new agencies reduces their scope of operations in other countries, acting as an entry barrier (Kim 1995). For multinational clients seeking growth efficiencies from their agencies, the category risk of endorsing small or new agencies may be too great. However, small or new agencies may be granted cognition-based trust based on competent performance for businesses with limited geographical scope.

> ***B2.3****: The perceived fit between client expectations and experiences of agency competence to deal with global brands of clients heightens cognition-based trust and reduces the probability of cognitive inertia.*

> ***B2.4****: Perceived competence based on an agency's category that meets or exceeds client expectations of global branding supports agency legitimacy and strengthens a client's cognition-based trust.*

Value-Based Trust and Client-Agency Relations

Staff continuity of rapport. Agencies that assure their clients of continuity in key boundary-spanning staff sustain expectations of, and enhance, productive business relationships (Seabright, Levinthal, and Fichman 1992). Continuity of key account staff with the same client over cumulative encounters encourages personal relationships and rapport to grow. Personal relationships encourage productive interaction, reflected by abundant interfirm knowledge (Halinen 1997), openness of feelings (Cunningham and Turnbull 1982), and sharing of strategic business values. Agencies should be able to adapt more easily to meet clients' expectations.

Continuity has a multiplier effect on relationships. According to Moorman, Zaltman and Deshpande (1992), as trust is earned, interactions become more productive. Agencies that cultivate personal relationships with client personnel encourage reciprocal investments and commitment from their clients. An agency's assignment and continuity of key agency personnel are clear signals of respect for the client and intentions to enhance the relationship (Henke 1995; Michell 1986/7). With continuity, clients can expect benevolence such as fair value without overcharging, improving rapport and strengthening relationships (LaBahn 1996; Wackman et al. 1986/7). Harmonious client-agency relationships support previous legitimacy, and value-based trust becomes implicit, inspiring agency creativity.

Career enhancement. In advertising, concerns about professional recognition and career fulfillment can be intense, leading to fragile personal relationships. Agencies can build client assurances of continuity of personal relationships by offering progressive career opportunities. Agency personnel that can fulfill their personal ambitions lead to more motivated, loyal staff and greater workforce stability (Alvesson 2000; Hunt, Chonko, and Wood 1985). Account teams from agencies that offer internal career advancement can lead to greater retention of key account staff. For example, large MNAs are generally known for offering their staff the best remuneration, career opportunities, working environments, and resources (West 1996). The rich heritage of mature agencies can also help retain staff. Small agencies tend to be more vulnerable to takeovers (Kim 1995), which can potentially disrupt staff continuity.

> ***B2.5****: The perceived fit between client expectations and experiences of agency ability and willingness heightens the salience of value-based trust and reduces the probability of cognitive inertia.*

> ***B2.6****: Perceived intentions of an agency for maintaining productive relationships that meet or exceed client expectations support agency legitimacy and strengthen a client's value-based trust.*

Dynamics of Trust Over the Established Stage of the Relationship

Trust is higher when clients feel sufficiently informed about their agencies' work. Trust is built on reliability, relevance, and personalization of repeated exchanges based on relative information quality (Salaun and Flores 2001). By the established relationship stage, clients have sufficient working experience of completed tasks to make accurate and confident judgments about their agencies' creative performance. These judgments include whether agencies perform tasks to expectations, deliver what they promise, and make effective use of the client's money. According to Henke (1995), clients are more concerned with creative results than with agency reputation over time. Agencies can demonstrate their commitment by consistent dedication to improving performance. A client's interpretations of their agency's performance sharpen as previous norms are replaced by interpretations of actual creative output. However, performance is still open to client interpretation and latent effects of structural characteristics will still exist.

Agencies known for successful client relationships are viewed as strong creative performers, whereas those known for troubled client relationships are considered suspect in their creativity.

> ***B3****: By the established stage of client-agency relationships, as roles and normative performance become clear and satisfactory, clients develop greater confidence in judging that agencies will meet their performance expectations, strengthening client trust granted to an agency.*

Maladaptation and Client-Agency Trust in Established Relationships

The next section examines the experiential processes leading to activation of dimensions of maladaptation (B4–B10). According to Henke (1995) and Michell, Cataquet, and Hague (1992), when client-agency relationships deteriorate, it is with gradually increasing dissatisfaction over agency performance. Agencies can fail to meet changing (and rising) client expectations, weakening trust. We examine institution-based, cognition-based, and value-based processes that lead to inability or unwillingness to continue to meet their clients' needs. When expectations about creative performance are violated, there is maladaptation and the threat of account loss.

Rising expectations. When strong trust exists in client-agency relationships, interdependence can grow, facilitating learning. This does not always continue to benefit the relationship. With more long-term accounts, agencies increase their knowledge about clients' working preferences and types of business. From the agency perspective, this potentially lowers transaction costs associated with each successive creative change. Clients may increasingly expect more productivity for fewer resources spent, particularly in light of joint commitment and involvement. With rising expectations, agencies whose creative resources are stretched may find it difficult to gauge and meet the new creative standards required. This calls their performance into question, lessening trust. The problem is exacerbated when agencies oversell their promises (Halinen 1997). To cope with their anticipated accountability for their actions, decision-makers may prefer to persist with the current creative approach in order to justify the sacrifices already made (Tetlock 1991).

Large or mature agencies have learning advantages such as extensive stakeholder networks that increase their likelihood of adapting to rapidly changing markets, and meeting their client expectations (Davies and Prince 1999). For example, mature organizations have established processes for rapidly internalizing knowledge into new ideas (Calantone, Cavusgil, and Zhao 2002).

> ***B4****:The stronger the client's commitment and investment in its agency, the greater the likelihood that the agency will be unable to meet rising client expectations, eventually weakening client trust.*

Maladaptation and Institution-Based Client-Agency Trust in Established Relationships

Limited expectations. Agencies that have committed investments to a particular creative approach may become transaction-specific (Williamson 1993). Accordingly, clients can face institutional pressures should they attempt to legitimize any creative alternatives. To abort tied investments that have brought success requires strong leadership to convince their varied stakeholders. These pressures to continue along prevailing opinion act as switching costs that strengthen the client's sense of legitimacy with its creative approach, leading to less urgency in searching for creative alternatives. Since large and mature agencies benefit from strong client legitimacy (Davies and Prince 1999), small or new agencies need to apply more effort and evidence to convince their clients about alternative creative approaches. Since more convincing is required to gain client approval of alternatives, these agencies may become *cognitive misers* (Tetlock 1991), leading to what they feel will be most acceptable to their clients (i.e., the status quo), not based on thinking what is best for the situation. When the creative needs of clients rapidly change, as with senior client personnel changes, the agency integrity to provide alternative ideas and meet new expectations is questioned, leading to a breakdown of client trust.

> ***B5****: The stronger the agency's commitment and investment to a creative approach, the stronger the client's sense of legitimacy, the greater the agency unwillingness to respond with alternative ideas, restricting agency creative adaptation, eventually violating client expectations and weakening client trust.*

Maladaptation and Cognition-Based Client-Agency Trust in Established Relationships

Cognitive inertia. Processes associated with original success can lead to complacency (Sitkin 1992). Agencies can easily fall into the "competency trap" of cognitive inertia, i.e., repeating what they know they can do that works well. High client *confidence* in their agency's competency and integrity, predicated on past success, can encourage cognitive inertia. Over time, overconfident agencies with steadfast beliefs become vulnerable from failing to deliver new creative communication strategies requested by clients. We refer to this vulnerability as the *performance paradox*. What follows is a reduction in the quality of creative work, increasing client disappointment and weaker trust.

Following Nelson and Winter (1982), marketplace adaptations in successful client-agency relationships are increasingly likely to be based on habitual, ritualistic activity. Repetition is especially likely for the most recent routines (Cyert and March 1963). However, the variety of experiences that enable new creative thinking to emerge are limited by engagement in routine tasks (Nonaka 1994). A broad scope of purpose for a relationship (e.g., shared strategic vision) encourages information sharing and learning behavior (Selnes and Sallis 2003). We believe this can reduce the threat of creative staleness by replication of past success. Since large and mature agencies share strong client account retention histories (Davies and Prince 1999), and have enriched experiences with multinational clients (Kim 1995), their variety of experiences offer a broader scope of purpose than is the case for small or new agencies. Such conditions accelerate their learning ability and confidence to move beyond creative replication.

> ***B6****: The stronger the agency confidence in its past success, the greater the restriction in creative scope and variety of agency experiences to adapt, eventually violating client expectations of competence, weakening client trust.*

Maladaptation and Value-Based Client-Agency Trust in Established Relationships

Value-based processes encourage incompatible client-agency values based on risk tolerance, lack of objectivity, or unjustified client-agency changes in advertising products. There is also opportunism. These factors relate to dysfunctional aspects of benevolence that can collectively lead to clients reducing their relational attraction to their agencies.

Conservatism. Trust is about a client's tolerance for accepting risk. Conservative values of clients can be associated with a low preference for accepting risk that can inhibit creativity (Amabile et al. 1996; Ford 1996). Conservatism is indicated by the level of inactivity in response to competition in organizations, referred to as *competitive inertia* by Miller and Chen (1994).

Client conservatism may lead to incompatible relationships due to several processes. Value-based trust relies on partners sharing similar values, but partner values can diverge with time. Predicting creative agency behavior from the past can convey security and consistency, which are positive values for promoting client-agency trust during the initial relationship stage. In more established relationships, client conservatism can inhibit learning and is more destructive for the relationship.

According to West (1999), the client has considerable influence on an agency’s propensity to take risks. This propensity may wither if client account teams become too fearful of failure, preferring to work close to familiar ideas, rather than testing new creative approaches that increase the risk of losing personal esteem. As clients increase their investments in agencies, their risk tolerance for agency mistakes lowers. Clients attached to a single business have generally more to lose from commercial disappointments than their agencies that can be involved with several other client accounts. The underlying pressures for clients to protect a brand's vulnerable market position may conflict with agencies’ more radical creative preferences to gain them fame and fortune. This fundamental conflict in risk tolerance can reduce rapport, leading to incompatible working relationships. This can lead to client perceptions that agencies are only working for themselves, reflecting inbenevolence that weakens client trust.

If multiple agencies are used for adapting global campaigns for local audiences, there is the likelihood that their risk tolerances will be incompatible with that of their multinational clients. A central global agency that owns their local agencies in foreign markets can ensure more control by coordination (DeMooij and Keegan 1991). Large agencies can achieve this with their capital and critical mass.

> ***B7****: Agencies that evade client norms of risk tolerance show motivational distance from their clients' businesses, eventually violating client expectations of agency benevolence, and weakening client value-based trust.*

Over-reliance on client values. For other relationships, values converge with increasing tie-in age, and creativity becomes stale, leading to dysfunctional value-based trust. Agencies can become too close to the working practices and strategic thinking of client organizations, losing their ability to think and act objectively (Selnes and Sallis 2003). Sources of trust based on rationally calculated needs can be gradually replaced by the need to be liked by the other party, reflecting emotional bonds (Jones and George 1998). Hence, benevolence in personal relationships can become excessive and counterproductive. As clients' views become more clearly understood, agencies are more likely to behave according to what their clients find acceptable. If clients are short-sighted, then agency judgments are dysfunctional (Tetlock 1991). Failure to think independently is more likely with agencies that have too few clients, or for those that rely on a single client for much of their business. In such cases the amount of learning transferred among agency staff working on different accounts is limited. Small or new agencies may be especially keen to please their clients to maintain business. These agencies are vulnerable from getting too close to their clients' businesses, losing objectivity, breaching expectations of strategic capability and weakening trust. Agencies might also try to divert attention away from their struggle to find creative solutions, over-relying on service and hospitality in desperate attempts to seek client approval.

> ***B8****: The greater the agency motivation to be liked by the client, the closer the agency values to the clients' business, eventually violating client expectations of agency objectivity and strategic capability, weakening client trust.*

Unjustified changes. Norms are violated if clients demand too much change too quickly—changes judged unacceptable by their agencies, or vice versa. Such disagreements can indicate incompatible values that can upset working relationships. Creative energies become replaced by exercises in conflict resolution (Mower 1999). Unless productive relationships are restored, accounts remain vulnerable to maladaptation. A general agency criticism is that clients seek premature creative changes before the existing ideas have been fully commercially exploited. Such dogma can emerge from disagreement over campaign objectives, clients' dislike of ads, and how much the advertising contributes to marketing success (Dowling 1994). An increasing client intolerance for the agency's viewpoint may be interpreted by the agency as offensive. Agencies can resist meeting their clients' expectations, withdraw their benevolence and weaken trust.

A central agency responsible for coordinating global accounts has ample opportunity to advise its global clients about when to make changes, and thus reduce conflict in the process. Overreliance on several local agencies is more likely to lead to conflict, since each agency feels more responsible for its local markets.

> ***B9****:Agencies that evade client norms of change in objectives, people, and processes trigger dysfunctional conflict and incompatible working relationships, eventually violating client expectations of benevolence and weakening client trust.*

Opportunism by agencies. With closer working relationships, agencies become more engaged in their clients' strategic thinking. As clients' trust in their agencies increases, agency performance is less thoroughly monitored with relaxed control mechanisms, and clients become vulnerable to opportunism (Selnes and Sallis 2003). High personal trust associated with major success or long-term relationships can reflect high client respect for agency intentions and integrity. Client trust can be exploited by malevolence rather than matched commitment by the agency. Signs of slackening service and / or weak creative execution are indicators of lack of agency commitment. Applying transaction cost-economics (Williamson 1993), agencies take a calculative decision toward being opportunistic, with less reputable agencies more likely to prefer to maximize self-interest from each transaction. High profile agencies with long-term expectations of relational exchanges that need to preserve their reputation for integrity will be less tempted.

> ***B10a****: The higher the client trust in its agency, the lower the client motivation for close control, the higher the temptation for agency opportunism, eventually violating client expectations of intentions and integrity, weakening client trust.*

Opportunism by clients. Clients that face enormous internal pressures to get quick results do not always act in good faith to sustain trusting, professional relationships with their agencies. Weak clients with poor financial performance records may be tempted to sack their agencies to legitimize their own reputations (Lipman 1991). As agency trust in a client increases, account staff are willing to offer additional service quality and creative energy to this preferred client beyond their call of duty. As agencies become involved beyond their expected responsibilities, clients may not appreciate this extra-role behavior (Beard 1996). Clients may sense and calculate that greater returns are possible from exploiting agencies rather than cooperating with them, increasingly demanding more productivity with fewer rewards. For example, clients may become involved in rampant cost cutting from agency budgets. Clients may feel they are justified if agency work becomes devalued as the agency's contribution changes from that of providing creative expertise to account servicing. Continual education of clients in an agency's contribution to brand building can reduce this opportunism.

> ***B10b****: The higher the agency trust in its client, the higher its motivation to ingratiate the client with additional tasks beyond their expected roles, and the higher the temptation for client opportunism if there is a lack of client commitment.*

All agencies are at threat from these trust-based processes that can lead to maladaptation. B7-9 illustrate why relationship compatibility is delicately balanced for maintaining adaptation. While agencies need to demonstrate they have a similar tolerance toward risk to their clients (B7), there is a clear need to maintain a professional distance from their clients (B8). While B8 indicates the dangers of agencies offering limited creativity, B9 shows how too much creativity can also be counterproductive for relationships. B10 illustrates the need to monitor partner commitment.

TRUST-CREATION STRATEGIES BY AGENCY STRUCTURAL CHARACTERISTICS: PRACTICAL INSIGHTS FROM REVISED PERFORMANCE THEORY

Trust-creation strategies for agencies with specified structural characteristics at various stages of their client relationships are outlined in Table 1. The theoretical rationale for these strategies is summarized after the table. Client-agency relationship stages are agency selection, the initial stage, and the established stage. In the initial stage, the quality of the client-agency experience is uncertain. In the established stage, strategies are designed to reduce account loss by averting maladaptation. We also suggest how agencies can plan business changes to minimize account losses from maladaptation. Revised Performance Theory propositions are presented for each strategy.

THEORETICAL RATIONALE FOR TRUST-CREATION STRATEGIES

Structural Characteristics and Agency Selection by Clients

Large or mature agencies. During sales pitches, these agencies can ensure that prospective clients are aware of the benefits of legitimacy associated with agency size and experience, thereby exploiting pre-experiential trust. For example, they can demonstrate the benefits of a good strategic client-agency fit, such as assurances of compatible account executives with client boundary-spanning staff. These agencies create expectations of normative compliance, offering security and comfort due to the profile of their clients, the size of business awarded, and the need to protect their existing reputations, strengthening institution-based trust. As active members of professional associations and networks, they can encourage trusted intermediaries or referees to speak highly of them, transferring trust between influential parties. To encourage cognition-based trust, agencies can promote their own desirable categories, or explain why selected categories they credibly possess are desirable for their clients. For example, they can project legitimacy by cultivating a strong reputation for their range and pedigree of clients. This can offer reassurances of their versatility, range of services, and financial strength, cultivating trust.

TABLE 1

Trust-creation Strategies by Agency Structural Characteristics and Client-Agency Relationship Stage

Agency selection stage	**Revised Performance Theory**
Strategies for large or mature agencies	***Propositions***
▪ Indicate marketing skills through strategic fit for leading clients.	A1-8
▪ Build client anticipation of security and comfort in relationships.	A1
▪ Exploit professional networks to maximize endorsements.	A2
▪ Stress outstanding reputation in the industry.	A2-4
▪ Promote desirable categories to which they can credibly belong.	A3-4
▪ Project confidence in sharing similar values with clients' business.	A5-6 and A8
▪ Select key staff to match client profile and establish early rapport.	A7
Strategies for small or new agencies.	***Propositions***
▪ Build legitimacy with publicity and Effectiveness Awards.	A1-2
▪ Extend guarantees and other structural assurances.	A1
▪ New agencies may themselves position on creative freshness.	A3
▪ Target price-conscious clients with shorter planning horizons.	A4
▪ Convince their clients they share similar business values.	A5-6
▪ Promote niches for quality client service.	A6
▪ Splinter agencies can encourage similar expectations of success.	A8
Initial stage of client-agency relationships	
Strategies for large or mature agencies	***Propositions***
▪ Remind clients of the agency's professional integrity in the industry.	B2.2
▪ Promote capabilities to service multinational clients.	B2.4
▪ Maintain rapport by emphasizing continuity of key personnel.	B2.6
▪ Communicate shared strategic values with clients.	B2.6
Strategies for small or new agencies.	***Propositions***
▪ Demonstrate ability to perform at expected or higher levels.	B2.2-B2.4
▪ Maximize service advantages and flexibility to validate sources of pre-experiential trust.	B2.6
▪ Signal commitment to client-agency relationships.	B2.6
Established client-agency relationships with strategies for averting maladaptation	
Strategies for large or mature agencies.	***Propositions***
▪ Change creative teams to redress any creative staleness.	B4-B6
▪ Encourage risk-taking by creative personnel in search of agency excellence.	B4
▪ Ensure creative personnel work for client recognition and peer approval.	B7
▪ Monitor client-agency relations to make personnel adjustments if conflict is frequent.	B7, B9
▪ Ensure autonomy of all agencies on a campaign are compatible with the client's risk tolerance and need for change	B7, B9
▪ Avoid opportunism to preserve reputation.	B10a
Strategies for small or new agencies.	***Propositions***
▪ Small agencies consider benefits of acquisition by large agencies.	B3
▪ Remain vigilant of rising client expectations.	B4
▪ Avoid complacency on existing accounts.	B4-B6 and B8

▪ Find innovative ways with clients to share risk in the creative process.	B6
▪ Retain continuity of key agency staff with accounts.	B7-B9
▪ Develop personnel to achieve higher individual performance levels.	B7-B9
▪ Change business risk perceptions to appeal to clients.	B7
▪ Remain objective in creative success by retaining some independence from clients.	B8
▪ Educate clients in the strategic value of brand building.	B6, B9, B10b
Established client-agency relationships after maladaptation	***Proposition****
Strategies for large or mature agencies.	
▪ Exploit trade network and gain valuable publicity to offset harm to reputation.	
▪ Be proactive, rather than simply conform to past client expectations of creativity.	
Strategies for small or new agencies.	
▪ Maintain motivation of agency creative staff.	
▪ Concentrate relentlessly on critical client assignments.	
▪ Balance services between large and small accounts.	
▪ Allocate effort efficiently between servicing existing accounts and pursuit of new accounts.	

*Note: any of these strategies may be applicable that can be linked to each of the propositions from the set B4-B10.

Agencies can project confidence in sharing similar values to their clients by transmitting knowledge of their clients' businesses that could only be known from working in the industry, sharing similar role status (such as market shares) or similar levels of achievement. Large or mature agencies should be able to match staff at the clients' service encounters, establish personal relationships, and generate value-based trust.

Small or new agencies. During agency selection, legitimacy attracted by small or new agencies needs careful planning. Small or new agencies need to rely on generally small clients that tend to require short-term (transactional) relationships. To cultivate institutional-based trust, agencies need to build client reassurance and trade endorsement. Small or new agencies can build positive publicity about their creative potential, possibly through recent Effectiveness Awards. To command peer respect, some small agencies have gained a regional presence in selected markets. Others have joined independent networks to broaden their coverage and range of skills (West 1996). Small or new agencies can offer structural assurances such as guarantees beyond expectations and reduce perceived risk by assuring clients that the agency will pay for its mistakes.

To strengthen relationships by using cognition-based trust and value-based trust, small or new agencies must invest in creating the right kind of first impressions for positive sense-making to take place. Sense-making can be derived from categorizing size or age, or based on value homophily. During the pitching stage, a knowledge of client cultures and accepted business practices can help meet client approval. Agencies that research into their client's consumer markets may convince their clients they have sufficient experience for handling international markets. Small or new agencies that can demonstrate the integrity and competencies of large ones will increase their chances of competing on a similar level of legitimacy.

Those that can demonstrate prudent staff assignment can convey benevolence and improve their chances of promising enjoyable, fulfilling, personal relationships. If they can demonstrate strong client-retention histories, they can reduce their perceived risk, improving legitimacy.

New agencies rely on few past successful experiences to replicate, and in this respect are less likely to suffer from the pitfalls of cognitive inertia that can stifle creativity. Hence new agencies can credibly position on creative freshness during agency selection. Small or new agencies may decide to specialize in targeting small clients, or will need to be more persuasive in attracting large clients. Small, locally based agencies can survive through specialization (Kim 1995). They should probably seek more credibility by gaining a favorable reputation within niche markets, developing and promoting a reputation as a “large agency” in a narrow field. Alternatively, they can specialize as creative boutiques offering creative flexibility and speed to market.

Small or new agencies can cultivate trust through a service orientation. This is perhaps most beneficial to clients that value procedures as much as creative outcomes. Small or new agencies should target clients that value procedures, typically retailers, since the sheer volume of ads from quick response to the market requires different permutations of price points and merchandise changes. Operational issues such as delivery become as important as stunning creativity. Since new or small agencies may have no experience with their client’s business, they need to convince their clients they share similar working values. New splinter agencies formed from successful parents might recruit individual personnel that have held previous relevant experience on competitive accounts. These new agencies can remind clients that they hold similar values and aspirations of success, encouraging value-based trust.

Structural Characteristics and the Initial Stage of Client-Agency Relationships

Large or mature agencies. These agencies are initially protected against disappointing performance by cognitive inertia, but cannot afford complacency. During the initial relationship stage they can build experience-based trust by reminding their clients of their professional integrity within the industry, promoting their capabilities to service the growth strategies of multinational clients, and leveraging the early rapport built through interpersonal relationships. Large or mature agencies that ensure continuity of key staff matched to their client profile offer opportunities to share strategic values.

Small or new agencies. The honeymoon explained by early cognitive inertia may be short for small or new agencies during the initial stage of relationships. This is because clients may draw on the latent effects of legitimacy in their encounters with agencies that repeatedly disappoint in their relationships. During the initial relationship stage, small or new agencies need to prevent early disconfirmation about their trustworthiness with their clients. To reduce their vulnerability, they can spend more effort convincing clients that they can meet client expectations. This requires attention to service and demonstrated commitment. Some will develop regional niches to service clients with limited geographical scope. Service advantages and flexibility can be built into working practices that best suit clients. To boost the chances of long-term relationships, these agencies can signal commitment by investing some of their best staff to these accounts.

Structural Characteristics and the Established Stage of Client-Agency Relationships.

Large or mature agencies. The benefits associated with pre-experiential trust that favor these agencies can provide sustained benefits in established relationships. Agencies should exploit strong relationships attributed to adaptation, attracting additional business from their existing client base. To reduce any threat of creative staleness, large and mature agencies can offer a choice of creative teams, reinforcing legitimacy.

However, these large or mature agencies that have experienced creative success can have trouble in maintaining their client relationships. When top creative staff is attracted to well-known agencies, the confidence and ability held in such creative talent from previous success may create the conditions for encouraging single-minded pursuits. Well-known agencies afford protection from client conflict, which shields creative work from client influence and obstruction. However, some clients will not be prepared to trust this process, threatening the relationship. Large or mature agencies may need to encourage their creative personnel not only to work for peer approval but also to promote recognition by clients. Both of these objectives underscore the importance of maintaining compatible relationships between client and agency personnel.

Client-agency relationships need to be monitored to make necessary personnel adjustments. These are needed if clients feel that conflict is unacceptably frequent and unpleasant, weakening trust. More sophisticated clients may require creative excellence, calling for more risk-taking at whatever cost to the process of getting there. Hence, agencies need to match their capabilities to the divergent needs of their client base. The resources of large agencies and experience of mature agencies enable them to match key staff to different types of clients more precisely, thereby reducing the likelihood of poor rapport. Multinational clients may hire a lead agency for the coordination of local agencies for global campaigns. Lead agencies that have invested equity in local agencies gain some control over the level of local agency autonomy, reducing potential conflicts about levels of risk tolerance and creative changes expected by their clients. Agencies that value the business generated from their corporate reputation may prefer to strengthen their relationship and gain more business rather than exploit their clients' trust in them.

Small or new agencies. These agencies can be attractive candidates for take-over by large agencies. Clients may seek growth or ambitions beyond the perceived competency of their small or new agencies. Such agencies could seek being acquired to meet approval with their clients' expansion plans. Small or new agencies need to guard against complacency and be vigilant of rising client expectations over the duration of relationships. They should try to discourage perceptions of narrow scope that can restrict new creative ideas, reflecting cognitive inertia. Discouraging inertia requires innovative ways to share the risk in the creative process. For example, *chip shop accounts* relate to small clients that offer creative license in return for the agency contributing toward the cost of the work by charging at under normal market rates. Such accounts offer creative fun and freedom for the agency, providing training opportunities and, in the event of major success, valuable publicity.

To preserve levels of client service, key agency personnel can be retained on existing successful accounts. New staff may compromise levels of client service, causing rising discontentment because they are insensitive to (a) their client's tolerance for risk, (b) their need to learn about the client's business and (c) their tendency to make unjustified changes, each leading to vulnerable relationships. Agencies must encourage retention of staff by offering clear and rewarding career paths. Formalizing procedures for staff development can improve performance and continuity of staff. Agencies can also seek to change their clients' attitudes toward risk. Instead of minimizing losses, clients can be encouraged to accept more risk associated with potentially greater returns.

Small or new agencies that rely on a small client base need to remain objective when seeking client recognition of success. We suggest the use of independent quality control checks on their own operations and performances. Finally, small or new agencies may need to persuade a significant proportion of their unsophisticated clients not to switch campaigns prematurely without drawing offense. By educating these clients in the strategic value of brand building, they can also reduce the threat of client opportunism.

Managing Opportunism

Clients can discourage agency opportunism by avoiding complacency on accounts. Clients can signal their commitment to relationships by making working experiences enjoyable for their agencies. Clients can offer regular access to company information, explain lucidly the rationale for any testing methods, make fair and prompt payments, and share their strategic plans with their agencies.

Agencies should avoid client ingratiation with unsolicited hospitality and extra-role behaviors that run the dual risk of client opportunism and inadequate servicing of other client accounts. We suggest cultivating relationships at the most senior levels in order to forestall client opportunism, and to avoid agencies becoming scapegoats for problems outside their control. Establishing regular client links at top management level (CEO or chairperson) can discourage opportunism.

Strategies after Maladaptation

Large or more mature agencies. These agencies faced with recent account loss will be anxious to protect their existing reputations. They should engage closely with their strong trade networks and proactively seek ways of creating valuable publicity (such as broadcasting new business opportunities they are offered) that divert attention from any notable client loss, securing their corporate reputations and attraction to future clients. To avoid future creative staleness, large and mature agencies need to be proactive and alert to clients' changing perspectives and creative expectations. Tacit knowledge transfer can be leveraged by sharing experiences at regular attendance of professional functions through their existing networks. This can improve their alertness to 'client trends' and state-of-art technology.

Small or new agencies. After account loss from maladaptation, small or new agencies are generally vulnerable to losing more business than large or mature agencies. Motivation of creative staff may be crucial to ensure constant focus on a typically rapid succession of short assignments. With fewer clients than their large or more mature counterparts, it only takes a few losses to create instability, further demotivating account teams. The structural disadvantages of small or new agencies may offer sufficient reason for other clients to justify switching. Such agencies must emphasize their commitment with improved business planning by focusing efforts and resources on prioritized accounts and critical tasks. With a tendency for rapid account turnover (Davies and Prince 1999), they need to match their efforts efficiently between servicing existing accounts and pursuing new ones.

When conflict leads to maladaptation, small or new agencies that have recently lost business may find their resources stretched in seeking new business. They need to concentrate relentlessly on critical client assignments. We suggest they can segment clients according to tolerance to conflict and their clients' relative perceived value. Agencies can monitor their client's conflict (high or low) and classify their clients into those whose relationships are worth rejuvenating and those that are not based on perceived value. Agencies and clients face a lose-lose situation if agencies decide to rejuvenate relationships of low perceived value and whose clients have low tolerance for conflict. For clients who exhibit low tolerance and are of high value, agencies can protect existing relationships from further deterioration by explaining their reasoning for their beliefs in a non-threatening way and by avoiding defensive behaviour in response to client dogma. Agencies can render unavoidable conflicts functional by transforming them into pleasant learning experiences. Agencies can seek to find common ground with their clients as a forum for debate and a means for compromise. Offering training programs can pre-empt potential conflict. Agencies must try to avoid being intimidated or engaging in self-serving behaviour. Clients should then become more willing to understand the agency viewpoint. Client-agency relationships are less vulnerable with clients that have high tolerance to conflict but agencies should focus on those that promise high value.

CONCLUSIONS

The major contribution of this study is the explanation of the role of trust creation as an intangible strategic asset that agencies can use in influencing agency selection and its role in relationship management. No previous study has developed a model of trust-creation prior to experience for understanding client-agency relationships. With the downsizing of marketing departments, clients do not have the time, inclination, or expertise to monitor and challenge every decision their agencies make, and so are resigned to choosing agencies they feel they can trust to act in their best interests. Consistent with managerial psychology (Na et al. 1999, Tetlock 1991), clients are likely to act heuristically rather than make systematic choices based on all available facts. Clients tend to reach for a practical solution that offers, at a minimum, acceptability criteria for agency evaluation, suitable to all their varied constituents.

Revised Performance Theory provides a general framework for understanding how agencies create and sustain trust with clients that have no prior experience with agencies considered for selection. Agencies can exploit their working knowledge of structural characteristics that appear attractive to clients to gain maximum leverage with their clients. Our theory of pre-experiential trust rests on clients calculating and accepting a given level of risk based on interpreting norms predicated from institutional standards, cognitions, and values associated with agencies.

Agencies can encourage clients to consult known agency advocates such as peers, trade associations, or consultants in influencing their search. Agencies can promote categories they could feasibly be associated with, or explain why selected categories they fall under are desirable. For example, small agencies can promote their flexibility to deliver varied products. An agency with a knowledge of value-based trust creation can appeal to a client's values and aspirations, injecting enthusiasm with a little prior planning and foresight into their client's background. They can encourage rapport and early client commitment by matching staff more precisely to those of the clients and can engender values of compatibility and client service. Agencies considered structurally disadvantaged when cultivating trust in seeking new business can sharpen their rate of successful sales pitches, and reduce their overheads in seeking new business. Research can establish *which* clients are likely to be most compatible based on institutional endorsements, known desirable categories associated with prospective clients, or sharing similar values.

Since trust is an intangible asset not easily acquired by competitors, but can be soured very quickly, trust should be considered a precious organizational resource. A conceptual appeal of the theory of trust-creation is that agencies, once selected by clients, can continue to exploit leverage of structural characteristics for maintaining relationships. However, in established relationships, as trust becomes increasingly based on norms of creative output, agencies must avoid the threat of maladaptation. One of the dilemmas facing clients and agencies is that, as their relationship history strengthens, they can both become preoccupied with accountability for previous decisions made, leading to an obsession for risk aversion (Tetlock 1991). In terms of creativity, agencies should be wary of getting too close to their client's ways of thinking. Agencies should proactively introduce new ideas to encourage their clients to rediscover their zest for creating exciting campaigns, and cultivate an enjoyable business atmosphere. When work becomes a means of routinely avoiding risk from accountability for past actions, the creative energy from which new ideas emerge is lost, with both sides underperforming. For other clients that are premature in seeking to change creative direction, agencies need to uphold their professional integrity by educating clients in the benefits of brand-building without drawing offense. Clearly this is a more risky strategy for agencies to adopt than simply seeking gratifying clients with their unreserved approval. It can pay off handsomely as clients begin to reflect on past actions of their agency in future similar situations when the need for agency trust is again heightened.

Revised Performance Theory can be applied to suit a range of agencies based on their structural characteristics. However, the guidance on which strategies follow must be tempered by our caveat when making generalizations about structural characteristics associated with trust building. Not all agencies of a similar size, age, or history of client retention will be *equally* affected by the demands of legitimacy, and its consequences for trust creation.

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