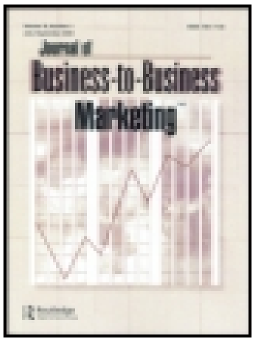

Journal of Business-to-Business Marketing

ISSN: 1051-712X (Print) 1547-0628 (Online) Journal homepage: https://www.tandfonline.com/loi/wbbm20

Social Exchange Theory and Research on Business-to-Business Relational Exchange

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ABSTRACT. Social exchange theory (SET) has been used extensively by marketing scholars to explain business-to-business relational exchange. Despite its popularity as a theoretical explanatory mechanism, there is no recent literature review that delineates SET's foundational premises, how it has been used in the marketing literature, and its theoretical limitations. This article provides such a review and is intended to assist researchers who wish to use SET to examine business-to-business relational exchange.

KEYWORDS. Social exchange theory, business-to-business marketing, relational exchange, exchange, relationship marketing

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The authors would like to thank Shelby Hunt, The J.B. Hoskins and P.W. Horn Professor of Marketing at Texas Tech University, for his help during the project.

Exchange is central to the study of marketing as a discipline. At least since the research of Kotler (1972), Bagozzi (1975), and Hunt (1976), definitions of the process of marketing have been focused on the act of exchange between parties. Correspondingly, exchange has been a central research thrust in business-to-business (hereafter, BTB) marketing, with a growing interest in the *non-contractual* mechanisms that govern the exchange process between firms (e.g., Dwyer, Schurr and Oh 1987; Gundlach and Murphy 1993; Heide and John 1988). Non-contractual methods of governance are critical to successful exchange because of the difficulty of creating comprehensive contracts (Goetz and Scott 1981; Gundlach and Murphy 1993; Macneil 1980).

Early research utilized the concepts of power and dependence to explain non-contractual governance in BTB exchange, focusing on "the control one member has over . . . [other exchange partners]" (Hunt, Ray, and Wood 1985, p. 11). Sociologists such as Dahl (1957) and French and Raven (1959) saw power as something that could be used by one to control others. Beier and Stern (1969) were among the first to apply the concept of power to the governance of BTB exchange. The use of power, though, has been found over time to have limitations with respect to explaining successful exchange governance–mainly because of the conflict it might create (Morgan and Hunt 1994).

Later, drawing from research in institutional economics (e.g., Coase 1937; Williamson 1975), researchers utilized transaction cost analysis (hereafter, TCA) to examine BTB exchange. TCA views firms and markets as alternative forms of governance, and suggests that exchange governance is driven by firms' desire to minimize the direct and opportunity costs of exchange (Rindfleisch and Heide 1997). These costs are referred to in the TCA literature as "transaction costs" (Williamson 1975). Guided by its goal of transaction cost minimization, researchers have used TCA to explain why firms choose to use certain exchange relationship governance mechanisms based on the governance problem faced (Rindfleisch and Heide 1997). Governance *problems,* such as safeguarding relationship assets (Heide and John 1988) and/or ensuring partner adaptation (Heide and John 1990), can be thought of as TCA's independent variables (Rindfleisch and Heide 1997). Governance *mechanisms,* such as vertical integration (Williamson 1975) or "pledges" (Anderson and Weitz 1992), can be thought of as TCA's dependent variables (Rindfleisch and Heide 1993).

One of TCA's basic premises is that the risk of partner opportunism limits the effectiveness of relational governance in exchange relationships. However, several researchers have shown that, indeed, relational control in the form of norms or personal relations is often an effective means of governance (e.g., Anderson and Narus 1984, 1990; Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994; Wilson 1995). In addition, doubt has been cast on TCA's assumption of universal opportunism–especially in relational exchange (e.g., Heide and John 1992; Morgan and Hunt 1994). Thus, TCA is limited in its capacity to explain exchange governance in exchange relationships in which the partners are able to develop *relationship-based governance over time* .

Because of TCA's inability to explain relational governance, researchers of BTB exchange have increasingly drawn on social exchange theory (hereafter, SET). The core explanatory mechanism of SET is the relational interdependence, or relational contract, that develops over time through the interactions of the exchange partners (Dwyer, Schurr and Oh 1987; Hallen, Johanson, and Seyed-Mohamed 1991). Because SET focuses on the *relationship* between the exchange parties as the governance mechanism of exchange, it is especially useful for explaining BTB relational exchange (e.g., Anderson and Narus 1984, 1990; Dwyer, Schurr, and Oh 1987).

Yet, SET presents three challenges to those who wish to use it to explain BTB relational exchange. First, SET has not been clearly articulated within the BTB marketing literature. Although one may get a sense of what SET is, a comprehensive explanation of SET and its facets is lacking. Second, although SET is bounded in its ability to explain BTB exchange governance, a systematic examination of these limitations does not exist. And, finally, there exists no *current* literature review that organizes SET research to provide guidance to researchers who wish to use SET to explain BTB exchange governance (Chadwick-Jones 1976; Cook 1987). Value exists in a review that provides a full and clear explanation of SET, a summary of what has been learned using SET, and the extent of its limitations as a theory. A clear delineation of the conceptual framework of SET would be useful for those who wish to use it to explain BTB exchange relationships. Thus, the objective of this article is to provide such a review.

This article is organized as follows. We begin with an overview of SET's origins and foundational premises. Then we review research on BTB exchange that utilizes SET. This review includes a discussion of the concept of relational exchange, an examination of research that utilizes

SET to explain the development of relational exchange, and a survey of research that operationalizes the fundamental premises and outcomes of SET. We conclude with an examination of the limitations of research that utilizes SET and offer some suggestions for future research.

AN OVERVIEW OF SOCIAL EXCHANGE THEORY

The Origins of Social Exchange Theory

SET may be traced to "one of the oldest theories of social behavior"–any interaction between individuals is an exchange of resources (Homans 1958, p. 597). The resources exchanged may be not only tangible, such as goods or money, but also intangible, such as social amenities or friendship. The basic assumption of SET is that parties enter into and maintain relationships with the expectation that doing so will be rewarding (Blau 1968; Homans 1958). Discourse on social exchange has been traced as far back as Aristotle's *Nicomachean Ethics* (1162a34-1163a24) in which social exchange is distinguished from economic exchange (Blau 1968).

Seminal research that contributed to the development of SET includes research by sociologists Blau (1955, 1960, 1964), Emerson (1962), Homans (1958), and social psychologists such as Thibaut and Kelley (1959). Homans (1958) "developed the first systematic theory that focuses on social behavior as . . . [exchange]" (Blau 1968, p. 453). However, Blau (1964) may have been the first to use the term "theory of social exchange" to describe his conceptualization "of social interaction as an exchange process" (Chadwick-Jones 1976). Thibaut and Kelley (1959) are also often cited as significant contributors to SET because of their concepts of CL and CL_{alt}, which are used to explain how parties in the exchange relationship weigh the benefits of the exchange relationship to determine their relationship commitment. Emerson's (1962) main contribution to SET may be found in his research on the effects of power and dependence on exchange relationships. He theorizes that power imbalances cause relationships to be unstable and, thus, interdependence is crucial to the continuance of a social exchange relationship.

Foundational Premises of Social Exchange Theory

Although much of the research in the area of BTB exchange relationships either implicitly or explicitly utilizes SET, a clear and comprehensive delineation of the foundational premises of SET is lacking. In other words, the "lawlike generalizations" of SET that are used to "explain and predict" exchange phenomena have not been lucidly articulated (Rudner 1966, p. 10). Most marketing scholars who utilize SET to explain BTB exchange describe it in indirect fashion, providing an overview of SET rather than presenting an in-depth explanation of SET. Presumably and understandably these researchers limit their discussion of SET because of article length constraints. However, in the process of providing an overview of SET, these scholars identify the seminal architects of SET. For example, Anderson and Narus (1984, p. 62) note:

> In 1959 Thibaut and Kelley posited a theory of interpersonal relations and group functioning, where dyadic relationships were primarily considered. This work, along with a few related works of that period (e.g., Homans 1958), has come to be known as social exchange theory (Carman 1980; Kelley and Thibaut 1978, p. v). Further development of this theory has recently been presented by Kelley and Thibaut (1978, Kelley 1983).

This example and others, while failing to provide the foundational premises of SET, do point towards a *body* of research that has collectively contributed to the theory. As noted by Chadwick-Jones (1976, p. 1, 2) SET is:

> in reality a collection of explanations, propositions and hypotheses, embodying certain general assumptions about social behavior . . . What is the common characteristic of these contributions to social exchange theory? They all declare a central interest in the interdependence of relationships between persons and in the actual process of social behavior. The theory is truly social psychological since the interdependency of persons is at once the problem area for research and the unit of study.

Utilizing the seminal body of research on SET, we have extracted the foundational premises of SET that incorporate both the overlapping and unique contributions of this research:

> SET postulates that exchange interactions involve economic and/or social outcomes. Over time, each party in the exchange relationship compares the social and economic outcomes from these

interactions to those that are available from exchange alternatives which determines their dependence on the exchange relationship. Positive economic and social outcomes over time increase the partners' trust of each other and commitment to maintaining the exchange relationship. Positive exchange interactions over time also produce relational exchange norms that govern the exchange partners' interactions.

An Examination of the Foundational Premises of Social Exchange Theory

The foundational premises of SET were determined by attempting to extract a set of mutually exclusive and collectively exhaustive "lawlike generalizations" (Rudner 1966, p. 10) that are free from contradiction and individually necessary (Popper 1959). We now examine these premises in greater detail. In the process of explicating of SET's foundational premises, we provide the reader with a review of the literature that was instrumental in the development of SET (See Table 1). The four premises are: (1) exchange interactions result in economic and/or social outcomes, (2) these outcomes are compared over time to other exchange alternatives to determine dependence on the exchange relationship, (3) positive outcomes over times increase firms' trust of their trading partner(s) and their commitment to the exchange relationship, and (4) positive exchange interactions over time produce relational exchange norms that govern the exchange relationship.

Exchange Interactions Result in Economic and Social Outcomes

SET views exchange as a social behavior that may result in both economic and social outcomes. Individuals enter into new associations and maintain old ones because they expect doing so will be rewarding (Homans 1958; Thibaut and Kelley 1959; Blau 1964; Macneil 1980). Although economic rewards such as money are important, social rewards such as emotional satisfaction, spiritual values, pursuit of personal advantage, and sharing humanitarian ideals are often valued more. Indeed, Blau (1968, p. 455) posits that the "most important benefits involved in social exchange do not have any material value on which an exact price can be put at all, as exemplified by social approval and respect."

TABLE 1. Contributions of Seminal Research to the Four Foundational Premises of Social Exchange Theory

	Exchange Results in Social and Economic Outcomes	**Social and Economic Outcomes Are Compared to Alternatives**	**Positive Outcomes over Time Increase Trust and Commitment**	**Interactions over Time Produce Exchange Norms**
Aristotle	Distinguished social from economic exchange			
Thibaut and Kelley	Exchange must result in outcomes in order to continue.	Develop CL and CL_{alt} to operationalize comparisons to deserved rewards and to rewards available from alternatives.		Norms are produced over a series of interactions and guide control the behaviors of the parties. Norms may serve in place of contracts or other legal mechanisms.
Blau	People seek to obtain rewards from social associations including both social and economic rewards.	Reciprocal exchange is expected for the relationship to continue.	Reciprocal actions build both trust and commitment. Creating trust is a major function of social exchange and is also self-generating.	Norms serve to limit or guide the use of power and behaviors acceptable in relationships. Power may develop due to dependence or social obligations.
Homans	Interaction is an exchange of goods material and non-material.	Parties must continue to provide value to those with which they associate.	Parties are likely to remain in rewarding relationships.	Exchange behavior is guided by the development of norms.
Macaulay			Firms fulfilling their obligations can expect to continue to interact in the future. Firms trust that obligations will be fulfilled except in extenuating circumstances. Contracts may be used more often when trust is not present.	Norms serve to fill in gaps in contracts and allow flexibility in the relationship.
Emerson				Power develops as a result of dependence. Norms serve as guides for the use of power in relationships.

One may think of an exchange relationship over time as a series of discrete exchange episodes, or *interactions,* that result in economic, and/or information, and/or product/service, and/or social exchange (Hakansson 1979 and 1982). Exchange interactions over time comprise the history of an exchange relationship, which firms utilize to anticipated the future costs and benefits of developing and continuing the exchange relationship (Kelley and Thibaut 1978). If previous exchange episode outcomes have been positive, firms may anticipate that future outcomes will be positive as well and vice-versa.

Social and Economic Outcomes Are Compared to Alternatives

Because there are costs associated with being in an exchange relationship, not the least of which is the opportunity cost of not being in another exchange relationship, SET suggests that parties will remain in the relationship as long as satisfactory rewards continue (e.g., Homans 1958; Blau 1968). Parties must expend valuable economic and social resources to be involved in social exchange. The expenditure of these resources reduces the overall benefit of the exchange relationship. Note Dwyer, Schurr, and Oh (1987, p. 14):

> Parties with highly divergent goals may spend considerable economic and psychic resources in conflict and haggling processes. More important may be the opportunity costs of foregone exchange with alternative partners. A titanium fabricator that ties up 25% of next year's shop capacity at a 20% margin may lock itself out of another large job yielding a 25% margin.

The "satisfactory-ness" of the rewards that a party gains from an exchange relationship is judged relative to some standard, which may vary from party to party. One may place more emphasis on economic rewards while another is more concerned with trust in the trading partner. Regardless of how the types of outcome are weighted, both economic and social outcomes are judged *together* and compared to some alternative (Homans 1958; Thibaut and Kelley 1959; Blau 1964).

To offer a conceptualization of how one compares the rewards of an exchange relationship to that of alternative arrangements, Thibaut and Kelley (1959) developed the concepts of comparison level (CL) and comparison level of alternatives (CL_{alt}). CL represents the benefit (social and economic) standard that one feels is deserved in a given relationship and is compared to the outcomes that one receives from the relationship. A BTB example would be a purchasing manager considering the level of a supplier's prices in comparison to what he or she feels is warranted. If the price is above what he or she feels is deserved, then some degree of dissatisfaction will be experienced; if below, some degree of satisfaction.

CL_{alt} is the other standard and is used to determine if one continues or terminates an exchange relationship. CL_{alt} is the overall benefit (social and economic) available from the best possible alternative exchange relationship. Thibaut and Kelley (1959) suggest that as long as one's outcomes exceed CL_{alt} for a given exchange relationship, the party in question will have a degree of *dependence* on the relationship because it affords greater rewards than can be achieved outside of the relationship. Thus, the party in question will want to maintain the exchange relationship. However, if an alternative supplier can provide greater benefits, then the buyer will switch suppliers. Thus, CL_{alt} is the lowest level of reward that one may receive from the relationship and continue with the relationship.

An important aspect of this component of SET is that firms entering relationships often have different goals or expectations for the relationship. One firm may be focused more on profit, another on market share or relationship development. In research that examines this issue, Kelley and Thibaut (1978) and Kelley (1983) suggest that a "transformation" occurs in which the exchange parties consider their existing interdependence to reconcile social and economic outcomes.

Here, parties to the exchange weigh their economic outcomes through the lens of anticipated "past and future interchanges," and the social benefits of compromise (Kelley and Thibaut 1978, p. 140). If a party to an exchange feels dependent upon the other party and has trust that over time there will be an equitable split of economic outcomes, the party will be willing to forego economic benefit now for benefit in the future. In addition, if the party makes an economic compromise, the party will re-weigh, or transform, the present economic loss so that it is less of a negative outcome by taking into account the resulting positive social outcomes. Kelley (1983, p. 12) uses a dating, or marriage analogy to illustrate the concept of transformation:

> A transformation and its benefits can be illustrated by our example of a couple deciding on a movie . . . If, in their choice of movies, both persons act simply to maximize their own outcomes in the

> given matrix, the results are often quite poor and the process is often quite costly. For example, if each person decides to go to the movie he or she prefers, both will receive [negative] outcomes . . . and both will be less satisfied than they might otherwise have been . . . [However,] [w]hen they are aware that their partners also have preferences about the two movies *and* that the partners prefer the movie they themselves dislike, their ratings of satisfaction-dissatisfaction are modified . . . Each person's transformed outcomes represent a compromise between that person's given outcomes and those of the partner.
>
> In the transformed pattern there is no longer an unequivocal preference for going together to one's preferred movie. Going together to the partner's choice is a close second in the ratings . . . In general, . . . transformations serve to reduce interpersonal conflict of interest, . . . provide compromise solutions that are readily agreed upon, . . . make possible better given outcomes, . . . reduce intrapersonal uncertainty, and . . . facilitate interpersonal coordination.

Recent research by Jap (1999) suggests that transformation does not necessarily mean accepting diminished outcomes through compromise. Collaborative efforts may actually *increase* social and economic outcomes by capitalizing on each firm's competencies. Thus instead of one firm accepting a lower outcome in anticipation of future benefits, both firms seek to gain more than previously expected.

Positive Outcomes over Time Increase Trust and Commitment

Creating *trust* is an important aspect of social exchange because social exchange is governed to a large degree by social "obligations" rather than by contracts (Blau 1968 p. 454). When providing another with a benefit, one must trust that the other will return the benefit in time, or that the other will reciprocate (Blau 1964; Homans 1958). Indeed, the mutual reciprocation of beneficial action over time through multiple interactions creates trust (Blau 1964; Homans 1959). Thus, the process of creating trust creates obligations between exchange partners.

Aristotle compared the social obligation created by providing an exchange partner with a benefit to a gift or service that is given "as to a friend, although the giver expects to receive an equivalent or greater return, as though it had not been a free gift but a loan" (Blau 1968, p. 453). For example, a salesperson may receive benefits from a customer who agrees to order more than usual to help the salesperson reach his or her sales goals. An obligation is created for the salesperson to provide an equivalent benefit to the buyer at some point in the future. An obligation to recompense is created. As long as the compensation provided to the customer is acceptable the obligation created through the initial exchange is discharged.

In general, SET suggests that trust-building between two parties may start with relatively small or minor transactions, and that as the value of the rewards one receives increases, the more valuable the rewards one must give in return (Homans 1958). As the number of interactions increases and the size of the transactions increases, trust increases. Houston and Gassenheimer (1987, p. 11) note that "[i]f reciprocation occurs, a pattern of behavior [and trust] begins to be established."

Trust is also important in SET because it contributes significantly to the level of partner *commitment* to the exchange relationship (Blau 1964; Homans 1959). According to SET, the causal relationship between trust and commitment results from the principle of generalized reciprocity, which holds that "mistrust breeds mistrust and as such would also serve to decrease commitment in the relationship and shift the transaction to one of more direct short-term exchanges" (McDonald 1981, p. 834). Mutual commitment is an important part of functional social exchange because it ensures that partners will put forth the effort and make the investments necessary to produce mutually desirable outcomes (Dwyer, Schurr, and Oh 1987; Ganesan 1994). Mutually desirable outcomes in comparison to CL and CL_{alt} increases the partners' desire to continue the relationship, or increases their commitment to the relationship (Thibaut and Kelley 1959).

Positive Outcomes over Time Produce Relational Exchange Norms

Norms are explicit and/or tacit mutually agreed upon rules for behavior that are developed over time as the parties in the relationship interact with each other (Blau 1962; Thibaut and Kelley 1959; Homans 1958). Norms are important in SET because social exchange is significantly governed by norms (Blau 1964; Homans 1958). Social exchange relies on norms because they provide *mutually agreed upon* means of controlling behavior without the difficulties created by using power (Thibaut and Kelley 1959).

Norms increase the efficiency of relationships because by agreeing to the manner in which interactions take place, the degree of uncertainty may be reduced. Weaker and stronger parties gain by the introduction of norms because they introduce some form of regularity and control without the use of contracts or legal mechanisms (Thibaut and Kelley 1959). For example, over a period of time, norms may develop concerning the timing of reciprocity. While the exact time is not specified, some generally acceptable time limit may be established. A norm may exist between a salesperson and a buyer such that reciprocation for benefits received from the buyer will occur within a period of two months.

Parties in a relationship adhere to norms because they believe that by doing so they will be rewarded (Blau 1964; Emerson 1962). Homans (1958) posits that in a group setting, the more one conforms to norms the more rewards and interaction one will receive from other members of the group or network.

SOCIAL EXCHANGE THEORY AND RESEARCH ON BUSINESS-TO-BUSINESS EXCHANGE

BTB relational exchange is motivated by the mutual recognition of the parties to the exchange that the outcomes of such exchange exceed those that could be gained from either another form of exchange or exchange with a different partner (Anderson and Narus 1984, 1990; Dwyer, Schurr, and Oh 1987; Nevin 1995). Such exchange relies heavily on "relational contracts," or norms, to govern the exchange process (Heide and John 1992; Macneil 1980). Such relational contracts are used when it becomes difficult for the involved parties to spell out the critical terms of a formal written contract (Goetz and Scott 1981). Indeed, the contract to the exchange becomes more relational as exchange contingencies and duties become less codifiable (Goetz and Scott 1981; Gundlach and Murphy 1993; Nevin 1995). To achieve the flexibility required in complex exchange where there are unforeseen circumstances, relational exchange is marked by high levels of cooperation, joint planning, and mutual adaptation to exchange partner needs (Gundlach and Murphy 1993; Hallen, Johanson, Seyed-Mohamed 1991; Nevin 1995).

The critical governance mechanism in relational exchange and, therefore, a key determinant of relational exchange success is the *relationship*. Simply put, functional relational exchange requires a functional relationship between the exchange parties (Anderson and Narus

1984, 1990; Day 1995; Dwyer, Schurr, and Oh 1987; Heide and John 1992; Morgan and Hunt 1994; Wilson 1995). Such relationships provide a governance mechanism built on the foundation of trust, commitment, and exchange norms that replace or supplement more formal governance mechanisms such as contracts (e.g., Gundlach and Murphy 1993; Heide and John 1992). Notes Wilson (1995, p. 336):

> Relationships between buyers and sellers have existed since humans began trading goods and services. These relationships developed in a natural way over time as buyers and sellers developed trust and friendships supported by quality products and services. Today these relationships have become "strategic" and the process of relationship development is accelerated as firms strive to create relationships to achieve their goals.

SET and Process Models of Business-to-Business Relational Exchange

Marketing scholars have suggested a number of models in an attempt to explain the development of a relationship between exchange partners that facilitates relational exchange (see Table 2). Wilson (1995, p. 335) calls these "conceptual process models on relationship development." While differing in some respects, these "process" models are similar in their reliance on SET to explain the development of relational exchange. Essentially, process models suggest that relationships that facilitate relational exchange develop in a stages fashion through exchange interactions over time.

From a SET perspective, the initial transactions are crucial in determining whether the BTB relationship will expand, diminish, remain the same, or dissolve. Firms evaluate the economic as well as social outcomes from each transaction and compare them to the level felt deserved (i.e., CL) as well as to the level of benefits provided by other potential exchange partners (i.e., CL_{alt}) (Dwyer, Schurr, and Oh 1987). If the level of performance is deemed acceptable, future interactions may occur. The key activity that drives all of the relationship development stages, and allows firms to make outcome comparisons to CL and CL_{alt}, are exchange episodes, or interactions, that occur during the various stages of relationship development. Assuming that parties to the exchange mutually experience outcomes that exceed CL and CL_{alt}, interdependence and mutual commitment to the relationship should begin to grow. Norms also develop through the interactions, as do trust

TABLE 2. Research That Uses SET to Explain the "Process" of BTB Relationship Development

Authors	Type of Research	Suggested Process
Anderson (1995)	Conceptual	Relationship development is experienced as a series of exchange episodes. Each exchange episode is composed of four events including defining purpose, setting relationship boundaries, creating relationship value and evaluating exchange outcomes.
Dwyer, Schurr, and Oh (1987)	Conceptual	Relationships develop through five phases including awareness, exploration, expansion, commitment and dissolution. Five sub-processes occur in the exploration and expansion stages and include attraction, communication and bargaining, development and exercise of power, norm development and expectation development.
Hakansson and Wootz (1979)	Conceptual	Interaction processes include the elements of the exchange as well as social exchange. Positive social and economic outcomes allow future expansion of the relationship.
Ford (1990) Hakansson (1982) Turnbull and Paliwoda (1986)	Conceptual	Positive interactions between boundary personnel within a series of exchange episodes over time bind the firms together.
Nevin (1995)	Conceptual	Relationships develop through reciprocal actions. Successful relationships require mutual dependence and trust.
Wilson (1995)	Conceptual	Relationships develop through a process including search and selection, defining purpose, setting relationship boundaries, creating relationship value, and relationship maintenance. Key relational variables have are active or latent depending on the stage of the relationship.

and other key relational variables. The evolution of relational norms and trust serves to decrease reliance on contracts (Dwyer, Schurr, and Oh 1987; Heide and John 1992; Gundlach and Murphy 1993; Wilson 1995).

Research That Operationalizes Social Exchange Theory

In addition to research that utilizes SET to examine the process of relationship development, there is a substantial body of research "about the variables that make for a successful relationship" (Wilson 1995, p. 335). These variables, such as trust and commitment, have been identified by researchers as being critical facilitators of relational exchange. These variables have been utilized in empirical research on relational exchange that Wilson (1995, p. 335) calls "empirical 'success' models." These models are success models because they have been used to determine the degree to which relational exchange variables such as trust are achieved and/or the degree to which elements of relational exchange lead to enhanced exchange performance. Therefore, in one form or another these relationship variables represent empirical *operationalizations* of the fundamental premises of SET.

Essentially, SET is used to explain how antecedents contribute to a BTB exchange governance structure characterized as relational exchange. Thus, one can think of SET's *dependent variable* as the degree to which the exchange governance is relational–or the degree to which the fundamental premise that positive exchange outcomes lead to relational norms has occurred. The *independent variables* in this equation are derived from SET's other fundamental premises: economic/social outcomes from interactions, outcomes given CL/CL_{alt}, and trust/commitment (again, see Table 1). In addition, some research has these independent variables as outcome variables in an attempt to determine their antecedents (e.g., Ganesan 1994; Morgan and Hunt 1994). And, some research has examined the effect of SET's operationalized facets on the degree of benefit/cost that the exchange partners receive from the exchange relationship (e.g., Anderson and Narus 1984, 1990). Researchers here are testing the notion that relational exchange results in enhanced outcomes for the exchange partners.

We have provided an extensive list of empirical research that utilizes variables that operationalize SET and its outcomes in Table 3. We also examine below some examples of these variables. Due to length constraints, we have limited our examination in the body of the paper to the variables of dependence, trust, commitment, cooperation, relational norms, and satisfaction. We chose these variables because they (1) are representative of variables found in the literature, (2) have been utilized in leading marketing journals, and (3) have been consistently utilized in marketing literature on BTB relational exchange. Our examination of each of these variables provides (1) a representative definition(s) of the variable, (2) a discussion of the SET facet or outcome that the variable operationalizes, and (3) a summary of BTB relational exchange findings about the variable and its effect on relational exchange and exchange success.

Dependence

Dependence of firm A upon firm B in an exchange relationship is "(1) directly proportional to A's *motivational investment* in goals mediated by B, and (2) inversely proportional to the *availability* of those

TABLE 3. Research Uses SET to Explain BTB Relational Exchange

Author (s)	SET Authors Cited*	Empirical (E) or Conceptual (C)	Relationship Variables Studied	Key BTB Relational Exchange Findings
Anderson 1995	1	C	Trust	Discusses relationship development and the creation of value in relational exchange. Trust serves to deter predatory actions by exchange partners.
Anderson and Narus (1984)	1, 3, 5	E	Cooperation, Satisfaction	Use SET to develop a model of the distributor's perspective of distributor-manufacturer relationships. Find Outcomes given CL_{alt} are negatively related to manufacturer control that is negatively related to cooperation/satisfaction. Outcomes given CL positively affects cooperation/satisfaction.
Anderson and Narus (1990)	1, 5	E	Dependence, Communication, Trust, Cooperation, Satisfaction	Find relative dependence negatively related to influence over partner firm, positively related to influence by partner firm; communication positively affects cooperation and cooperation positively affects trust and functionality of conflict; trust positively influences firm satisfaction with the exchange relationship.
Anderson, Hakansson, and Johanson (1994)	1, 3, 5	C	Cooperation, Norms, Trust, CL, CL_{alt}, Commitment	Suggest that firms develop networks of relationships and by cooperating they can raise the benefits each receives. CL and CL_{alt} may be used to compare outcomes of network relationships.
Anderson and Weitz (1989)	4	E	Reputation, Trust	Use SET to link trust building and reputation. Find positive relationship between trust and reputation.
Anderson and Weitz (1992)	4	E	Reputation, Commitment	Find positive relationship between commitment and reputation.
Bucklin and Sengupta (1993)	5	E		Find that a history of interactions between partners increases the effectiveness of the relationship.
Carman (1980)	1, 2, 3, 5	C		Discusses aspects of social exchange and its use as a paradigm in marketing.
Claycomb and Franwick (1997)	2, 3	C	Trust	Trust guides the exchange behavior of firms seeking to establish long-term relationships. Relationships develop through a series of social interactions. As the relationship becomes more relational, the psychic costs of the relationship increase.
Dant and Schul (1992)	1, 4, 5	E	Dependence	Find that problem solving may be the most common conflict resolution strategy and that there is a preference for third-party intervention when dependency is high.
Dant and Schul (1992)	1, 4	E	Issue Stakes	Examined conflict resolution strategies in franchise channels of distribution. Found problem solving to be the most common conflict resolution strategy.

* SET authors: 1=Thibaut and Kelley; 2=Blau; 3=Homans; 4=Macaulay; 5=Emerson

Author (s)	SET Au-thors Cited*	Empirical (E) or Conceptual (C)	Relationship Variables Studied	Key BTB Relational Exchange Findings
Dwyer, Schurr, and Oh (1987)	1, 2, 5	C	Trust, Commitment, Norms, Dependence	Develop a five-phase model of relationship development that describes the emergence of dependence, trust, commitment, and norms. Base work on SET seminal authors and Macneil's relational exchange model.
Frazier (1983)	2, 3, 5	C	Dependence, Cooperation, Satisfaction, Deserved Rewards	Presents a model of exchange behavior in marketing channels. Suggests that one source of power is based on dependence. A series of interactions occurs between the firms during exchange. Cooperation is high when communication is effective and participative decision making occurs. Satisfaction is influenced by a variety of social and economic factors.
Frazier and Summers (1984)	1, 3, 4	E	Dependence	Suggest that the request influence strategy can be used in relationship characterized by high interdependence.
Gaski (1984)	1, 5	C	Dependence, Satisfaction	Summarized empirical contributions of marketing research. Discusses previous research in which dependence is found to be positively related to power and negatively related to countervailing power; performance was positively influenced by power and negatively influenced by conflict and countervailing power.
Gaski and Nevin (1985)	1, 2, 5	E	Satisfaction	The exercise of coercive power has a greater negative effect on satisfaction than does the presence of that power. Conclude that the potential for reward as well as the reception of that reward positively influences satisfaction.
Gassenheimer, Houston, and Davis (1998)	1, 4	C	Norms, Dependence	Suggest that social distance decreases as mutual dependence increases. Posit that when parties receive high levels of social and economic benefits they will be mutually interested in maintaining the relationship until a better alternative presents itself.
Gundlach, Achrol, and Mentzer (1995)	4	E	Norms, Commit-ments, Long-term Orientation	Find that credibility of commitments is positively related to use of norms in governance and those norms are positively related to a long term orientation towards commitment.
Gundlach and Cadotte (1994)	1, 5	E	Dependence	The magnitude of interdependence is positively related to noncoercive strategies and negatively related to some coercive strategies. Relative asymmetry is negatively related to some noncoercive strategies and positively related to some coercive influence strategies.

* SET authors: 1=Thibaut and Kelley; 2=Blau; 3=Homans; 4=Macaulay; 5=Emerson

TABLE 3 (continued)

Author (s)	SET Authors Cited*	Empirical (E) or Conceptual (C)	Relationship Variables Studied	Key BTB Relational Exchange Findings
Gundlach and Murphy (1993)	4	C	Norms, Trust, Commitment	Suggest that contract law contains numerous shortcomings for facilitating relational exchange. Relational exchange is often guided by relational norms. Trust may be generated through the fulfillment of promises. Trust and Commitment become highly significant to relationships as exchange becomes more relational.
Gundlach, Achrol and Mentzer	1, 4	E	Norms, Trust, Commitment	Credibility of commitments is positively related to social norm development and long-term commitment intentions. Opportunistic behaviors may damage the development of social norms. Social norms positively affect future commitment intentions. Suggest that credible commitments may positively influence the development of trust.
Hakansson and Wootz (1979)	3, 4	C	Trust	Trust is a key aspect of relationships. Relationships develop through numerous interactions over time.
Hallen, Johanson, and Seyed-Mohamed (1991)	1, 2, 3, 5	E	Dependence	Suggest that mutual adaptation is a consequence of trust building while unilateral adaptation is a result of imbalanced dependence. Empirically support unilateral adaptation-imbalanced dependence relationship.
Heide (1994)	1, 4, 5	E	Dependence	Finds that symmetric and high dependence leads to bilateral governance while unilateral dependence decreases bilateral governance.
Heide and John (1988)	5	E	Dependence	Dependent agencies engage in dependence-balancing activities seeking to engage replaceability of their partner and reduce dependence. Those able to do so enhanced performance.
Heide and John (1992)	1, 4	E	Norms and Dependence	Find that specific assets may have a positive impact in the presence of relational norms. Suggest that relational norms may provide a mechanism to implement certain relationship structures.
Houston and Gassenheimer (1987)	2	C	Norms and Trust	Suggest that the development of long-term relationships is at the heart of marketing. Trust is a key variable in relationship development. Exchange relationships develop over time through reciprocal behaviors.

* SET authors: 1=Thibaut and Kelley; 2=Blau; 3=Homans; 4=Macaulay; 5=Emerson

Author (s)	SET Authors Cited*	Empirical (E) or Conceptual (C)	Relationship Variables Studied	Key BTB Relational Exchange Findings
Lusch and Brown (1996)	1, 4, 5	E	Dependence, Long-Term Orientation, Norms (normative contracts)	Finds that when suppliers are dependent, they rely more on explicit contracts and the wholesale-distributors have better performance. High bilateral dependence leads to the use of more normative contracts, as does a long-term orientation. High bilateral dependence is *not* associated with explicit contracts. The greater the long-term orientation, the more relational behavior develops. High bilateral dependence increases relational behavior. Greater use of normative contracts leads to greater performance for wholesale-distributors.
Moorman, Deshpande, and Zaltman (1993)	2	E	Trust	Find that interpersonal factors such as perceived researcher integrity, willingness to reduce research uncertainty, confidentiality, expertise, tactfulness, sincerity, congeniality, and timeliness positively influence trust in market research relationships.
Morgan and Hunt (1994)	1, 2	E	Trust, Commitment, Communication, Cooperation, Shared Values	Trust and Commitment are central to relationship marketing success and have positive and significant influence on cooperation. Communication, shared values, and relationship termination costs are significant antecedents of trust and/or commitment.
Nevin (1995)	4	C	Norms, Trust, Dependence	Discusses Macneil's relational framework in depth, particularly relational norms. Describes conditions for successful relational exchange including mutual dependence and trust.
Norburn, Dunn, Birley, and Boxx (1995)	3	E		Uses SET as a theoretical foundation for the leader-member exchange model.
Ring and Van de Ven (1994)	3	C	Trust	Use SET as a Foundation for trust based "on confidence in another's goodwill" (p. 93).
Schurr and Ozanne (1985)	1, 2	E	Trust and Cooperation	Find that a seller's expected trustworthiness combined with toughness in bargaining leads to higher levels of buyer-seller cooperation.
Smith and Barclay (1997)	1, 2	E	Satisfaction and Dimensions of Trust	Find that mutual perceived trustworthiness influences mutual trusting behaviors. Satisfaction is affected by mutual trusting behaviors as well as mutual perceived trustworthiness while perceived task performance is influenced by mutual trusting behaviors.
Söllner (1999)	1	E	$CL_{justice}$	Uses CL and CL_{alt} as a foundation for the construct of $CL_{justice}$.
Wilson (1995)	1	C	Commitment, Trust, Cooperation, Mutual goals, Interdependence, Performance Satisfaction, Adaptation, Structural Bonds, Social Bonds,	Provides an overview of key relational variables and builds on the process model of relationships developed by Dwyer, Schurr, and Oh (1987). Describes the stages in which relational variables are active and latent.

* SET authors: 1=Thibaut and Kelley; 2=Blau; 3=Homans; 4=Macaulay; 5=Emerson

goals to A outside of the A-B relation" (Emerson 1962, p. 32). That is, firms are dependent upon an exchange relationship to the degree to which rewards sought and gained from the relationship are not available outside of the relationship (Thibaut and Kelley 1959).

Dependence has been used in BTB relational exchange as an operationalization of the SET facet that *social and economic outcomes are compared to alternatives*. As previously discussed, CL_{alt} is the overall benefit available from an alternative exchange partner. CL_{alt} is the lowest level of rewards that a firm may receive from a relationship and maintain that relationship. Pursuant to SET, outcomes given CL_{alt} are compared over time to determine if the relationship will continue, expand, or dissolve.

Outcomes given CL_{alt} operationalizes dependence by providing a measure that captures the degree to which one firm relies on another (Anderson and Narus 1990). Highly dependent firms receive much greater benefits from a current exchange partner than are available from the best alternative exchange arrangement (i.e., CL_{alt}). If the benefits are greater than alternatives for both firms then they may be described as mutually dependent or interdependent on one another (Lusch and Brown 1996; Wilson 1995). While dependence balancing (Emerson 1959; Heide and John 1988) is viewed as important, SET suggests that the *development* of power does not necessarily result in the *use* of power as relational norms may serve to curtail its use (Blau 1964). However, many marketing researchers view situations of mutual dependence or interdependence as the most conducive for the development of key relational variables such as trust and commitment (e.g., Frazier 1999).

BTB researchers have produced numerous empirical tests that have dependence as a construct. In terms of governance, situations of unilateral dependence have been found to decrease relational governance, while symmetric and high dependence increases relational governance in exchange relationships (Heide 1994). For example, Lusch and Brown (1996) find that unilateral dependence may lead to more explicit contracts while high bilateral dependency leads to more normative contracts, is less associated with explicit contracts, and increases relational behavior. A firm's level of dependence is also related positively to the adaptations a firm is willing to make to its products or services (Hallen, Johanson, and Seyed-Mohamed 1991). In a meta-analysis, Geyskens, Steenkamp, and Kumar (1999) find that ones own dependence is positively related to a partner's use of promises.

Dependence has also been found to contribute to relational influence strategies. Anderson and Narus (1990) suggest that relative dependence is negatively related to influence over partner firms while positively related to influence by partner firms. Frazier and Summers (1984) found highly interdependent firms use information exchange as the most frequent influence strategy while relying on non-coercive influence strategies as mutual dependence increases (Gundlach and Cadotte 1994).

Trust

Trust has been described as the most important of the "key" variables in relational exchange by social exchange theorists (e.g., Blau 1964; Homans 1958) and BTB researchers (e.g., Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994; Smith and Barclay 1997; Weitz and Bradford 1999; Wilson 1995) alike. Trust has been defined as the belief in an exchange partner's reliability and integrity (Morgan and Hunt 1994), the possession of credibility and benevolence (Ganesan 1994; Geysens, Steenkamp, and Kumar 1999), and a belief that a party's word is reliable and the obligation will be fulfilled (Blau 1964; Moorman, Deshpande' and Zaltman 1993; Schurr and Ozanne 1985).

Trust has been used in empirical research on BTB exchange as a partial operationalization of the SET facet of *positive outcomes over time increase trust and commitment*. In the early stages of an exchange relationship, trust may be nonexistent or present in a limited fashion. Therefore, initial exchange episodes may be relatively small or carry low risk. As the benefits of these small transactions are realized, firms may increase the size of the transactions, engage in riskier behavior (e.g., share important information), and provide greater benefits to exchange partners. As the value of the rewards given by one party increases, the receiving party must *reciprocate* benefit increases as well (Homans 1958). Over time, reciprocal behaviors including social exchange (Blau 1968; Homans 1958; Thibaut and Kelley 1959) and the fulfillment of promises (Hakansson and Wootz 1979; Nevin 1995) allow trust to develop (Houston and Gassenheimer 1987). The development of trust is key in SET because it allows firms to move from discrete transactions to relational exchange.

Numerous authors have empirically tested trust as a relational variable. Trust has been found to be significantly and positively related to commitment (Geyskens, Steenkamp, and Kumar 1999; Morgan and Hunt 1994), cooperation (Anderson and Narus 1990; Morgan and Hunt 1994), functional conflict (Morgan and Hunt 1994), communication (Anderson and Narus 1990; Morgan and Hunt 1994), shared values

(Morgan and Hunt 1994), and satisfaction (Anderson and Narus 1990; Geyskens, Steenkamp, and Kumar 1999). Trust has been found to be significantly and negatively related to conflict (Anderson and Narus 1990; Geyskens, Steenkamp, and Kumar 1999), opportunistic behavior (Morgan and Hunt 1994), and uncertainty (Morgan and Hunt 1994).

The notion of trust as a key relational variable is strongly supported by empirical testing. The causal ordering of antecedents and outcomes often differs from researcher to researcher. However, based on the nature of relationships (i.e., consisting of a series of interactions over time) the order of variables may conceivably change. For example, cooperative behaviors may increase the level of trust between exchange partners possibly influencing future cooperation. Thus a "cycle" may occur many times over the life of a relationship (Gundlach and Murphy 1993).

Commitment

Commitment is perhaps the most widely used dependent variable in studies examining BTB exchange (Wilson 1995). It has been defined as "an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely" (Morgan and Hunt 1994, p. 23).

Commitment has been used in empirical research on BTB exchange as a partial operationalization of the SET facet of *positive outcomes over time increase trust and commitment*. From a SET perspective, commitment is strongly influenced by the level of social and economic rewards received in a relationship. Firms receiving a high level of benefits from a relationship may view that relationship as important to maintain. That is, a firm with superior outcomes in comparison to CL_{alt} may make an implicit or explicit pledge of relational continuity (Dwyer, Schurr, and Oh 1987; Gundlach and Murphy 1993). Trust also enables firms to become committed and look past short-term opportunities for the long-term benefits available from the relationship (Geyskens, Steenkamp, and Kumar 1999).

Morgan and Hunt (1994) provide one of the key SET-based empirical works on commitment. Their results support the hypotheses that commitment positively influences acquiescence and cooperation and negatively influences propensity to leave (i.e., reduces propensity to leave). They also find that trust, shared values, and relationship termination costs are positively related to commitment. The trust–commitment relationship is also supported in a recent meta-analysis by Geyskens, Steenkamp, and Kumar (1999).

Cooperation

Cooperation may be defined as "similar or complementary actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocity over time" (Anderson and Narus 1990, p. 45). Cooperation between firms allows them to gain synergistic rewards (Anderson and Narus 1990) promoting relationship marketing success (Morgan and Hunt 1994).

Cooperation has been used in empirical research on BTB exchange as an operationalization of the SET facet of *positive outcomes over time produce relational norms*. Relational norms are mutually agreed upon rules of behavior developed over time that govern acceptable behaviors in relationships (Blau 1968; Homans 1958; Thibaut and Kelley 1959). As relationships develop and firms begin to shift focus from discrete transactions to long-term relationships, cooperative behaviors develop and serve to promote greater benefits for the exchange partners. Exchange participants begin to expect that their partners will participate in cooperative behaviors that benefit the firms (Spekman, Salmond, and Lambe 1997). As these cooperative behaviors become common, expected, and acceptable either implicitly or explicitly, cooperation becomes a norm.

BTB research suggests that cooperation may effectively reduce manifest conflict (Frazier 1983) while positively increasing levels of functional conflict (Anderson and Narus 1990). Relationships between trust and cooperation also have been supported empirically. Anderson and Narus (1990) find that cooperation positively influences trust while Morgan and Hunt (1994) find that trust positively influences cooperation.

Relational Norms

Clearly, the use of relational norms in BTB research has served as an operationalization of the SET facet *positive interactions over time produce relational exchange norms*. As noted earlier, relational norms are critical for the continuance of relational exchange between participants.

Relational norms have been defined in numerous ways by BTB researchers, but all definitions maintain a common theme–relational norms are generally accepted guidelines for interactions between exchange participants (Gundlach, Achrol, and Mentzer 1995; Heide and John 1992; Lusch and Brown 1996; Macneil 1980; Nevin 1995; Weitz and Jap 1995).

Following social exchange theorists, relational norms serve as governing mechanisms for relationships (Blau 1964). Some relationships exist in which one party maintains high levels of power. In such circumstances, relational norms may serve to curtail the use of power except as a last resort. Additionally, a history of adherence to relational norms may provide assurance to less powerful participants that the more powerful firm will not use its power (Blau 1964). In short, relational norms guide the actions of exchange participants and reduce the threat of opportunism.

Empirical research in BTB marketing has used relational norms relatively sparingly in comparison to other concepts (e.g., trust and commitment). However, several researchers have advanced our knowledge in this area through empirical tests. Interdependence has been found to significantly increase the use of relational norms as a governance mechanism that in turn increase use of normative contracts (Lusch and Brown 1996). Heide and John (1992) find that relational norms help parties acquire vertical control when specific assets are at risk. Gundlach, Achrol, and Mentzer (1995) find that credible commitments positively influence the formation of relational norms. In addition, these norms support a long-term orientation towards the relationship.

Satisfaction

Satisfaction with the exchange relationship is an often used variable in research in BTB exchange. A variety of definitions exist, but most appear to be similar in nature. For example, Wilson (1995) defines performance satisfaction as the level in which a transaction meets the expectations of the partners including product and non-product attributes. This definition is very similar to Anderson and Narus's (1984 and 1990) definition of satisfaction as resulting from the evaluation of all aspects of a working relationship. Frazier (1983) defines satisfaction/dissatisfaction as a state reflecting a feeling of being rewarded adequately or inadequately for contributions to the relationship. Gaski and Nevin

(1985) view satisfaction as the level of overall approval of the channel arrangement.

Satisfaction has been used in research in BTB exchange as an operationalization of the *success of the exchange relationship*. According to SET, satisfaction plays an integral role in relationships (Blau 1964; Homans 1958; Thibaut and Kelley 1959). Firms who receive benefits that meet or exceed their expectations (i.e., their CL) and are equal to or superior to outcomes available from alternatives (i.e., CL_{alt}) are likely to maintain and expand the relationship (Thibaut and Kelley 1959). In sum, satisfaction serves as a measure of a firm's view of the outcomes of the relationship. While it may not capture a partner's estimation of available alternatives, it does provide insight into a relationship's overall performance.

Researchers in BTB marketing have used satisfaction in several studies examining exchange relationships. Satisfaction is primarily used as an outcome variable. While the antecedents to performance satisfaction have varied, support for the significance of this variable persists in numerous studies. For example, Gaski and Nevin (1985) find that the presence of coercive power as well as the exercise of that power negatively influences performance satisfaction. Anderson and Narus (1984 and 1990) support the hypotheses that outcomes given CL positively influence performance satisfaction while control and conflict have negative effects. Geysken, Steenkamp, and Kumar (1999) find that economic satisfaction is negatively related to conflict and non-economic satisfaction positively influences trust. In terms of conflict resolution, Lin and Germain (1998) use performance satisfaction as an outcome variable of conflict resolution. They find problem solving positively influences performance satisfaction while more coercive means of conflict resolution produce negative results. Weitz and Bradford (1999) suggest that performance satisfaction is a key attitudinal indicator of relationship quality.

LIMITATIONS OF SET FOR RESEARCH ON BUSINESS-TO-BUSINESS EXCHANGE

There is *mixed empirical support* for SET's ability to explain BTB exchange relationships (Rindfliesch and Heide 1997). For example, researchers have argued conceptually that norms or relational governance may be substitutes for formal governance mechanisms such as contracts (e.g., Griesinger 1990; Hill 1990; Macaulay 1963). However, empirical studies have failed to clearly support the notion that relational governance can supplant formal governance. Although Gulati (1995) and Stump and Heide (1996) find empirical support for the "substitution hypothesis," Rindfleisch and Heide (1997, p. 50) note:

> A somewhat different pattern of results emerged from Heide and John's (1992) study of a buyer's ability to acquire control over a supplier. By themselves, however, norms had no effect on buyer control. Thus, norms served as a moderator, rather than having a direct impact on control. An important topic for future research is to determine the specific consequences of competing behavioral assumptions.

As mentioned previously, these formal and informal mechanisms work together to regulate interaction among trading partners. What is not known is the degree to which each compensates for the other.

Another limitation of SET in explaining BTB exchange is its *lack of consideration of opportunism*. As much as TCA has been criticized for its assumption of universal opportunism, SET should be criticized for its implicit assumption that relational exchange is devoid of opportunism. Even when a high state of relational exchange has been achieved between exchange partners, implying high levels of trust, relational norms and the like, at least two conditions can breach the relational governance suggested by SET: (1) occasional differences between the exchange partners, and (2) the sometimes negative effects of long-term relationships on the trustworthiness of exchange partners.

With respect to occasional differences between the partners, even the best of relationships (personal or business) periodically break-down. For this reason, some researchers have argued that relationship-specific investments, and/or direct control are necessary to serve as a "safety-net" should the relational contract temporarily fail (e.g., Rindfleisch and Heide 1997; Ring and Van De Ven 1994).

In addition, research by Moorman, Zaltman, and Deshpande (1992) and Grayson and Ambler (1999) question SET's notion that trust in long-term exchange relationships is high. These researchers suggest "long-term relationships foster relational dynamics that dampen the positive impact of trust [and] commitment" (Grayson and Ambler 1999, p. 132). Moorman, Zaltman, and Deshpande's (1992) explanation for this phenomenon is that in some forms of exchange relationships one trading party may begin to believe that its exchange partner might be taking advantage of the trust between the parties to act opportunistically. Their notion that relational governance norm of trusting one's trading partner contributes to opportunism not only runs counter to SET, but also suggests that relational governance must be supplemented by formal governance in exchange relationships.

SET is also limited in its ability to explain the development of relational BTB exchange governance in *short-term relational exchange,* or in exchange relationships that must produce results quickly (Lambe, Spekman, and Hunt 2000). Examples of such relationships appear to be increasing (Lambe and Spekman 1997). For example, Day (1995 p. 297) notes that some relational exchange arrangements "are deliberately short lived, lasting only as long as it takes one partner to enter a new market." Here, Wilson (1995, p. 336) argues:

> . . . the process of relationship development is accelerated as firms strive to create relationships to achieve their goals. In this stressful environment of relationship acceleration, there is less time for the participants to carefully explore the range of long-term relationship development . . . making the development of a satisfactory relationship even more difficult.

The process of relationship development suggested by SET is less effective for explaining relational exchange that is short-term in nature, because it requires interactions over an extended period of time (Dwyer, Schurr, and Oh 1987). Indeed, research suggests that interactions may have to occur for as long as four years to establish working norms. Because short-term relational BTB exchange has less time to fully develop relational governance in historical, SET, fashion such exchange will be, ceteris paribus, less relational, and will rely more on non-intra-exchange relationship interactions to develop a climate of relational exchange (Lambe, Spekman, and Hunt 2000). Thus, it would seem that TCA would need to supplement SET to explain governance in short-term relational exchange since TCA is used to explain non-relational exchange governance.

In addition, the validity of SET for explaining BTB relational exchange must be questioned until there are *more longitudinal empirical studies* that integrate what has mostly been conceptual research on process models with the research that has been conducted on variables that are present in successful relationships, such as trust and commitment

(Anderson 1995; Wilson 1995). The main reason that there are few empirical studies of the process of BTB relationship development is the difficulty in securing the required data. To be truly effective such studies must utilize longitudinal data in an attempt to examine the cyclical process of exchange interactions over time in which the independent variables positively (negatively) influence the dependent variable which, in turn, then positively (negatively) influences the independent variables, and so on (Jap 1995). Cross-sectional data has limited usefulness for explaining process notes Wilson, (1995, p. 339):

> [because it] likely captures relationships at different stages of development. We believe that the constructs have both an active phase where they are the center of the relationship development process and a latent phase where they are still important but not under active consideration in relationship interaction.

Gathering panel survey data in longitudinal fashion over time is a daunting task for researchers. Firms are hesitant to commit to such a project and "publish or perish" expectations do not encourage long-term projects–especially those that may not bear fruit (Anderson 1995). Thus, the prospects for conducting such empirical research do not seem promising at present due to the difficulties in gathering the necessary longitudinal data.

SUGGESTIONS FOR FUTURE RESEARCH

Future research on BTB marketing should (1) take into account the noted limitations of SET, and (2) extend our understanding of the use of SET to explain BTB exchange. With respect to the first research imperative, SET is not a holistic explanation for BTB exchange governance–even when exchange is highly relational. Key boundary personnel may change, markets may change, and there is disturbing research by Grayson and Ambler (1999) that suggests that partners may be tempted to be opportunistic when there exists a high-level of trust in the exchange relationship. These issues, and others, explain the persistent use of contracts in BTB relational exchange (Rindfleisch and Heide 1997; Ring and Ven De Ven 1994).

Therefore, it seems clear that SET should be used in conjunction with another theory(ies) to fully explain BTB exchange governance. Because it complements the "relational" governance explanation of SET, TCA would appear to be a theory that could be used with SET to more comprehensively explain exchange governance. Future research of relational BTB exchange should use both SET and TCA whenever possible.

The second, and perhaps more important, future research imperative is to extend our understanding of SET by integrating present limitations of SET into research on SET and BTB exchange. To this end, future research should examine how the business and social outcomes of exchange and, hence, the norms that govern exchange are affected by contracts, interactions outside of the exchange relationship, and potential opportunism. On the surface, it would seem that, in addition to positive social and economic outcomes, contracts increase interdependence, which should further facilitate the emergence of relational governance norms. Positive interactions outside of an exchange relationship should also hasten the development of relational governance norms. And, potential opportunism should reduce reliance on relational norms to govern an exchange relationship. In sum, one may foresee how all of the issues that currently limit SET's ability to more fully explain BTB exchange governance are variables that could be studied through the lens of SET. The results of such research would be not only useful for the further development of SET, but also for the study of business practice.

A "relational exchange competence" (Day 1995; Hutt 1995; Weitz and Jap 1995) is another variable would extend our understanding of SET's role in BTB exchange. As described by Day (1995, p. 299), firms that have a relational exchange competence:

> have a deep base of experience that is woven into a core competency that enables them to outperform rivals in many aspects of . . . [relational exchange] management. They have well-honed abilities in *selecting* and negotiating with potential partners, carefully planning the mechanics of the . . . [relationship] so roles and responsibilities are clear-cut, and continually reviewing the fit of the . . . [relationship] to the changing environment.

From a SET perspective, a relational exchange competence would contribute to the development of relational exchange governance norms in at least four ways: (1) firms that possess it would be better able to work with their exchange partner, which would result in enhanced economic and social outcomes, (2) firms that possess it would be more likely to transform, or compromise, on economic outcomes, (3) firms that possess it will be more likely to choose partners that will abide by relational norms, and (4) firms that possess it would understand the value of relational norms in exchange. Thus, a relational exchange competence is a variable that could be used to help us better understand the role of SET in BTB exchange.

In closing, not only does it appear that SET will continue to be a useful theory for explaining relational exchange well into the future, but also that it presents numerous research opportunities with respect to its application. Such work holds the promise of great rewards, both for marketing theory and practice. In addition to shedding light on the concept of SET and its applications, it is hoped that this article has provided insights and motivations for the refinement and use of SET in future investigations.

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