A MODEL OF AGENCY-CLIENT TRANSACTION:
TESTING THE EFFECT OF TWO-WAY SYMMETRICAL COMMUNICATION ON THE
AGENCY-CLIENT RELATIONSHIP

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To my father, KyungIl Park, my mother, OkMok Lee, my sister, HyeSun Park, my aunt, DoYeon Lee, and the cutest puppy in the world, KyumDaeng Park
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The purpose of this study was to test the effect of two-way symmetrical communication on the agency-client relationship. In particular, this study developed a model of agency-client transaction to investigate if two-way symmetrical communication would bring about the mutually beneficial trade of concessions between clients, who have bargaining power before a service contract is signed, and agencies, who have information power after a signed service contract.

The hypotheses were tested with an experiment consisting of three decision-making games corresponding closely to the proposed model (Game I: A model of agency-client transaction in the baseline condition; Game II: A model of agency-client transaction with power relations; and Game III: A model of agency-client transaction with two-way symmetrical communication). This study modified previous resource allocation decision-making games by introducing the client’s bargaining power condition, the agency’s information power condition and two-way symmetrical communication condition. In particular, this study integrated the coorientation model to examine the effect of two-way symmetrical communication on the coorientation states.
as well as on decision making. A mixed within-(Game I x Game II x Game III) and between-
(Agency x Client) subject design was used.

The results demonstrate the applicability of excellence theory to the particular public—
agencies or clients—in the particular context—transaction. Both the Agency Group and the
Client Group made a mutually beneficial choice as a result of two-way symmetrical
communication. Also, both groups’ coorientation states improved as a whole.

This study approached the agency-client relationship from the two-way symmetrical
perspective. The results suggest that 1) the agency-client transaction is not a zero-sum game but
a positive sum game, 2) not only agencies but also clients should be willing to change their own
behavior to increase the size of pie, and 3) both agencies and clients can have bigger pie through
mutually beneficial trade of concessions.
CHAPTER 1
INTRODUCTION

The Excellence Study suggests that two-way symmetrical communication can develop win-win solutions for conflicts, establish and maintain long-term relationships, and increase organizational effectiveness (Dozier, L. Grunig, & J. Grunig, 1995; L. Grunig, J. Grunig, & Dozier, 2002). Through two-way symmetrical communication, according to the study, organizations can practice the most effective and ethical public relations, namely excellent public relations.

What is worth noting is the assertion from Dozier et al. (1995) that communication excellence is universal. That is, the concept of communication excellence is applicable to any particular public or context.

In that case, would two-way symmetrical communication contribute to the relationship between agencies and clients? While several studies have attempted to test excellence theory on the organization’s relationship with various publics, such as activists (i.e., L. Grunig, 1992; Zoller, 2004; Stokes & Rubin, 2010), media (i.e., Habbersett, 1983; Theus, 1988; J. Grunig, 1990; Callison & Seltzer, 2010), employees (i.e., McCown, 2007; Kim, 2007), investors (i.e., Kelly, Laskin, & Rosenstein, 2010) and the general public (i.e., Foreman-Wernet & Dervin, 2006), little attention was given to its applicability to the agency’s relationship with clients or the client’s relationship with agencies.

Clients are crucial publics to agencies, and agencies are crucial publics to clients. For clients, failed relationship with an agency means loss of time and budget, the discontinuance of programs, and another agency selection process (Quinn, 1978; Michell, 1986). For agencies, they can lose millions of dollars and reputation from client losses (Bourland-Davis, 1997).
Warner (1992) pointed out, “the traditional notion of the agency-client ‘marriage’ has been tarnished” (p. 20). Agencies and clients come together after a time-consuming and labor intensive agency selection process, but the relationship is filled with misunderstanding and anxiety (Marconi, 1998). When Salz Survey of Advertiser-Agency Relations (2005) asked about their relationship with each other, 46% of the agency respondent—the second highest level since 1986—said there were more hassles than the previous year, and 41% of the client respondent—the highest level since 1986—said there was more tension than the previous year (Elliot, 2006). As a result, the average agency-client relationship tenure decreased from 7.2 years in 1984 to 5.3 years in 1997 (Gleason, 1997). Dan (2008) pointed out that the agency-client relationship was “becoming dangerously transactional, lasting a mere three years on average” (p.18).

The public relations and advertising literatures in this area have focused on the clients’ expectations of agencies (i.e., Lace, 1998; Fam & Waller, 2000, Crutchfield, Spake, D'Souza, & Morgan, 2003), conflict issues (i.e., Pincus, Acharya, Trotter, & Michel, 1991; Bourland, 1993; Devinney & Dowling, 1999), and reasons for relationship success or failure (i.e., Doyle, Jens, & Michell, 1980; Ghosh & Taylor, 1999; Bennett, 1999). However, few studies have approached agencies’ client relations or clients’ agency relations from a relationship perspective. Further, the relationship has not been examined from the two-way symmetrical perspective. Most previous studies of the agency-client relationship have emphasized only the agency’s behavior as responsible for relationship outcomes (Lee, Huynh, Chi-wai, & Pi, 2000). For example, Labahn (1996) concluded in his study on the agency-client relationship that agencies have to behave cooperatively and to attend diligently to problems in order to improve the relationship. Similarly, Chia (2008) suggested that agencies need to adapt to clients’ changing needs for the successful relationship management.
Business management and economics studies on agency theory consider monitoring or incentive as a remedy for problems from the conflict of interest between agencies and clients (i.e., Nayyar, 1990; Demougin & Fluet, 2001; Tosi, Brownlee, Silva, & Katz, 2003; Fong & Tosi, 2007; Carson, 2008). However, those solutions are not only asymmetrical but also one sided. Those are far from an attempt to establish mutually beneficial solutions through mutual understanding.

Would two-way symmetrical communication develop win-win solutions for conflicts between agencies and clients, establish and maintain long-term relationships, and increase organizational effectiveness? Could agencies and clients practice excellent client relations and excellent agency relations through two-way symmetrical communication?

The purpose of this study is to test the effect of two-way symmetrical communication on the agency-client relationship. In particular, a theoretical model of agency-client transaction is presented to investigate if two-way symmetrical communication will lead a win-win relationship between agencies and clients. A laboratory experiment is conducted to test the hypotheses and to evaluate the predictions in the proposed model. The theoretical and practical implication as well as limitations and recommendations for future research is discussed at the end of the paper.
CHAPTER 2
LITERATURE REVIEW

In this chapter, the issues in the agency-client transaction will be elaborated to develop a model of agency-client transaction. The chapter begins with a discussion of issues derived from the clients’ bargaining power before a service contract is signed and issues derived from the agencies’ information power after a signed service contract. Next, it explores the possible role of two-way symmetrical communication in finding win-win solutions. Finally, it examines the comparative value of mutually beneficial trade of concessions through two-way symmetrical communication in relation to incentive or monitoring.

Clients’ Bargaining Power

Business-to-business (B2B) service customers, unlike business-to-customer (B2C) service customers, have significant bargaining power (Lovelock & Wirtz, 2003). Especially in the agency-client relationship, according to Marconi (1998), it is an open secret that some clients are “changing agencies almost as often as it changes bed sheets” or “squashing more agencies than varieties of grapes” (p. 14).

The power asymmetry between agencies and clients comes from the agencies’ considerable dependency on clients. In fact, the prosperity of agencies depends in large part on clients (Sekely & Blakney, 1996). As Croft (1993) pointed out, agencies swing between ecstasy and despair, depending on whether they win a new client or lose an old one.

Based on game theory, Pavlik (1989) suggested that organizations with greater power than the public would get the greatest payoff from asymmetrical public relations. Considering that both agencies and clients act in their own best interest, it is reasonable that clients exert their power as much as they can (Ellis & Johnson, 1993). In their study on the power balance in the agency-client relationship, Zolkiewski et al. (2008) suggested that the power asymmetry between
agencies and clients would have a negative impact on the relationship and the performance of agencies. According to Cameron et al. (2001), however, clients are not likely to change their position, unless situational variables, such as potential cost/benefit and power relations, are powerful enough to influence their decision-making.

**Client’s Agency Selection**

When organizations look for a new agency, they traditionally conduct a time-consuming and labor-intensive agency selection process, inviting several agencies to submit an extensive proposal and to make a speculative presentation (Kotowski, 1992). Accordingly, a large portion of agencies’ time and talent is running into the agency selection process (Michell, 1986; Bourland-Davis, 1997) For instance, advertising agencies’ client acquisition cost can be from $200,000 to $1 million (Steinberg, 2007, p. B2). Not only large agencies but also small and medium size agencies are hiring highly-specialized professionals, who command salaries of $300,000 to $400,000 a year, just for the agency selection process (Foltz, 1990). According to Lovelock and Wirtz (2003), agencies might spend 25% of their service value in the agency selection process, if clients required extensive proposal work and frequent bidding. Van Rensburg et al. (2010) pointed out that the average amount of time spent by pitching agencies was about 11% of agencies’ income.

**Agencies’ Information Power**

In the relationship between agencies and clients, agencies always have more information than clients (Fudenberg, Holmstrom, & Milgrom, 1990). Only agencies know what they did to achieve clients’ goal, and only agencies have access to the specialized knowledge on the specific kind of service (Carson, 2008). Clients are generally uncertain about either the minimum quality-guaranteeing price or the actual quality of agency service (Kleinand & Leffler, 1981; McCluskey, 2000). Agencies may recommend unnecessary but more profitable services and
shirk necessary but less profitable services (Emons, 1997). In addition, the chances of clients finding out such behavior are “typically slim” (Emons, 1997; p. 107). The information advantage grants agencies a different kind of power than clients’ bargaining power, namely information power (Bok, 1989).

**Agencies’ Internal Budget Adjustment**

Based on contingency theory, Shin and Cameron (2004) implied that agencies who wanted to win the clients’ contract would be more accommodative than clients who had more bargaining power than agencies. Based on their analysis on the agencies’ contractual performance, however, Kleinand and Leffler (1981) suggested that agencies would not keep their promise to provide high-quality service, unless agency compensation was sufficiently above the cost. According to McAfee and McMillan (1987), agencies choose the level of service quality once they won in the agency selection process. That is, in the agency-client transaction, there is always a possibility of the agencies’ internal budget adjustment. Tosi et al. (1997) suggested that agencies’ decisions about resource allocation would be influenced by how the decisions affected their profitability. If agencies decide that a certain account was less profitable, they might utilize their authority for the budget execution to secure their profit, reducing the level of service quality or assigning less qualified staff without the client’s knowledge (Cummings, 1991; Abou Aish, Kortam, & Hassan, 2008). If clients ignore the agencies’ profitability to maximize their own benefits, therefore, it may not bring about the expected benefits (Caillaud & Hermalin, 2000).

**Coorientational Approach to the Agency Compensation Issue**

Sekely and Blakney (1996) wrote, “[n]o one issue has divided agencies and clients more than compensation” (p. 28). The issue of agency compensation is at the center of the conflict of interest between agencies and clients. Agencies think that the compensation is unfair because clients pay less and want more (McMains, 2009). In the 2009 Client Quality Survey, agencies
rated clients’ current agency compensation “unrealistic and unfair in respect to the scope of work and service level,” with 33% responding “weak,” 61% “average,” and only 6% “excellent” (McMains, 2009). Meanwhile, clients think that agency compensation is unfair because it does not correspond to service quality (Aarikka-Stenroos & Halinen, 2007). In his study on conflict issues in the agency-client relationship, Bourland-Davis (1997) found that clients viewed “client is too demanding,” “unfair agency billing,” and “client expectations too high” as less significant conflict issues, and “agency staff is inexperienced,” “agency work unsatisfactory,” and “agency is understaffed” as more significant ones.

According to Alba et al. (1994), price expectations are a “source of a myriad of biases,” which can lead to “distorted perceptions” of actual prices and suboptimal decisions (Alba, Broniarczyk, Shimp, & Urbany, 1994; p. 221). Ali et al. (2003) implied that clients’ high agency selection cost or agencies’ high client acquisition cost were possible causes of misunderstanding about agency compensation, and consequently, perception of compensation unfairness. For instance, clients might think that agencies would absorb the transaction costs, while agencies think it the other way around.

The coorientational model of communication has been widely used to compare the perceptions of different groups (i.e., Sallot, Cameron, & Weaver-Lariscy, 1997; Reber, Cropp, & Cameron, 2001; Shin & Cameron, 2004; Verčič, Verčič, & Laco, 2006; Kutzschenbach & Bronn, 2006). In particular, the coorientation model enables the identification of whether two groups are “consensual or conflicting” regarding particular issue (Shin & Cameron, 2004; p.12).

The coorientation model assumes that each party has two sets of cognitions: a “self-perception” of a particular issue and an “other-perception” of what the other party thinks about the issue (Kutzschenbach & Bronn, 2006; p. 306). Agreement occurs when one party’s
evaluation of a particular issue is similar to the other party’s. Congruency occurs when one party believes that the other party’s evaluation is similar to his. Accuracy occurs when one party’s perception of the other party’s evaluation of a particular issue matches the other party’s real evaluation (Chaffee & McLeod, 1968).

Based on the coorientation model, Dozier and Ehling (1992) suggested that two-way symmetrical communication could reduce conflict based on misunderstanding by improving the level of accuracy. They explained:

The two-way symmetrical model of public relations suggests that communication, including mediated communication, is indeed effective at achieving symmetrical goals and objectives. The coorientation model suggests that increases in accuracy as well as agreement are worthwhile objectives for communication programs to pursue. The concept of symmetry suggests that the organization itself—and especially the dominant coalition—should adjust and adapt to publics upon whom survival and growth depends. In the process, the organization itself changes. (Dozier & Ehling, 1992, p. 182)

Kutzschenbach and Bronn (2006) also suggested the effectiveness of two-way symmetrical communication in improving the level of accuracy:

A central assumption of co-orientation theory is that information exchange through communication results in greater knowledge of another’s cognition. Communication leads to changes in cognitions in both the organization and the public towards an issue, thus increasing accuracy. (Kutzschenbach & Bronn, 2006, p.315)

According to Verčič et al. (2006), strategies based on inaccurate understanding of the other party’s position “will not result in an appropriate reaction to the situation” (p. 8). In mutually beneficial transaction, agencies and clients will communicate what they seek, what they have, what they are willing to concede, and the relative importance of each concession (Ross & Stillinger, 1991). If each party gained a more accurate understanding of each other’s position, they would be able to select the most beneficial strategy based on the newly-acquired knowledge (Beach & Mitchell, 1978).
Two-Way Symmetrical Communication for Win-Win Solutions

In a B2B transaction, it is common to approach negotiations from a win-lose perspective, although win-win negotiations are the key to successful conflict resolution (Ehling, 1992). Organizations with a win-lose perspective attempt to change the other’s behavior, without changing their own behavior (Kelly, Laskin, & Rosenstein, 2010). To achieve win-win solutions, however, they have to be willing to change their own behavior (J. Grunig & Hunt, 1984; Dozier, L. Grunig, & J. Grunig, 1995).

Two-way symmetrical communication is “true dialogue” that both parties are willing to compromise on their own ideas, attitudes, and behaviors (J. Grunig, 1990, p. 21). J. Grunig (1997) asserted that the two-way symmetrical model of public relations provides a forum for dialogue, and Zoller (2004) suggested that the forum for dialogue provides people with different values with a chance to discuss their values, to improve mutual understanding, to manage conflicts, and to reach a compromise. While two-way asymmetrical communication is a zero-sum game that one player must lose if the other player wins, two-way symmetrical communication is a positive-sum game that both players can win (Leichty, 1997). Two-way symmetrical communication between organization and public generates mutual understanding to develop mutually beneficial relationships (J. Grunig & L. Grunig, 1992). Especially in a conflict situation, organizations can obtain not only each other’s cooperation but also win-win solutions through two-way symmetrical communication (Dozier, L. Grunig, & J. Grunig, 1995; Huang, 1997).

Win-Win Solutions

Agencies need to control the level of service quality because they have a limited amount of resources and higher service quality requires higher service cost (Kleinand & Leffler, 1981; Schmidt, 2000). According to Lovelock and Wirtz (2003), agencies control the level of service
quality based on the account’s profitability. That is, agencies might increase the level of service, assign more qualified staff, or provide some exclusive benefits that are not available to other clients if they decide that a certain account is more profitable than others.

Lal and Staelin (1986) suggested that clients can resolve agencies’ internal budget adjustment problem by designing a compensation system that aligns the agency’s interests with the client’s. In fact, clients can make their account more profitable not just by increasing agency compensation but also by reducing waste of time, money, and talent (Shingo, 1988). For instance, members of CAANZ (Communication Agencies Association of New Zealand) criticized that a certain client’s process was “unlikely to produce best practice, created extended timeframes and inflated budgets” because it was “inconsistent, cumbersome, repetitive and time-wasting” (Medcalf, 2006).

Another way is to reduce the costs of non value-adding activities (Koskela, 1997). Clients can select the most valued ones among several service options (Ehling, 1992). For example, according to Naumann (1995), agencies’ client acquisition costs are generally included in the agency compensation. If organizations valued agencies’ service quality higher than their marketing and sales effort, they could design more effective and less time-consuming and labor-intensive agency selection process through two-way symmetrical communication with agencies.

**Win-Win Solutions through Two-Way Symmetrical Communication**

Rao and Bergen (1992) asserted that the willingness of quality-conscious clients to pay price premium—the excess price above the minimum quality-guaranteeing price—was economically rational. Incentive is generally considered as a way to motivate agencies to provide high-quality service (Kleinand & Leffler, 1981; D'Souza, 1999).
Monitoring is another way to ensure agencies’ service quality. Clients establish monitoring systems to ensure the consistency of the agency’s behavior with their best interest (Abou Aish, Kortam, & Hassan, 2008).

The problem is that both incentive and monitoring are not only asymmetrical but also one sided. Clients manage incentive or monitoring system on their own at their own cost (D'Souza, 1999). The goal is not in finding mutually beneficial solutions but in maximizing their own benefits (Spake, D’Souza, Crutchfield, & Morgan, 1999).

In fact, those solutions assume that agencies’ benefits (i.e. profit, time, labor and leisure) are naturally against clients’ benefits. If clients assume that the size of pie is fixed, however, they will fail to reach a win-win compromise, which increases the size of pie (Neale & Baserman, 1991; Ellis & Johnson, 1993). Mutually beneficial trade of concessions will become impossible (Ross & Stillinger, 1991).

If agencies and clients reached goal congruity through two-way symmetrical communication, agencies would behave in the direction that maximizes the clients’ interest, regardless of incentive or monitoring (Ellis & Johnson, 1993; D'Souza, 1999). Mutual understanding on what goals are important or unimportant and appropriate or inappropriate can serve as a direct precursor of relationship commitment and trust (Morgan & Hunt, 1994). Committed and trusted business partners cooperate with each other to achieve better outcomes (LaBahn & Kohli, 1995; Hunt, Arnett, & Madhavaram, 2006).

Summary

The agency-client transaction is a complex situation. First, there exist common and conflicting interests between agencies and clients. Both agencies and clients want to maximize the service quality. However, clients want to minimize the agency compensation, while agencies want to maximize their net income. Second, there exists information asymmetry as well as power
asymmetry. Clients have bargaining power before contract, while agencies have information power after contract. Finally, both agencies and clients value the agency service higher than the agency proposal.

To develop win-win solutions, both agencies and clients have to (1) satisfy not only their own goals but also the other party’s goals and (2) be willing to change their own ideas, attitudes and behaviors. Mutually beneficial trade of concessions through two-way symmetrical communication may resolve the agency’s internal budget adjustment problem regardless of incentive or monitoring.
CHAPTER 3
A MODEL OF AGENCY-CLIENT TRANSACTION AND HYPOTHESES

This study presents a model of agency-client transaction to investigate if two-way symmetrical communication will lead to a mutually beneficial trade of concessions between agencies and clients. This study uses the term “model” to mean an abstract representation of phenomena when particular variables are included or excluded (Kulhavy & Stock, 1989; Overstreet, Nance, & Balci, 2002).

The following is a graphic representation of a model of agency-client transaction in the baseline condition (Figure 3-1), a model of agency-client transaction with power relations (Figure 3-2), and a model of agency-client transaction with two-way symmetrical communication (Figure 3-3).

In the proposed model of agency-client transaction in the baseline condition, the agency and the client trade their resources (time, money, effort, knowledge, etc.) for the benefits of the transaction, which include both financial and non-financial benefits. The amount of resources in transaction (A, C) and the relative value of the transaction (r) determines the benefits from the transaction (Issac & Mark, 1988). Specifically, the agency’s benefits from the transaction and the client’s benefits from the transaction are \((A + C) \cdot r - A\) and \((A + C) \cdot r - C\), respectively. It is assumed that (1) each party controls the amount of resources in transaction based on the benefits from the transaction, and (2) each party considers the other party’s resource allocation decisions and responds to them reciprocally, following Cason and Khan (1999).

In the proposed model of agency-client transaction with power relations, the agency-client transaction is divided into transaction before a contract is signed (agency selection stage) and transaction after a signed contract (agency service stage). Transaction before contract and transaction after contract are considered as a whole, so each party controls the amount of
resource in each transaction within the amount of resource in total transaction \((A_1 + A_II = A, C_1 + C_II = C)\).

![Diagram of agency-client transaction](image)

* Assumption: \(A_1 : A_II = C_1 : C_II = r_I : r_II\)

Figure 3-1. A model of agency-client transaction in the baseline condition

It is based on the assumption that (1) viable firms adjust their budget considering transaction costs, following Kleinanand and Leffler (1981), and (2) transaction costs are generally included in the agency compensation, following Naumann (1995). This study uses the term “transaction cost” to mean the amount of resource used to select an agency \((C_I)\) or to be selected as an agency \((A_I)\) (McMullen, Bagby, & Palich, 2008). It is assumed that the value of the transaction after contract \((r_II)\) is higher than the value of the transaction before contract \((r_I)\).
Before contract, the client has bargaining power to control the amount of the agency’s resource in transaction. After contract, the agency has information power to internally adjust the amount of their resource in transaction. Based on the preceding literature review, the following hypotheses are posed:

**Hypothesis 1 (a):** Before contract, clients’ bargaining power will lead clients to make a selfish choice, causing agencies’ loss.

**Hypothesis 1 (b):** Before contract, clients’ bargaining power will lead agencies to overspend to be selected.

**Hypothesis 2:** In the presence of power relations, agencies’ service quality will be lower than the demanded service quality from clients.

**Hypothesis 3 (a):** Clients’ benefits from the transaction in the presence of power relations will be less than in the absence of power relations.

**Hypothesis 3 (b):** Agencies’ benefits from the transaction in the presence of power relations will be less than in the absence of power relations.

In the proposed model of agency-client transaction with two-way symmetrical communication, two-way symmetrical communication leads to a mutually beneficial trade of concessions between agency and client. It is based on the assumption that two-way symmetrical communication can (1) reduce conflict based on misunderstanding by improving the level of accuracy, following Dozier and Ehling (1992), and (2) generate mutual understanding to develop mutually beneficial solutions, following J. Grunig and L. Grunig (1992). That is:

**Hypothesis 4:** Two-way symmetrical communication will lead agencies and clients to more accurately understand each other’s position.
Figure 3-2. A model of agency-client transaction with power relations

**Hypothesis 5 (a):** Two-way symmetrical communication will lead clients to make a mutually beneficial choice before contract, reducing agencies’ loss.

**Hypothesis 5 (b):** Two-way symmetrical communication will lead agencies to make a mutually beneficial choice after contract, increasing clients’ benefits.

**Hypothesis 6 (a):** Clients’ benefits from the transaction in the presence of two-way symmetrical communication will be greater than in the absence of two-way symmetrical communication.

**Hypothesis 6 (b):** Agencies’ benefits from the transaction in the presence of two-way symmetrical communication will be greater than in the absence of two-way symmetrical communication.
Figure 3-3. A model of agency-client transaction with two-way symmetrical communication
CHAPTER 4
METHODOLOGY

The hypotheses were tested with a laboratory experiment consisting of three decision-making games corresponding closely to the proposed models (Game I: A model of agency-client transaction in the baseline condition; Game II: A model of agency-client transaction with power relations; and Game III: A model of agency-client transaction with two-way symmetrical communication). This study modified previous experiments in economics, politics and psychology on resource allocation decision making (Samuelson, Messick, Rutte, & Wilke, 1984; Isaac & Walker, 1988; Cooper, DeJong, Forsythe, & Ross, 1989; Cooper, DeJong, Forsythe, & Ross, 1992; Hackett, Dudley, & Walker, 1994; Weimann, 1994; Fisher, Isaac, & Schatzberg, 1995; Tosi, Katz, & Gomez-Mejia, 1997; Cason & Khan, 1999; Croson, Fatás, & Neugebauer, 2005; Bochet, Page, & Putterman, 2006; Croson, Fatás, & Neugebauer, 2006; Croson, 2007; Choi, Laibson, & Madrian, 2010; Grosse, Putterman, & Rockenbach, 2010) by introducing conditions to simulate the proposed model.

Pretests

Two pretests were conducted to check the appropriateness of the manipulations and the clarity of the instructions. Based on the results of the pretests, the instructions were revised to clarify the subjects’ mission and the rules and to provide subjects more specific information about the agency-client transaction.

Subjects

A total of 83 subjects were recruited among students in the College of Journalism and Communications at University of Florida. All subjects were at the junior (51.8%), senior (31.3%), or graduate (16.9%) levels. Subjects were eligible for this study if they had work experience, if they were members of Public Relations Society of America (PRSA) or International Association
of Business Communicators (IABC), or if they have taken more than one management course (e.g., strategy, campaign, sales, etc.). Extra credit was given to the subjects if the instructor of the course from where the subjects were recruited decided to do so. Each subject was randomly assigned to the role of agency (Agency Group) or client (Client Group). To make decisions incentive-compatible, each subject was told that he/she would receive a bonus based on his/her performance (above average: 6 chocolates; average: 3 chocolates; below average: none) (Choi, Laibson, & Madrian, 2010). Subjects were told that their decision would not be revealed to anyone. This study used a mixed within-(Game I x Game II x Game III) and between-(Agency x Client) subject design (Figure 4-1).

![Figure 4-1. Within- and between-subject design](image)

**Procedures**

Subjects were seated at separate computer terminals, and all instructions (reproduced in Appendix A) were given through the computer screen to minimize experimenter-subject interaction (Isaac & Walker, 1988; Hackett, Dudley, & Walker, 1994).

To confirm that all subjects had understood their mission and the rules, the four-step process of Croson et al. (2006) was adopted with modification. First, general instructions were typed at a reading pace of approximately 2.5 words per second on the computer screen. Second,
specific instructions were typed at a reading pace of approximately 2.5 words per second on the computer screen. Then, subjects took a quiz about the salient instructions. Thereafter, the correct answers to the quiz were typed at a reading pace of approximately 2.5 words per second on the computer screen.

All subjects participated in three decision-making games. In each game, subjects participated in the agency-client transaction to trade the client’s resource \( (C = C_1 + C_2 = $10,000) \) with the agency’s resource \( (A = A_1 + A_2 = \text{an unspecified amount of time}) \). It was assumed that the amount of agency’s time was in direct proportion to the agency’s service quality. The Agency Group subjects were told as follows:

Clients hire a public relations agency to manage their public relations program. In this game, you will perform as a public relations agency. Your mission is to maximize your net income and the client’s satisfaction.

The Client Group subjects were told as follows:

Clients hire a public relations agency to manage their public relations program. In this game, you will perform as a client. Your mission is to maximize the agency’s service quality and to make your public relations program more successful.

In Game I, subjects were asked to make a decision about the amount of the agency’s resource in Transaction I \( (A_1) \) and Transaction II \( (A_2) \), when \( C_1 : C_2 = r_1 : r_2 = 1 : 9 \). The instructions are in the Appendix A.

In Game II and Game III, the transaction was divided into transaction before contract (agency selection stage) and transaction after contract (agency service stage). The transaction before contract was designed to simulate a dictator game as closely as possible (Forsythe, Horowitz, Savin, & Sefton, 1994). A dictator game is a take-it game. One subject decides, and the other subject has to follow the decision. That is, the Client Group subjects were told that the agency would certainly follow their decision. The transaction after contract was designed to simulate an ultimatum game as closely as possible (Forsythe, Horowitz, Savin, & Sefton, 1994).
An ultimatum game is a take-it-or-leave-it game. One subject proposes something, and the other subject can either accept or reject the proposal. That is, the Agency Group subjects were told that they had a chance to follow or ignore the client’s decision.

In Game II, subjects were asked to make a decision about the amount of the agency’s resource in transaction before contract ($A_I$) and in transaction after contract ($A_{II}$), when $C_I: C_{II} = r_I: r_{II} = 1: 9$. In Game III, the Agency Group subjects and the Client Group subjects exchanged messages about their game rules, findings, suggestions and feedbacks. Then, subjects were asked to make a decision about the amount of the agency’s resource in transaction before contract ($A_I$) and in transaction after contract ($A_{II}$), when $C_I: C_{II} = r_I: r_{II} = 1: 9$. The instructions are in the Appendix A.

The Agency Group subjects were told that they would go into the red if $A_I + A_{II} > 1,000$, and the Client Group subjects were told that they would fail to maximize the agency’s service quality, if $A_I < 100$ or $A_{II} < 900$. The first rule imposed a budget constraint, while the second rule imposed an obligation to protect a budget (Bochet, Page, & Putterman, 2006). It was assumed that the value of $100$ of the client was equivalent to the value of 1 hour of the agency.

After making a decision, the Agency Group subjects were asked to estimate the client’s demand about the amount of their resource in transaction before contract ($A_I$) and in transaction after contract ($A_{II}$) and the Client Group subjects were asked to estimate the actual amount of the agency’s resource in transaction before contract ($A_I$) and in transaction after contract ($A_{II}$). After completing the experiment, subjects were debriefed.

**Experimental Conditions**

**Clients’ Bargaining Power**

Clients’ bargaining power condition was manipulated by endowing the client with the power to decide the amount of the agency’s resource in transaction before contract. In Game II
and Game III, the Client Group subjects were told that the agency would certainly follow the client’s decision before contract. Meanwhile, the Agency Group subjects were told that they would fail in the game if they did not follow the client’s decision before contract.

**Agencies’ Information Power**

Agencies’ information power condition was manipulated by endowing the agency with the power to decide the amount of their resource in transaction after contract without the client’s knowledge (Hackett, Dudley, & Walker, 1994). In Game II and Game III, the Agency Group subjects were told that they had a chance to follow or ignore the client’s decision and their decision would not be disclosed to the client.

**Two-Way Symmetrical Communication**

At the beginning of Game III, the Agency Group subjects and the Client Group subjects were asked to exchange messages about their game rules, findings, suggestions and feedback. The messages were developed to provide subjects with a chance to accurately understand the other group’s position and to find mutually beneficial solutions in a conflict situation. The messages are in the Appendix B.

First, the Agency Group subjects were asked to open their Message 1 envelope. They were told that it was prepared by their public relations department. After reading the following message, they handed it to the assigned Client Group subject.

After reading the message, the Client Group subjects opened their Message 1 envelope. They were told that it was prepared by their public relations department. After reading the following message, they handed it to the paired Agency Group subject.

After reading the message, the Agency Group subjects opened their Message 2 envelope. After reading the following message, they handed it to the paired Client Group subject.
After reading the message, the Client Group subjects opened their Message 2 envelope. After reading the following message, they handed it to the paired Agency Group subject.

After reading the message, the Agency Group subjects opened their Message 3 envelope. After reading the following message, they handed it to the paired Client Group subject.

After reading the message, the Client Group subjects opened their Message 3 envelope. After reading the following message, they handed it to the paired Agency Group subject. And, they were asked to go back to their computer screen and press Enter to continue the experiment.

After reading the message, the Agency Group subjects were asked to go back to their computer screen and press Enter to continue the experiment.

The pairings of the subjects were randomly determined before the beginning of the experiment by the computer (Cooper, DeJong, Forsythe, & Ross, 1989).

It was controlled communication that each subject delivered particular messages. This allowed us to eliminate the possibility of subjects attempting to change the setting of the game in order to generate better outcomes (Cooper, DeJong, Forsythe, & Ross, 1989).
CHAPTER 5
RESULTS

This chapter presents the results of the experiment outlined in Chapter 4. The chapter begins by analyzing the resulting data to test the hypotheses. It is followed by the evaluation of predictions in the model.

Hypotheses Testing

**Hypothesis 1 (a):** It predicted that before contract, clients’ bargaining power would lead clients to make a selfish choice, causing agencies’ loss. First, an analysis of variance (ANOVA) was conducted to assess if the Client Group wanted the agency to spend more time on the public relations proposal when they had bargaining power than when they did not have bargaining power. The Client Group wanted the agency to spend more time on the public relations proposal when they had bargaining power ($M = 418.38, SD = 217.97$) than when they did not have bargaining power ($M = 187.10, SD = 229.93$). The least significant difference (LSD) post-hoc test showed that the difference was statistically significant (mean difference = 231.29, $p < .001$).

Next, one-sample $t$-test was conducted to test if the Client Group wanted the agency to spend more time on the public relations proposal than the value of compensation they provided (test value = 100). When the Client Group did not have bargaining power, no significant difference was found between the Client Group’s demand and the value of compensation they provided (mean difference = 87.10, NS: not significant). When the Client Group had bargaining power, however, the Client Group wanted the agency to spend more time on the public relations proposal than the value of compensation they provided. The mean difference was statistically significant (mean difference = 318.38; $t = 9.47, df = 41.00, p < .001$). Therefore, Hypothesis 1 (a) was supported.
**Hypothesis 1 (b):** It predicted that before contract, clients’ bargaining power would lead agencies to overspend to be selected. First, an ANOVA was conducted to assess if the Agency Group was willing to spend more time on the public relations proposal when the client had bargaining power than when the client did not have bargaining power. The Agency Group was willing to spend more time on the public relations proposal when the client had bargaining power ($M = 219.71, SD = 197.61$) than when the client did not have bargaining power ($M = 81.66, SD = 37.85$). The LSD post-hoc test showed that the difference was statistically significant ($\text{mean difference} = 138.05, p < .001$).

Next, one-sample $t$-test was conducted to test if the Agency Group was willing to spend more time on the public relations proposal than the value of compensation the client provided (test value = 100). The Agency Group was unwilling to spend more time than the value of compensation the client provided when the client did not have bargaining power (mean difference = $-18.34; t = -3.103, df = 40.00, p < .005$). When the client had bargaining power, however, the Agency Group was willing to spend more time than the value of compensation the client provided (mean difference = $119.71; t = 3.879, df = 40.00, p < .001$). Therefore, Hypothesis 1 (b) was supported.

**Hypothesis 2:** It predicted that in the presence of power relations, agencies’ service quality would be lower than the demanded service quality from clients. An independent samples $t$-test was used to test this hypothesis. The demanded service quality from the Client Group ($M = 1185.05, SD = 896.41$) was higher than the Agency Group’s decision about service quality ($M = 746.29, SD = 194.74$). The difference was statistically significant ($t = -3.10, df = 44.95, p < .005$). Therefore, Hypothesis 2 was supported.
Hypothesis 3 (a): It predicted that clients’ benefits from the transaction in the presence of power relations would be less than in the absence of power relations. An ANOVA was conducted to test this hypothesis. The Client Group’s benefits from the transaction was calculated as \(((100 + A_I) + 9 (900 + 1000 – A_I)) \cdot 0.5 – 1000\), reflecting the assumptions in the proposed model. The Client Group’s benefits from the transaction in the presence of power relations \((M = 5926.48, SD = 871.87)\) was less than in the absence of power relations \((M = 6851.62, SD = 919.71)\). The LSD post-hoc test showed that the difference was statistically significant \((\text{mean difference} = -925.14, p < .001)\). Therefore, Hypothesis 3 (a) was supported.

Hypothesis 3 (b): It predicted that agencies’ benefits from the transaction in the presence of power relations would be less than in the absence of power relations. An ANOVA was conducted to test this hypothesis. The Agency Group’s benefits from the transaction was calculated as \(((100 + A_I) + 9 (900 + A_{II})) \cdot 0.5 – (A_I + A_{II}), \text{if } A_I + A_{II} \leq 1000, \text{and } ((100 + A_I) + 9 (900 + 1000 - A_I)) \cdot 0.5 – 1000, \text{if } A_I + A_{II} > 1000\), reflecting the assumptions in the proposed model. The Agency Group’s benefits from the transaction in the presence of power relations \((M = 6423.07, SD = 861.67)\) was less than in the absence of power relations \((M = 6511.48, SD = 695.69)\). However, the LSD post-hoc test showed that the difference was not statistically significant \((\text{mean difference} = -88.40, \text{NS: not significant})\). Therefore, Hypothesis 3 (b) was partially supported.

Hypothesis 4: It predicted that two-way symmetrical communication would lead agencies and clients to more accurately understand each other’s position. Accuracy was measured by comparing one group’s estimation with the other group’s decision. To determine if there was a difference between accuracy before two-way symmetrical communication and accuracy after two-way symmetrical communication, a multivariate analysis of variance (MANOVA) was
conducted. The independent variables were the Agency Group’s decision, the Agency Group’s estimation, the Client Group’s decision and the Client Group’s estimation, and the dependent variables were \(A_1\) and \(A_{II}\) before two-way symmetrical communication and \(A_1\) and \(A_{II}\) after two-way symmetrical communication.

Table 5-1 shows the results of tests of between-subjects effects. The results indicate a statistically significant difference among the independent variables in \(A_1\) \((F = 10.18, p < .001)\) and \(A_{II}\) \((F = 4.08, p < .01)\) before two-way symmetrical communication and \(A_1\) \((F = 4.53, p < .005)\) after two-way symmetrical communication. Therefore, null hypothesis (H0: the Agency Group’s decision = the Agency Group’s estimation = the Client Group’s decision = the Client Group’s estimation) was rejected except in \(A_{II}\) \((F = 1.45, \text{NS: not significant})\) after two-way symmetrical communication.

### Table 5-1. Tests of between-subjects effects

<table>
<thead>
<tr>
<th>Source</th>
<th>Dependent Variable</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>(A_1) before communication</td>
<td>361.38</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>(A_{II}) before communication</td>
<td>454.59</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>(A_1) after communication</td>
<td>116.17</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>(A_{II}) after communication</td>
<td>142.40</td>
<td>0.000</td>
</tr>
<tr>
<td>Coorientation</td>
<td>(A_1) before communication</td>
<td>10.18</td>
<td>0.000***</td>
</tr>
<tr>
<td>Variable</td>
<td>(A_{II}) before communication</td>
<td>4.08</td>
<td>0.008*</td>
</tr>
<tr>
<td></td>
<td>(A_1) after communication</td>
<td>4.53</td>
<td>0.004**</td>
</tr>
<tr>
<td></td>
<td>(A_{II}) after communication</td>
<td>1.45</td>
<td>0.230</td>
</tr>
</tbody>
</table>

*\(p<.01\)

**\(p<.005\)

***\(p<.001\)

The results of the LSD Post Hoc Test are given in Table 5-2. As shown in Figure 5-1, the Agency Group was inaccurately underestimating the client’s decision about \(A_1\) (mean difference \(= -207.76, p < .001\)) before two-way symmetrical communication. After two-way symmetrical communication, the degree of accuracy was noticeably increased \((-207.76 \rightarrow -153.72)\), and the gap between the Agency Group’s estimation and the Client Group’s decision was not statistically significant (mean difference \(= -153.72, \text{NS: not significant})\). As shown in Figure 5-2, the Agency
Group was accurately estimating the client’s decision about AII. No significant difference between the Agency Group’s estimation and the Client Group’s decision was found.

**Table 5-2. The least significant differences (LSD) post hoc test**

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variable</th>
<th>Mean Difference</th>
<th>Sig.(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A_I before comm</td>
<td>A’s Decision</td>
<td>A’s Estimation</td>
<td>9.08</td>
</tr>
<tr>
<td></td>
<td>C’s Decision</td>
<td>-198.67</td>
<td>0.000 ***</td>
</tr>
<tr>
<td></td>
<td>C’s Estimation</td>
<td>-112.84</td>
<td>0.011</td>
</tr>
<tr>
<td>A’s Estimation</td>
<td>A’s Decision</td>
<td>-9.08</td>
<td>0.838</td>
</tr>
<tr>
<td></td>
<td>C’s Decision</td>
<td>-207.76</td>
<td>0.000 ***</td>
</tr>
<tr>
<td></td>
<td>C’s Estimation</td>
<td>-121.92</td>
<td>0.006**</td>
</tr>
<tr>
<td>C’s Decision</td>
<td>A’s Decision</td>
<td>198.67</td>
<td>0.000 ***</td>
</tr>
<tr>
<td></td>
<td>A’s Estimation</td>
<td>207.76</td>
<td>0.000 ***</td>
</tr>
<tr>
<td></td>
<td>C’s Estimation</td>
<td>85.83</td>
<td>0.050</td>
</tr>
<tr>
<td>C’s Estimation</td>
<td>A’s Decision</td>
<td>112.84</td>
<td>0.011</td>
</tr>
<tr>
<td></td>
<td>A’s Estimation</td>
<td>121.92</td>
<td>0.006**</td>
</tr>
<tr>
<td></td>
<td>C’s Decision</td>
<td>-85.83</td>
<td>0.050</td>
</tr>
<tr>
<td>AII before comm</td>
<td>A’s Decision</td>
<td>A’s Estimation</td>
<td>-214.48</td>
</tr>
<tr>
<td></td>
<td>C’s Decision</td>
<td>-438.75</td>
<td>0.001**</td>
</tr>
<tr>
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<td>-329.56</td>
<td>0.013</td>
</tr>
<tr>
<td>A’s Estimation</td>
<td>A’s Decision</td>
<td>214.48</td>
<td>0.108</td>
</tr>
<tr>
<td></td>
<td>C’s Decision</td>
<td>-224.27</td>
<td>0.091</td>
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<tr>
<td></td>
<td>C’s Estimation</td>
<td>-115.08</td>
<td>0.385</td>
</tr>
<tr>
<td>C’s Decision</td>
<td>A’s Decision</td>
<td>438.75</td>
<td>0.001**</td>
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<td>A’s Estimation</td>
<td>224.27</td>
<td>0.091</td>
</tr>
<tr>
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<td>C’s Estimation</td>
<td>109.19</td>
<td>0.404</td>
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<td>115.08</td>
<td>0.385</td>
</tr>
<tr>
<td></td>
<td>C’s Decision</td>
<td>-109.19</td>
<td>0.404</td>
</tr>
<tr>
<td>A_I after comm</td>
<td>A’s Decision</td>
<td>A’s Estimation</td>
<td>-1.63</td>
</tr>
<tr>
<td></td>
<td>C’s Decision</td>
<td>-155.35</td>
<td>0.010*</td>
</tr>
<tr>
<td></td>
<td>C’s Estimation</td>
<td>-156.28</td>
<td>0.009*</td>
</tr>
<tr>
<td>A’s Estimation</td>
<td>A’s Decision</td>
<td>1.63</td>
<td>0.978</td>
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<tr>
<td></td>
<td>C’s Decision</td>
<td>-153.72</td>
<td>0.011</td>
</tr>
<tr>
<td></td>
<td>C’s Estimation</td>
<td>-154.65</td>
<td>0.010</td>
</tr>
<tr>
<td>C’s Decision</td>
<td>A’s Decision</td>
<td>155.35</td>
<td>0.010*</td>
</tr>
<tr>
<td></td>
<td>A’s Estimation</td>
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<td>0.011</td>
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<tr>
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<td>C’s Estimation</td>
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<td>0.987</td>
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<td>C’s Estimation</td>
<td>A’s Decision</td>
<td>156.28</td>
<td>0.009*</td>
</tr>
<tr>
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<td>A’s Estimation</td>
<td>154.65</td>
<td>0.010</td>
</tr>
<tr>
<td></td>
<td>C’s Decision</td>
<td>0.93</td>
<td>0.987</td>
</tr>
<tr>
<td>AII after comm</td>
<td>A’s Decision</td>
<td>A’s Estimation</td>
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</tr>
<tr>
<td></td>
<td>C’s Decision</td>
<td>-338.65</td>
<td>0.163</td>
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Table 5-2. Continued

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<td>A’s Decision</td>
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<td></td>
<td>C’s Decision</td>
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<td>C’s Estimation</td>
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<tr>
<td></td>
<td>A’s Decision</td>
<td>338.65</td>
</tr>
<tr>
<td></td>
<td>A’s Estimation</td>
<td>237.48</td>
</tr>
<tr>
<td></td>
<td>C’s Estimation</td>
<td>-107.17</td>
</tr>
<tr>
<td></td>
<td>A’s Decision</td>
<td>445.81</td>
</tr>
<tr>
<td></td>
<td>A’s Estimation</td>
<td>344.64</td>
</tr>
<tr>
<td></td>
<td>C’s Decision</td>
<td>107.17</td>
</tr>
</tbody>
</table>

Based on estimated marginal means
* p < .01
** p < .005
*** p < .001

a. Adjustment for multiple comparisons: Least Significant Difference (equivalent to no adjustments).

![Diagram of accuracy on A1](image)

Figure 5-1. Accuracy on A1
Figure 5-2. Accuracy on AII

As shown in Figure 5-1, the Client Group was accurately estimating the agency’s decision about AII before two-way symmetrical communication. No significant difference between the Client Group’s estimation and the Agency Group’s decision was found (mean difference = 112.84, NS: not significant). Interestingly, the degree of accuracy decreased after two-way symmetrical communication (112.84 → 156.28). The mean difference was statistically significant (mean difference = 156.28, p < .01). This result will be further discussed in the next section. As shown in Figure 5-2, the Client Group was accurately estimating the agency’s decision about AII. No significant difference between the Client Group’s estimation and the Agency Group’s decision was found. Hypothesis 4 was partially supported.

**Hypothesis 5 (a):** It predicted that two-way symmetrical communication would lead clients to make a mutually beneficial choice before contract, reducing agencies’ loss. First, the results of ANOVA used to test Hypothesis 1 (a) were used to test this hypothesis. The Client
Group wanted the agency to spend less time on the public relations proposal after two-way symmetrical communication \((M = 303.60, SD = 365.65)\) than before two-way symmetrical communication \((M = 418.38, SD = 217.97)\). However, the LSD post-hoc test showed that the difference was not statistically significant \(\text{mean difference} = -114.79, \text{NS: not significant}\).

Next, one-sample \(t\)-test was conducted to test if the Client Group wanted the agency to spend relatively less time on the public relations proposal, regarding the value of compensation they provided (test value = 100). The Client Group wanted the agency to spend relatively less time on the public relations proposal, regarding the value of compensation they provided, after two-way symmetrical communication \(\text{mean difference} = 203.60; t = 3.61, df = 41.00, p < .005\) than before two-way symmetrical communication \(\text{mean difference} = 318.38; t = 9.47, df = 41.00, p < .001\). Hypothesis 5 (a) was partially supported.

**Hypothesis 5 (b):** It predicted that two-way symmetrical communication would lead agencies to make a mutually beneficial choice after contract, increasing clients’ benefits. First, an ANOVA was conducted to test if the Agency Group was willing to spend more time on the public relations proposal after two-way symmetrical communication than before two-way symmetrical communication. The Agency Group was willing to spend more time on the public relations proposal after two-way symmetrical communication \((M = 801.80, SD = 207.62)\) than before two-way symmetrical communication \((M = 746.29, SD = 194.74)\). However, the LSD post-hoc test showed that the difference was not statistically significant \(\text{mean difference} = 55.51, \text{NS: not significant}\).

Next, one-sample \(t\)-test was conducted to test if the Agency Group was willing to spend relatively more time on the public relations proposal, regarding the value of compensation the client provided (test value=900). The Agency Group was willing to spend relatively more time...
on the public relations proposal, regarding the value of compensation the client provided, after
two-way symmetrical communication (mean difference = -98.20; $t = -3.03$, $df = 40.00$, $p < .005$)
than before two-way symmetrical communication (mean difference = -153.71; $t = -5.05$, $df =
40.00$, $p < .001$). Hypothesis 5 (b) was partially supported.

**Hypothesis 6 (a):** It predicted that clients’ benefits from the transaction in the presence of
two-way symmetrical communication would be greater than in the absence of two-way
symmetrical communication. The results of ANOVA used to test Hypothesis 3 (a) were used to
test this hypothesis. The Client Group’s benefits from the transaction were calculated using the
same equation as used to test Hypothesis 3 (a). The Client Group’s benefits from the transaction
in the presence of two-way symmetrical communication ($M = 6385.62$, $SD = 1462.58$) was
greater than in the absence of two-way symmetrical communication ($M = 5926.48$, $SD = 871.87$).
However, the LSD post-hoc test showed that the difference was not statistically significant
(mean difference = 459.14, NS: not significant). Therefore, Hypothesis 6 (a) was partially
supported.

**Hypothesis 6 (b):** It predicted that agencies’ benefits from the transaction in the presence of
two-way symmetrical communication would be greater than in the absence of two-way
symmetrical communication. The results of ANOVA used to test Hypothesis 3 (b) were used to
test this hypothesis. The Agency Group’s benefits from the transaction were calculated using the
same equation as used to test Hypothesis 3 (b). The Agency Group’s benefits from the
transaction in the presence of two-way symmetrical communication ($M=6708.59$, $SD=731.68$)
was greater than in the absence of two-way symmetrical communication ($M=6423.07$, $SD=861.67$). However, the LSD post-hoc test showed that the difference was not statistically
significant (mean difference = 285.51, NS: not significant). Therefore, Hypothesis 6 (b) was partially supported.

**Model Evaluation**

A model of agency-client transaction presented in Chapter 3 predicted that (1) power relations between agencies and clients would make it difficult for each party to make a mutually beneficial choice and (2) even in the presence of power relations, two-way symmetrical communication would lead to a mutually beneficial trade of concessions between agencies and clients.

Figures 5-3, 5-4, 5-5, and 5-6 summarize the experiment’s results by graphing the changes in decision about $A_1$ (the amount of agency’s resource in transaction before contract), decision about $A_{II}$ (the amount of agency’s resource in transaction after contract), $A_1 + A_{II}$ (the total amount of agency’s resource in transaction), and benefits (benefits from the transaction) as each group progressed from Game I to Game III, respectively. The results are summarized in Table 5-3.

![Graph](image-url)  
**Figure 5-3.** The changes in decision about $A_1$
Figure 5-4. The changes in decision about $A_{II}$

Figure 5-5. The changes in $A_{I} + A_{II}$
Figure 5-6. The changes in benefits

Table 5-3. Summary of results

<table>
<thead>
<tr>
<th>Game</th>
<th>Agency</th>
<th>Client</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Std. Deviation</td>
</tr>
<tr>
<td>Game I</td>
<td>A_I</td>
<td>81.66</td>
</tr>
<tr>
<td></td>
<td>A_II</td>
<td>706.76</td>
</tr>
<tr>
<td></td>
<td>A_I + A_II</td>
<td>788.41</td>
</tr>
<tr>
<td></td>
<td>Benefits</td>
<td>6511.48</td>
</tr>
<tr>
<td>Game II</td>
<td>A_I</td>
<td>219.71</td>
</tr>
<tr>
<td></td>
<td>A_II</td>
<td>746.29</td>
</tr>
<tr>
<td></td>
<td>A_I + A_II</td>
<td>966.00</td>
</tr>
<tr>
<td></td>
<td>Benefits</td>
<td>6423.07</td>
</tr>
<tr>
<td>Game III</td>
<td>A_I</td>
<td>148.24</td>
</tr>
<tr>
<td></td>
<td>A_II</td>
<td>801.80</td>
</tr>
<tr>
<td></td>
<td>A_I + A_II</td>
<td>950.05</td>
</tr>
<tr>
<td></td>
<td>Benefits</td>
<td>6708.59</td>
</tr>
</tbody>
</table>

In Game I, corresponding to the proposed model of agency-client transaction in the baseline condition, both the Client Group and the Agency Group tended to make a decision mainly based on the value of each transaction. The proportion of the Client Group’s $A_I$ ($M = 187.10$, $SD = 229.93$) to $A_{II}$ ($M = 1010.79$, $SD = 594.43$) was close to the proportion of the value of Transaction I to the value of Transaction II (1.6:8.4). The proportion of the Agency Group’s $A_I$ ($M=81.66$, $SD=37.85$) to $A_{II}$ ($M=706.76$, $SD=204.95$) exactly accorded with the proportion of the value of Transaction I to the value of Transaction II (1:9). The results are consistent with the
assumption of the proposed model of agency-client transaction in the baseline condition (A_I: A_{II} = C_I: C_{II} = r_I: r_{II}).

In Game II, corresponding to the proposed model of agency-client transaction with power relations, both the Client Group ($M = 187.10$, $SD = 229.93 \rightarrow M = 418.38$, $SD = 217.97$) and the Agency Group ($M = 81.66$, $SD = 37.85 \rightarrow M = 219.71$, $SD = 197.61$) increased $A_I$. The results are consistent with the first prediction of the proposed model of agency-client transaction with power relations ($A_I' > A_I$). Even though both groups were informed explicitly that the value of transaction after contract was nine times higher than the value of transaction before contract, the Client Group chose to use their bargaining power in order to increase $A_I$ ($A_I' > A_I$) and the Agency Group chose to bow to the client’s power ($A_I' > A_I$). In particular, the Client Group’s $A_I + A_{II}$ increased by 34% ($M = 1197.88$, $SD = 675.24 \rightarrow M = 1603.43$, $SD = 950.00$). As a result, both the Agency Group ($M = 6511.48$, $SD = 695.69 \rightarrow M = 6423.07$, $SD = 861.67$) and the Client Group ($M = 6851.62$, $SD = 919.71 \rightarrow M = 5926.48$, $SD = 871.87$) achieved less benefits from the transaction relative to their benefits from the transaction in the absence of power relations. Meanwhile, the Agency Group chose to increase $A_{II}$ ($M = 706.76$, $SD = 204.95 \rightarrow M = 746.29$, $SD = 194.74$) despite their information power, contrary to the second prediction of the proposed model of agency-client transaction with power relations ($A_{II}' < A_{II}$). Although the difference was not statistically significant (mean difference = 39.54, NS: not significant), it was surprising result. One possible explanation is that the agency’s information power might be overwhelmed by the client’s bargaining power. Another possibility is that the Agency Group subjects viewed the use of information power as morally wrong (Samuelson, Messick, Rutte, & Wilke, 1984). However, the Agency Group’s $A_{II}$ ($M = 746.29$, $SD = 194.74$) was significantly lower than the Client Group’s $A_{II}$ ($M = 1185.05$, $SD = 896.41$), supporting Hypothesis 2.
In Game III, corresponding to the proposed model of agency-client transaction with two-way symmetrical communication, the Client Group reduced both $A_I$ ($M = 418.38, SD = 217.97 \rightarrow M = 303.60, SD = 365.65$) and $A_{II}$ ($M = 1185.05, SD = 896.41 \rightarrow M = 1140.45, SD = 1251.94$), while the Agency Group reduced $A_I$ ($M = 219.71, SD = 197.61 \rightarrow M = 148.24, SD = 144.66$) but increased $A_{II}$ ($M = 746.29, SD = 194.74 \rightarrow M = 801.80, SD = 207.62$). The results are consistent with the predictions of the proposed model of agency-client transaction with two-way symmetrical communication ($A_I'' < A_I', A_{II}'' > A_{II}')$. Even though the Client Group still had their bargaining power, they chose to reduce $A_I$ ($A_I'' < A_I'$). Also, the Client Group’s $A_I + A_{II}$ decreased by 10% ($M = 1603.43, SD = 950.00 \rightarrow M = 1444.05, SD = 1412.41$). Meanwhile, the Agency Group chose to increase $A_{II}$ ($A_{II}'' > A_{II}'$), even though they still had their information power. As a result, both the Agency Group ($M = 6423.07, SD = 861.67 \rightarrow M = 6708.59, SD = 731.68$) and the Client Group ($M = 5926.48, SD = 871.87 \rightarrow M = 6385.62, SD = 1462.58$) achieved greater benefits from the transaction relative to their benefits from the transaction in the absence of two-way symmetrical communication.

For further analysis, the changes in coorientation states (agreement, congruency, and accuracy) regarding $A_I$ and $A_{II}$ as each group progressed from Game I to Game III were analyzed. The results are summarized in Table 5-4.

<table>
<thead>
<tr>
<th></th>
<th>Agency</th>
<th>Client</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean Difference</td>
<td>Sig.(a)</td>
</tr>
<tr>
<td>Game I</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$A_I$</td>
<td>Agreement</td>
<td>-105.44</td>
</tr>
<tr>
<td></td>
<td>Congruency</td>
<td>-9.17</td>
</tr>
<tr>
<td></td>
<td>Accuracy</td>
<td>-96.27</td>
</tr>
<tr>
<td>$A_{II}$</td>
<td>Agreement</td>
<td>-304.03</td>
</tr>
<tr>
<td></td>
<td>Congruency</td>
<td>-134.44</td>
</tr>
<tr>
<td></td>
<td>Accuracy</td>
<td>-169.59</td>
</tr>
<tr>
<td>Game II</td>
<td>$A_I$</td>
<td>Agreement</td>
</tr>
</tbody>
</table>

Table 5-4. Summary of the changes in coorientation states
Table 5-4. Continued

<table>
<thead>
<tr>
<th></th>
<th>Agency Mean Difference</th>
<th>Sig.(a)</th>
<th>Client Mean Difference</th>
<th>Sig.(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Congruency</td>
<td>9.08</td>
<td>0.838</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accuracy</td>
<td>-207.76</td>
<td>0.000***</td>
<td>112.84</td>
</tr>
<tr>
<td></td>
<td>Agreement</td>
<td>-438.75</td>
<td>0.001**</td>
<td>438.75</td>
</tr>
<tr>
<td></td>
<td>Congruency</td>
<td>-214.48</td>
<td>0.108</td>
<td>109.19</td>
</tr>
<tr>
<td></td>
<td>Accuracy</td>
<td>-224.27</td>
<td>0.091</td>
<td>329.56</td>
</tr>
<tr>
<td></td>
<td>Agreement</td>
<td>-155.35</td>
<td>0.010*</td>
<td>155.35</td>
</tr>
<tr>
<td></td>
<td>Congruency</td>
<td>-1.63</td>
<td>0.978</td>
<td>-0.93</td>
</tr>
<tr>
<td></td>
<td>Accuracy</td>
<td>-153.72</td>
<td>0.011</td>
<td>156.28</td>
</tr>
<tr>
<td>Game III</td>
<td>Agreement</td>
<td>-338.65</td>
<td>0.163</td>
<td>338.65</td>
</tr>
<tr>
<td></td>
<td>Congruency</td>
<td>-101.17</td>
<td>0.680</td>
<td>-107.17</td>
</tr>
<tr>
<td></td>
<td>Accuracy</td>
<td>-237.48</td>
<td>0.330</td>
<td>445.81</td>
</tr>
</tbody>
</table>

Based on estimated marginal means
*\( p < .01 \)
**\( p < .005 \)
***\( p < .001 \)

a. Adjustment for multiple comparisons: Least Significant Difference (equivalent to no adjustments).

Agreement was measured by comparing one group’s decision with the other group’s decision. Figures 5-7 and 5-8 present the changes in each group’s agreement regarding A_I and A_{II}, respectively. As shown in Figure 5-7, the degree of agreement regarding A_I decreased in Game II (105.44 → 198.67), but increased in Game III (198.67 → 155.35). Figure 5-8 shows the similar pattern. The degree of agreement regarding A_{II} decreased in Game II (304.03 → 438.75), but increased in Game III (438.75 → 338.65). The results imply the effectiveness of two-way symmetrical communication in increasing the level of agreement.
Congruency was measured by comparing one group’s decision with their estimation. Figures 5-9 and 5-10 present the changes in each group’s congruency regarding $A_I$ and $A_{II}$, respectively. As shown in Figure 5-9, the Agency Group’s decision about $A_I$ was congruent with their estimation about the client’s decision in all games. The degree of congruency slightly decreased in opposite direction (-9.17 → 9.08) in Game II and decreased again in opposite direction (9.08 → -1.63) in Game III. It seemed that the Agency Group made a decision about $A_I$
based on their estimation about the client’s decision. Meanwhile, the Client Group made a decision about A₁ in Game I, estimating that the agency would spend more time than their decision. The degree of congruency increased in opposite direction (-214.90 → 85.83) in Game II, and increased again in opposite direction (85.83 → -0.93) in Game III. As shown in Figure 5-10, the degree of congruency regarding Aᵢ decreased in Game II (Agency: -134.44 → -214.48, Client: 40.90 → 109.19), but increased in Game III (Agency: -214.48 → -101.17, Client: 109.19 → -107.17). Taken as a whole, both the Agency Group and the Client Group seemed to make a decision in Game III with confidence that the other party would make a similar decision as them. No significant mean difference between one group’s decision with their estimation was found. The results imply the effectiveness of two-way symmetrical communication in increasing the level of congruency.

Figure 5-9. The changes in congruency (A₁)
Figure 5-10. The changes in congruency (A_II)

Accuracy was measured by comparing one group’s estimation with the other group’s decision. Figures 5-11 and 5-12 present the changes in each group’s accuracy regarding A_I and A_II, respectively. Regarding A_I (Figure 5-11), the gap between the Agency Group’s estimation and the Client Group’s decision increased in Game II (-96.27 → -207.76), but decreased in Game III (-207.76 → -153.72). The result is consistent with our prediction. However, the gap between the Client Group’s estimation and the Agency Group’s decision decreased in Game II (320.34 → 112.84), but increased in Game III (112.84 → 156.28). The result seems to be inconsistent with the predictions in the proposed model as well as Dozier and Ehling’s (1992) prediction that two-way symmetrical communication would improve the level of accuracy. As shown in Figure 5-13, however, it was not because the Client Group less accurately understood the agency’s position but because the Agency Group’s decision was actually changed in the same direction as their estimation. In fact, the Client Group accurately predicted that the agency would reduce A_II after two-way symmetrical communication. Especially, it seems that the Client Group became assured that the agency understood their value (A_I < A_II) through two-way symmetrical communication. The results suggest that not only the Agency Group but also the Client Group
was more accurately understanding the other party’s position after two-way symmetrical communication. This in-depth analysis provides support for Hypothesis 4. Regarding A_{II} (Figure 5-12), the accuracy regarding A_{II} decreased in Game II (Agency: -169.59 → -224.27, Client: 263.12 → 329.56), and decreased again in Game III (Agency: -224.27 → -237.48, Client: 329.56 → 445.81). However, the mean differences were not statistically significant. In addition, as shown in Figure 5-14, it was not because each group less accurately understood the other party’s position but because the other party’s decision was actually changed in the same direction as their estimation. In fact, both the Agency Group and the Client Group were accurately predicting the other party’s decision after two-way symmetrical communication. The Agency Group accurately predicted that the client would reduce A_{II} and the Client Group accurately predicted that the agency would increase A_{II}. Especially, it seems that the Agency Group became assured that the client understood their budget constraint through two-way symmetrical communication, while the Client Group became assured that the agency understood their value (A_{I} < A_{II}) through two-way symmetrical communication. This in-depth analysis also provides support for Hypothesis 4. Taken as a whole, the results imply the effectiveness of two-way symmetrical communication in increasing the level of accurate understanding.

Despite some conflicting results, the coorientation states (agreement, congruency, and accuracy) improved as a whole after two-way symmetrical communication. The results of tests of between-subjects effects (Table 5-1) indicates that there are no significant difference among the Agency Group’s decision, the Agency Group’s estimation, the Client Group’s decision and the Client Group’s estimation regarding A_{II} after two-way symmetrical communication. That is, the Agency Group and the Client Group was in the state of consensus. The coorientation states regarding A_{II} significantly improved after two-way symmetrical communication ($F=4.08, p<.01$
The coorientation states regarding $A_I$ also improved after two-way symmetrical communication ($F=10.18, p<.001 \rightarrow F=4.53, p<.005$).

Figure 5-11. The changes in accuracy ($A_I$)

Figure 5-12. The changes in accuracy ($A_{II}$)
Figure 5-13. In-depth analysis of the changes in accuracy ($A_I$)

Figure 5-14. In-depth analysis of the changes in accuracy ($A_{II}$)
CHAPTER 6
DISCUSSION

This chapter discusses the results of the experiment presented in Chapter 5. The chapter begins with a summary of findings, followed by a discussion of theoretical and practical implications. The chapter concludes with the study’s limitations as well as recommendations for future research.

Summary of Findings

Decision-Making in the Baseline Condition

The results of hypothesis testing are summarized in Table 6-1. In the baseline condition, both the Client Group and the Agency Group tended to allocate the resource based on the value of the transaction. The Client Group wanted the agency to spend approximately 10% of its time (16%) in the public relations proposal and approximately 90% of its time (84%) in the public relations service and the Agency Group was willing to spend exactly 10% of their time in the public relations proposal and exactly 90% of their time in the public relations service. Despite some degree of disagreement, they accurately understood each other’s position.

Table 6-1. Summary of hypothesis testing results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Statistical Test</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (a) Before contract, clients’ bargaining power will lead clients to make a selfish choice, causing agencies’ loss.</td>
<td>ANOVA / One-sample t-test</td>
<td>Supported</td>
</tr>
<tr>
<td>1 (b) Before contract, clients’ bargaining power will lead agencies to overspend to be selected.</td>
<td>ANOVA / One-sample t-test</td>
<td>Supported</td>
</tr>
<tr>
<td>2 In the presence of power relations, agencies’ service quality will be lower than the demanded service quality from clients.</td>
<td>Independent samples t-test</td>
<td>Supported</td>
</tr>
<tr>
<td>3 (a) Clients’ benefits from the transaction in the presence of power relations will be less than in the absence of power relations.</td>
<td>ANOVA</td>
<td>Supported</td>
</tr>
<tr>
<td>3 (b) Agencies’ benefits from the transaction in the presence of power relations will be less than in the absence of power relations.</td>
<td>ANOVA</td>
<td>Partially supported</td>
</tr>
<tr>
<td>4 Two-way symmetrical communication will lead agencies and clients to more accurately understand each other’s position.</td>
<td>MANOVA</td>
<td>Partially supported</td>
</tr>
</tbody>
</table>
The Effect of Power Relations

Each group’s decision-making pattern took on an entirely different aspect in the presence of power relations. When the client’s bargaining power was dominant, the Client Group chose to increase the agency’s time in the public relations proposal [Hypothesis 1 (a)] and the Agency Group decided to follow the decision to win in the agency selection process [Hypothesis 1 (b)]. When the agency’s information power was dominant, the Agency Group chose to internally adjust their time in the public relations service (Hypothesis 2). The results are consistent with the finding of Tosi et al. that agencies tend to have their net income in mind when they allocate resources.

As a result, the Client Group’s benefits from the transaction before contract relatively slightly increased (43.55 → 159.19) while their benefits from the transaction after contract relatively greatly decreased (6808.07 → 5767.29) and the Agency Group’s benefits from the transaction decreased both before contract (9.17 → -59.85) and after contract (6502.30 → 6482.93). In total, both group’s total benefits from the transaction decreased relative to their benefits in the absence of power relations [Hypothesis 3 (a), 3 (b)].
The analysis of coorientation states, however, suggested that their decisions were not a strategic choice based on the accurate understanding of each other’s position. Interestingly, the Client Group was inaccurately overestimating the agency’s decision, while the Agency Group was inaccurately underestimating the client’s decision. It seemed that the Agency Group was inaccurately assuming that the client would be aware of their budget constraint.

**The Effect of Two-Way Symmetrical Communication**

The results from Game III, corresponding to the proposed model of agency-client transaction with two-way symmetrical communication, demonstrated the strength of two-way symmetrical communication in the complex situation where common and conflicting interests between agencies and clients, differing values of each transaction, power asymmetry and information asymmetry were inextricably interwoven. Considering Isaac and Walker’s (1988) finding that the efficiency of communication decreased as the condition became more complex, the results are particularly noteworthy.

Both group made a mutually beneficial choice after two-way symmetrical communication. The Client Group decided to decrease the agency’s time in the public relations proposal despite their bargaining power [Hypothesis 5 (a)] and the Agency Group decided to increase their time in the public relations service despite their information power [Hypothesis 5 (b)].

As a consequence of both group’s mutually beneficial choice, both group’s total benefits from the transaction increased from their benefits in the absence of two-way symmetrical communication [Hypothesis 6 (a), 6 (b)].

Both group’s coorientation states improved on the whole. In particular, both the Agency Group and the Client Group was accurately estimating each other’s value (Hypothesis 4). That is, their decision appears to be a strategic choice based on the accurate understanding of each other’s position.
Implication

The transaction between agencies and clients includes both common and conflicting interests. Clients want to maximize the agency’s service quality but also to minimize agency compensation, while agencies want to maximize the client’s satisfaction but also to maximize their net income. This study developed a model of agency-client transaction to investigate if two-way symmetrical communication would lead to a mutually beneficial trade of concessions between clients, who have bargaining power before contract, and agencies, who have information power after contract. In particular, the model integrated agency selection stage (transaction before contract) and agency service stage (transaction after contract) to examine how the decision-making in one stage and the decision-making in another stage are interrelated. Integrating these two stages in one model combines approaches of previous studies that have either only looked at the issues derived from the clients’ bargaining power or only looked at the issues derived from the agencies’ information power. The proposed model with power relations predicted that in the presence of power relations, (1) clients would use their bargaining power to increase the agencies’ resources in the agency selection process, but expect the same level of service quality after a signed service contract, (2) agencies would yield to the clients’ bargaining power by overspending in the agency selection process, but use their information power to internally adjust the level of service quality after a signed service contract, and (3) as a result, both parties’ total benefits from the transaction would be less than in the absence of power relations. Meanwhile, the proposed model with two-way symmetrical communication predicted that after two-way symmetrical communication, (1) clients would make a concession in the agency selection stage despite their bargaining power, (2) agencies would make a concession in the service stage despite their information power, and (3) as a result, both parties’ total benefits from the transaction would be greater than before two-way symmetrical communication. The
results suggest that two-way symmetrical communication can be an effective way to balance the clients’ bargaining power before contract and the agencies’ information power after contract and thereby bring about a mutually beneficial trade of concessions between agencies and clients. In the experiment, for example, the Agency Group’s effort to communicate each other’s mission and game rules brought about the Client Group’s concession in the agency selection stage, the Client Group’s concession in the agency selection stage brought about the Agency Group’s concession in the agency service stage, and as a result both the Client Group and the Agency Group succeeded in increasing their benefits. To select a right agency is an important task. However, extensive proposal work and frequent bidding does not guarantee the best agency. The basic concept of the model of agency-client transaction is that to design a more effective but less time-consuming and labor-intensive agency selection process can be an initiative of mutually beneficial trade of concessions. The insight can be utilized by both agencies and clients to fine-tune their client relations strategy or agency relations strategy to achieve what they really want from the transaction. For example, clients may want to design a more time-efficient agency selection process through two-way symmetrical communication with agencies in order to increase the agency’s service quality. Unlike incentive or monitoring, it is two-way symmetrical approach in that (1) both parties are involved in the process (2) both parties are willing to concede, and (3) the goal is to find mutually beneficial solutions. It would be worthwhile if future study compare the effect of two-way symmetrical communication on the agencies’ resource allocation decision making with incentive or monitoring to examine in which case agencies would be more willing to behave in the direction that maximize the clients’ interest.

This study integrated the coorientational model to examine the effect of two-way symmetrical communication on each party’s coorientation states as well as on their decision
making. Based on the suggestion from Dozier and Ehling (1992) that increases in accuracy may not result in agreement, but will reduce conflict based on misunderstanding, the primary concern of the coorientational approach was the changes in the degree of accuracy after two-way symmetrical communication. The results provide support for the hypothesis that two-way symmetrical communication will lead agencies and clients to more accurately understand each other’s position. Considering that the Client Group tended to overlook the agency’s budget constraint and the Agency Group tended to inaccurately assume that the client would be aware of their budget constraint, it is important for both agencies and clients to recognize that one party’s expectations, values, and beliefs do not necessarily accord with the other’s. As Verčič et al. (2006) suggested, it is possible for either agencies or clients to develop internal and external strategies to resolve conflicts based on misunderstanding by improving the accuracy of both parties. When the Client Group gained bargaining power, for example, they wanted the agency to provide much more time (1,603 hours) than the value of compensation they provided (1,000 hours), allocating more resources to less value-adding process (A_I: 187 hours → 418 hours, A_{II}: 1,011 hours → 1,185 hours). When the Client Group understood the agency’s budget constraint through two-way symmetrical communication, however, they reduced their demand (1,603 hours → 1,444 hours), strategically allocating more resources to more value-adding process (A_I: 418 hours → 304 hours, A_{II}: 1,185 hours → 1,140 hours). Not only the Client Group, who were informed of the agency’s budget constraint and decided to change their decision, but also the Agency Group, who informed the client of their budget constraint, benefited from the change. Therefore, a pre-proposal meeting should be strategically utilized as an opportunity to improve the accuracy of both parties by openly discussing what they have, what they seek, what they are willing to concede, and the relative importance of each concession (Ross & Stillinger, 1991).
Despite the increasing needs of the clients’ excellent agency relations or the agencies’ excellent client relations, few studies have approached the agency-client relationship from the two-way symmetrical perspective. Based on the suggestion from Dozier et al. (1995) that communication excellence is universal, this study attempted to test the applicability of excellence theory to the particular publics—agencies or clients—in the particular context—transaction. To achieve the purpose, this study followed previous experiments on resource allocation decision making in various fields. Existing studies (i.e., Isaac & Walker, 1988; Cooper, DeJong, Forsythe, & Ross, 1989; Cooper, DeJong, Forsythe, & Ross, 1992; Sally, 1995; Bochet, Page, & Putterman, 2006) have proved that communication led to the play of the Pareto-dominant Nash equilibrium in the resource allocation decision making game. In particular, Sally (1995) found that communication had a stronger effect on cooperation than any other experimental conditions. However, the role of communication was limited to the announcement of each party’s strategy or the discussion about optimal strategy and each party’s agreements to the strategy. This study is interesting from the public relations perspective in that it applied the concept of two-way symmetrical communication to the resource allocation decision making game by providing subjects a forum for dialogue, which people with different values discuss their values, improve mutual understanding, and find mutually beneficial solutions (Grunig, 1997; Zoller, 2004). Particularly, this study was able to quantitatively measure and present the effect of two-way symmetrical communication with this approach. Considering the agency-client transaction is a highly budget and time sensitive situation, the results will provide both agencies and clients with more visible effects of two-way symmetrical communication. In the experiment, for example, both the Agency Group ($M=6423.07, SD=861.67 \rightarrow M=6708.59, SD=731.68$) and the Client Group ($M=5926.48, SD=871.87 \rightarrow M=6385.62, SD=1462.58$) achieved greater
benefits as a result of mutually beneficial trade of concessions through two-way symmetrical communication. The more interesting result is that the Client Group’s benefits increased more sharply than the Agency Group’s benefits. The results suggest that it would be not only the agencies’ benefit but also the clients’ benefits if clients respect the agencies’ profitability.

Most previous studies on the agency-client relationship have not approached the issue from the two-way symmetrical perspective. The results of this study suggest that 1) the agency-client transaction is not a zero-sum game but a positive sum game, 2) not only agencies but also clients have to be willing to change their own behavior to increase the size of pie, and 3) both agencies and clients can have bigger pie through mutually beneficial trade of concessions.

Limitation and Recommendations for Future Research

The most important limitation is the use of students as subjects. Most of them had only a limited knowledge or experience of the agency-client transaction, so had to imagine the situation to make a decision. In order to improve external validity, future research should test the hypotheses and evaluate the predictions in the proposed model using a field study method with real agencies and clients as subjects. As Glac (2009) pointed out, however, low experimental validity is a mostly unavoidable drawback in experimental studies. Despite the drawback, laboratory experiment allows a controlled examination of the subjects’ decision-making pattern by creating conditions corresponding to the specific model, manipulating them and isolating other factors affecting the decision making (Tosi, Katz, & Gomez-Mejia, 1997). In the experiment, subjects actually changed their decision as they progressed from Game I to Game III. Also, their coorientation states actually improved as a result of two-way symmetrical communication. Another important point is that the subjects are future professionals. All subjects were undergraduate students at the junior or senior level (83.1%) and graduate students (16.9%) in the College of Journalism and Communications at University of Florida. In addition, this study
only recruited students who had work experience, students who were a member of professional network or students who had some course knowledge of management.

Another important limitation is the lack of sufficient incentives for the subjects. The subjects were told that they would receive a bonus based on his performance (above average: six chocolates, average: three chocolates, below average: none). Considering the competitive nature of the agency-client transaction, however, the incentives were too weak to motivate them to perform as they would do in the real world. To deal with this issue, previous studies on resource allocation decision making provided subjects monetary incentives based on their performance (i.e., Cooper, DeJong, Forsythe, & Ross, 1992; Forsythe, Horowitz, Savin, & Sefton, 1994; Fisher, Isaac, Schatzberg, 1995; Bochet, Page, & Putterman, 2006; Choi, Laibson, & Madrian, 2010). Future research may replicate this study by adding high incentives and direct competition to manipulate the competitive nature of the agency-client transaction.

To simplify the experimental condition, this study assumed that the agency’s service quality was in direct proportion to the amount of agency’s time in the service. That is, the level of the agency’s service quality was measured only with the amount of agency’s time in the service. Future research may consider including other factors affecting the agency’s service quality, such as the agency’s overall capacity and the individual staffs’ experience and competence. For example, subjects may be asked how they would like to assign several staff, each representing different level of experience and competence, to the proposal team before a service contract is signed and to the account team after a signed service contract.

Also, this study should be replicated by varying the number of agencies and clients as well as the level of the clients’ bargaining power and the agencies’ information power. First, if the Client Group had to pay proposal fee to multiple agencies competing for the contract or if the
Agency Group had to allocate their resources to several clients, each representing different level of profitability, they might make a different decision. Next, the subjects’ decision might be influenced by their relative power in the relationship. For example, future study may integrate contingency theory to examine if small-sized agencies are more likely to be accommodative than large global agencies. Most importantly, it will better represent the real agency-client transaction.

This study only included two-way symmetrical communication condition to test the applicability of excellence theory. To further expand the study of the effect of two-way symmetrical communication on the agency-client relationship, future research should compare the effect of two-way symmetrical communication with two-way asymmetrical communication as well as one-way communication.

To generalize the results of this study, cultural influence on the subjects’ decision making should be considered. In particular, Tse et al. (1988) emphasized the importance of the effect of cultural norms on business decision making:

Some cultures emphasize the processes of decision making (e.g., obtaining a consensus) more than the quality of the decision reached.

A culture may affect business decisions by generally influencing risk-taking patterns (e.g., promoting caution and discouraging gambling or prescribing a pattern of tradeoffs between risk and return.) (Tse et al., 1988, p. 84)

Therefore, future study should consider a cross-cultural study to examine to what extent the subjects’ decision making is influenced by the cultural differences.

This study suggested that mutually beneficial trade of concessions through two-way symmetrical communication can be an effective way to increase the agency’s service quality without increasing the agency compensation. Unlike incentive or monitoring, two-way symmetrical communication does not require additional monetary expenses. However, it requires both parties’ willingness to make an effort to find win-win solutions. One of the most important
remaining tasks is to examine if agencies and clients are willing to make the effort. In particular, future study should conduct a field study to question the assumption in the proposed model that clients are quality conscious and to examine to what extent clients are willing to make an effort to increase the agency’s service quality.
APPENDIX A
INSTRUCTIONS

Instructions for Agency Group

General Information

This is an experiment to study how individuals make decisions in certain contexts.

Course of Action

The experiment consists of three decision-making games: GAME I, GAME II, and GAME III. In each game, you will read specific instructions, take a quiz, make a decision, and estimate the other party’s decision.

Your Role

Clients hire a public relations agency to manage their public relations program. In this game, you will perform as a public relations agency. You will keep your role during the entire experiment. Your decisions will not be revealed to anyone.

Your Mission

Your mission is to maximize 1) your net income and 2) the client’s satisfaction. You will receive a bonus based on your performance (above average: 6 chocolates, average: 3 chocolates, below average: none).

Now we will begin the experiment.
Good luck!

GAME I
You have 10 minutes to complete this game.

Public Relations Service I

The client will pay $10,000 for your public relations service I, and you will spend $A_1$ hours on the service I.

As you spend less time, your net income will be increased. As you spend more time, your service quality will be increased, and consequently, the client will be more satisfied.

If you spend more than 100 hours, you will go into the red. That is, you will not be able to pay your staff.

Public Relations Service II
The client will pay $90,000 for your public relations service II, and you will spend $A_{II}$ hours on the service II.

As you spend less time, your net income will be increased. As you spend more time, your service quality will be increased, and consequently, the client will be more satisfied.

If you spend more than 900 hours, you will go into the red. That is, you will not be able to pay your staff.

**Public Relations Service I < Public Relations Service II**

The client will pay $10,000 for your public relations service I and $90,000 for your public relations service II, because (s)he values the service II nine times higher than the service I. Accordingly, the client will be more satisfied when you spend more time on the service II.

**Please turn Answer Sheet 1 over.**

**Quiz: Please select the correct answer on Answer Sheet 1.**

1. You will go into the red, if you spend more than (            ) hours on your public relations service I.
   - (a) 100
   - (b) 1,000

2. You will go into the red, if you spend more than (            ) hours on your public relations service II.
   - (a) 900
   - (b) 9,000

3. The client will be more satisfied when you spend more time on (            ).
   - (a) your public relations service I
   - (b) your public relations service II

**Your Decision: Please write down your decision on Answer Sheet 1.**

- You will spend ($A_I = $            $) hours on your public relations service I.
- You will spend ($A_{II} = $            $) hours on your public relations service II.

**The Client’s Decision: Please write down your estimation on Answer Sheet 1.**

- The client will want you to spend ($A_I = $            $) hours on your public relations service I.
- The client will want you to spend ($A_{II} = $            $) hours on your public relations service II.
GAME II
You have 15 minutes to complete this game.

Public Relations Proposal
Now, you want to be hired.

The client will pay $10,000 for your public relations proposal for his (her) agency selection process, and you will spend $A_I$ hours on the proposal.

As you spend more time, your proposal quality will be increased, and consequently, your chance to win in the agency selection process will be increased. As you spend less time, your net loss (income) will be reduced (increased).

If you spend more than 100 hours, you will go into the red. That is, you will not be able to pay your staff. If you win in the agency selection process, however, the client will pay $90,000 for your public relations service. So you must win in the agency selection process to succeed in this game. Otherwise, the client will pay $90,000 for the other agency’s public relations service, and consequently, you will fail in this game.

Remember, the competition is very tough. You have to compete with other agencies to win in the agency selection process. Even if you spend 300 hours, you will lose if the other agency spends more than 300 hours.

Public Relations Service
Now, you are hired.

If you win in the agency selection process, the client will pay $90,000 for your public relations service. Then you will spend $A_{II}$ hours on the service.

As you spend less time, your net loss (income) will be reduced (increased). As you spend more time, your service quality will be increased, and consequently, the client will be more satisfied.

The client wants you to spend more than 900 hours on your public relations service, but it is up to you to decide the amount of $A_{II}$. The exact amount of $A_{II}$ will not be disclosed to the client.

You will spend $A_I$ hours on your public relations proposal, and $A_{II}$ hours on your public relations service. If the sum of $A_I$ and $A_{II}$ exceeds 1,000 hours, you will go into the red. That is, you will not be able to pay your staff.

Public Relations Proposal < Public Relations Service

The client will pay $10,000 for your public relations proposal for his (her) agency selection process and $90,000 for your public relations service, because (s)he values the service nine times
higher than the proposal. Accordingly, the client will be more satisfied when you spend more time on the service.

Please turn Answer Sheet 2 over.

Quiz: Please select the correct answer on Answer Sheet 2.

1. If you spend 300 hours on your public relations proposal and the other agency spends 400 hours on his (her) public relations proposal,
   (a) you will win in the agency selection process.
   (b) the other agency will win in the agency selection process.

2. You will go into the red, if the sum of $A_I$ and $A_{II}$ exceeds ( ).
   (a) 100
   (b) 900
   (c) 1,000

3. The client will be more satisfied when you spend more time on ( ).
   (a) your public relations proposal
   (b) your public relations service

Your Decision: Please write down your decision on Answer Sheet 2.

- You will spend ($A_I =$ ) hours on your public relations proposal.
- You will spend ($A_{II} =$ ) hours on your public relations service.

The Client’s Decision: Please write down your estimation on Answer Sheet 2.

- The client will want you to spend ($A_I =$ ) hours on your public relations proposal.
- The client will want you to spend ($A_{II} =$ ) hours on your public relations service.

Please turn Answer Sheet 2 face down. You are not allowed to go back to Answer Sheet 2.

GAME III
You have 20 minutes to complete this game.

Communication Session with the Client

1. Open your Message 1 envelope, which is prepared by your public relations department. After reading your message, hand it to your partner client (assigned in your Message 1).
2. You will receive a message from your partner client.
3. After reading the message, open your Message 2 envelope, which is prepared by your public relations department. After reading your message, hand it to your partner client.
4. You will receive a message from your partner client.
5. After reading the message, open your Message 3 envelope, which is prepared by your public relations department. After reading your message, hand it to your partner client.
6. You will receive a message from your partner client.
7. After reading the message, go back to your computer screen and press Enter to continue.

**Public Relations Proposal**  
*Now, you want to be hired.*

The client will pay $10,000 for your public relations proposal for his (her) agency selection process, and you will spend $1 hours on the proposal.

As you spend more time, your proposal quality will be increased, and consequently, your chance to win in the agency selection process will be increased. As you spend less time, your net loss (income) will be reduced (increased).

If you spend more than 100 hours, you will go into the red. That is, you will not be able to pay your staff. If you win in the agency selection process, however, the client will pay $90,000 for your public relations service. So you must win in the agency selection process to succeed in this game. Otherwise, the client will pay $90,000 for the other agency’s public relations service, and consequently, you will fail in this game.

Remember, the competition is very tough. You have to compete with other agencies to win in the agency selection process. Even if you spend 300 hours, you will lose if the other agency spends more than 300 hours.

**Public Relations Service**  
*Now, you are hired.*

If you win in the agency selection process, the client will pay $90,000 for your public relations service. Then, you will spend $2 hours on the service.

As you spend less time, your net loss (income) will be reduced (increased). As you spend more time, your service quality will be increased, and consequently, the client will be more satisfied.

The client wants you to spend more than 900 hours for your public relations service, but it is up to you to decide the amount of $3. The exact amount of $3 will not be disclosed to the client.

You will spend $1 hours on your public relations proposal, and $3 hours on your public relations service. If the sum of $1 and $3 exceeds 1,000 hours, you will go into the red. That is, you will not be able to pay your staff.

**Public Relations Proposal < Public Relations Service**

The client will pay $10,000 for your public relations proposal for his(her) agency selection process and $90,000 for your public relations service, because (s)he values the service nine times
higher than the proposal. Accordingly, the client will be more satisfied when you spend more time on the service.

Please turn Answer Sheet 3 over.

Quiz: Please select the correct answer on Answer Sheet 3.

1. The client will be more satisfied when you spend more time on ( )
   (a) your public relations proposal
   (b) your public relations service

2. In the communication session, the client suggested that (s)he was willing to help you spend less time on ( )
   (a) your public relations proposal
   (b) your public relations service

3. In the communication session, the client suggested that (s)he was willing to help you spend less time on your public relations proposal,
   (a) if you are willing to spend less time on your public relations service.
   (b) if you are willing to spend more time on your public relations service.

4. You will go into the red, if the sum of $A_I$ and $A_{II}$ exceeds ( )
   (a) 100
   (b) 900
   (c) 1,000

Your Decision: Please write down your decision on Answer Sheet 3.

- You will spend ($A_I =$ ) hours on your public relations proposal.
- You will spend ($A_{II}$ = ) hours on your public relations service.

The Client’s Decision: Please write down your estimation on Answer Sheet 3.

- The client will want you to spend ($A_I =$ ) hours on your public relations proposal.
- The client will want you to spend ($A_{II}$ = ) hours on your public relations service.

Please turn Answer Sheet 3 face down. You are not allowed to go back to Answer Sheet 3.

Please turn Answer Sheet 4 over.

Demographic Questionnaire

Please select the items that describe you best or fill in the blank on Answer Sheet 4.
Gender
Male ( )
Female ( )

Age
( )

Major
Advertising ( )
Journalism ( )
Public Relations ( )
Telecommunication ( )

Grade year
Junior ( )
Senior ( )
Graduate ( )

Ethnicity
White-Non Hispanic ( )
Hispanic American ( )
African American ( )
Native American ( )
Asian/Pacific Islander ( )
Others (Please specify) ( )

The experimental session is over.
Please raise your hand to turn in Answer Sheets.
We wish you success!

Instructions for Client Group

General Information
This is an experiment to study how individuals make decisions in certain contexts.

Course of Action
The experiment consists of three decision-making games: GAME I, GAME II, and GAME III. In each game, you will read specific instructions, take a quiz, and make a decision.

Your Role
Clients hire a public relations agency to manage their public relations program. In this game, you will perform as a client. You will keep your role during the entire experiment. Your decisions will not be revealed to anyone.

Your Mission
Your mission is 1) to maximize the agency’s service quality and 2) to make your public relations program more successful. You will receive a bonus based on your performance (above average: 6 chocolates, average: 3 chocolates, below average: none).

Now we will begin the experiment. Good luck!
GAME I
You have 10 minutes to complete this game.

Public Relations Service I
You will pay $10,000 for the agency’s public relations service I, and you want the agency to spend $A_I$ hours on the service I.

As the agency spends less time, the service quality will be decreased, and consequently, your public relations program will be less successful. As the agency spends more time, the service quality will be increased, and consequently, your public relations program will be more successful.

If the agency spends less time than 100 hours, you will get less than you paid for. That is, you will fail to maximize the agency’s service quality.

Public Relations Service II
You will pay $90,000 for the agency’s public relations service II, and you want the agency to spend $A_{II}$ hours on the service II.

As the agency spends less time, the service quality will be decreased, and consequently, your public relations program will be less successful. As the agency spends more time, the service quality will be increased, and consequently, your public relations program will be more successful.

If the agency spends less time than 900 hours, you will get less than you paid for. That is, you will fail to maximize the agency’s service quality.

Public Relations Service I < Public Relations Service II
You will pay $10,000 for the agency’s public relations service I and $90,000 for the agency’s public relations service II, because you value the service II nine times higher than the service I. Your public relations program will be more successful when the agency spends more time on the service II.

Please turn Answer Sheet 1 over.

Quiz: Please select the correct answer on Answer Sheet 1.

1. You will fail to maximize the agency’s service quality, if the agency spends less than ( ) hours on his (her) public relations service I.
   
   (a) 100
   (b) 1,000
2. You will fail to maximize the agency’s service quality, if the agency spends less than (          ) hours on his (her) public relations service II.
   (a) 900
   (b) 9,000

3. Your public relations program will be more successful when the agency spends more time on (          ).
   (a) his (her) public relations service I
   (b) his (her) public relations service II

Your Decision: Please write down your decision on Answer Sheet 1.

- You want the agency to spend ($A_I = \ )$ hours on his (her) public relations service I.
- You want the agency to spend ($A_{II} = \ )$ hours on his (her) public relations service II.

The Agency’s Decision: Please write down your estimation on Answer Sheet 1.

Please write down your estimation on Answer Sheet 1.

- The agency is likely to spend ($A_I = \ )$ hours on his (her) public relations service I.
- The agency is likely to spend ($A_{II} = \ )$ hours on his (her) public relations service II.

Please turn Answer Sheet 1 face down. You are not allowed to go back to Answer Sheet 2.

GAME II
You have 15 minutes to complete this game.

Public Relations Proposal
Now, the agency wants to be hired.

You will pay $10,000 for the agency’s public relations proposal, and you want the agency to spend $A_I$ hours on the proposal.

As the agency spends less time, the proposal quality will be decreased, and consequently, the agency will be less likely to provide high-quality public relations service. As the agency spends more time, the proposal quality will be increased, and consequently, the agency will be more likely to provide high-quality public relations service.

You have to hire the best agency to make your public relations program more successful. So you will hold a pre-proposal meeting and announce your decision about $A_I$. Three agencies will attend the meeting, and they will certainly follow your decision about $A_I$, because they want to
be hired. There is no limit to $A_I$. If you decide $A_I = 300$, the agencies will spend more than 300 hours on the proposal. If you decide $A_I = 500$, the agencies will spend more than 500 hours on the proposal.

If the agency spends less time than 100 hours, you will get less than you paid for. That is, you will fail to choose the best agency.

**Public Relations Service**

Now, the agency is hired.

You will pay $90,000 for the agency’s public relations service, and you want the agency to spend $A_{II}$ hours on the service.

As the agency spends less time, the service quality will be decreased, and consequently, your public relations program will be less successful. As the agency spends more time, the service quality will be increased, and consequently, your public relations program will be more successful.

There is no limit to $A_{II}$.

If the agency spends less than 900 hours, you will get less than you paid for. That is, you will fail to maximize the agency’s service quality.

**Public Relations Proposal < Public Relations Service**

You will pay $10,000 for the agency’s public relations proposal and $90,000 for the agency’s public relations service, because you value the service nine times higher than the proposal. Your public relations program will be more successful when the agency spends more time on the service.

Please turn Answer Sheet 2 over.

**Quiz: Please select the correct answer on Answer Sheet 2.**

1. Your chance to make your public relations program more successful will be increased when the agency spends ( ) hours on his (her) public relations proposal.
   (a) 300
   (b) 400

2. You will fail to maximize the agency’s service quality, if the agency spends less than ( ) hours on his (her) public relations service.
   (a) 900
   (b) 9,000

3. Your public relations program will be more successful when the agency spends more time on ( ).
(a) his (her) public relations service I
(b) his (her) public relations service II

Your Decision: Please write down your decision on Answer Sheet 2.

- You want the agency to spend \( A_I = \) hours on his (her) public relations proposal.
- You want the agency to spend \( A_{II} = \) hours on his (her) public relations service.

The Agency’s Decision: Please write down your estimation on Answer Sheet 2.

- The agency is likely to spend \( A_I = \) hours on his (her) public relations proposal.
- The agency is likely to spend \( A_{II} = \) hours on his (her) public relations service.

Please turn Answer Sheet 2 face down. You are not allowed to go back to Answer Sheet 2.

GAME III
You have 25 minutes to complete this game.

Communication Session with the Agency

1. You will receive a message from your partner agency.
2. After reading the message, open your Message 1 envelope, which is prepared by your public relations department. After reading your message, hand it to your partner agency.
3. You will receive a message from your partner agency.
4. After reading the message, open your Message 2 envelope, which is prepared by your public relations department. After reading your message, hand it to your partner agency.
5. You will receive a message from your partner agency.
6. After reading the message, open your Message 3 envelope, which is prepared by your public relations department. After reading your message, hand it to your partner agency.
7. Then, go back to your computer screen and press Enter to continue.

Public Relations Proposal
Now, the agency wants to be hired.

You will pay $10,000 for the agency’s public relations proposal, and you want the agency to spend \( A_I \) hours on the proposal.

As the agency spends less time, the proposal quality will be decreased, and consequently, the agency will be less likely to provide high-quality public relations service. As the agency spends more time, the proposal quality will be increased, and consequently, the agency will be more likely to provide high-quality public relations service.
You have to hire the best agency to make your public relations program more successful. So you will hold a pre-proposal meeting and announce your decision about $A_{I}$. Three agencies will attend the meeting, and they will certainly follow your decision about $A_{I}$, because they want to be hired. There is no limit to $A_{I}$. If you decide $A_{I}= 300$, the agencies will spend more than 300 hours on the proposal. If you decide $A_{I}= 500$, the agencies will spend more than 500 hours on the proposal.

If the agency spends less time than 100 hours, you will get less than you paid for. That is, you will fail to choose the best agency.

**Public Relations Service**

Now, the agency is hired.

You will pay $90,000 for the agency’s public relations service, and you want the agency to spend $A_{II}$ hours on the service.

As the agency spends less time, the service quality will be decreased, and consequently, your public relations program will be less successful. As the agency spends more time, the service quality will be increased, and consequently, your public relations program will be more successful.

There is no limit to $A_{II}$.

If the agency spends less than 900 hours, you will get less than you paid for. That is, you will fail to maximize the agency’s service quality.

**Public Relations Proposal < Public Relations Service**

You will pay $10,000 for the agency’s public relations proposal and $90,000 for the agency’s public relations service, because you value the service nine times higher than the proposal. Your public relations program will be more successful when the agency spends more time on the service.

**Please turn Answer Sheet 3 over.**

**Quiz: Please select the correct answer on Answer Sheet 3.**

1. In the communication session, the agency suggested that (s)he would go into the red, if the sum of $A_{I}$ and $A_{II}$ exceeded ( ) hours.
   
   (a) 100
   (b) 900
   (c) 1,000

2. In the communication session, the agency suggested that (s)he would not spend more than ( ) hours in total, even if you wanted to.
3. Your public relations program will be more successful when the agency spends more time on ( ).
   (a) his (her) public relations proposal
   (b) his (her) public relations service

Your Decision: Please write down your decision on Answer Sheet 3.

• You want the agency to spend \( A_I = \) hours on his (her) public relations proposal.
• You want the agency to spend \( A_{II} = \) hours on his (her) public relations service.

The Agency’s Decision: Please write down your estimation on Answer Sheet 3.

• The agency is likely to spend \( A_I = \) hours on his (her) public relations proposal.
• The agency is likely to spend \( A_{II} = \) hours on his (her) public relations service.

Please turn Answer Sheet 3 face down. You are not allowed to go back to Answer Sheet 3.

Please turn Answer Sheet 4 over.

**Demographic Questionnaire**

Please select the items that describe you best or fill in the blank on Answer Sheet 4.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male ( )</th>
<th>Female ( )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major</td>
<td>Advertising ( )</td>
<td>Journalism ( )</td>
</tr>
<tr>
<td>Grade year</td>
<td>Junior ( )</td>
<td>Senior ( )</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>White-Non Hispanic ( )</td>
<td>Hispanic American ( )</td>
</tr>
</tbody>
</table>
Asian/Pacific Islander (  )
Others (Please specify) (  )

The experimental session is over.
Please raise your hand to turn in Answer Sheets.
We wish you success!
APPENDIX B
COMMUNICATION MESSAGES

The Agency Group’s Message 1

Hi, I am performing as a public relations agency in this game. I am sending this message, because I figured out that agencies’ games and clients’ games are interrelated. How about communicating each other’s mission and game rules? I hope we can help each other.

Here are agencies’ mission and game rules.

- Our mission is to maximize our net income and your satisfaction.
- We will succeed, if we spend less time on our public relations proposal and more time for our public relations service.

How about yours?

The Client Group’s Message 1

Hi, I am performing as a client in this game. Thank you for the message. I also hope we can help each other.

Here are clients’ mission and game rules.

Our mission is to maximize your service quality and to make our public relations program more successful.

We will succeed, if you spend more time on both your public relations proposal and your public relations service. However, we value your public relations service nine times higher than your public relations proposal.

Here are my finding and suggestion.

- It seems that we will both succeed, if you spend more time on your public relations service. Can you spend more time on your public relations service?

The Agency Group’s Message 2

I am willing to spend more time on my public relations service. However, it is hard to spend more time on my public relations service, because I have to spend more time on my public relations proposal. I will fail this game if I lose in the agency selection process or if the sum of $A_I$ and $A_{II}$ exceeds 1,000 hours.

The Client Group’s Message 2
I do not understand why you cannot spend more than 1,000 hours. In my game, there is no limit to either A₁ or A₁₁.

Can you please explain why?

**The Agency Group’s Message 3**

In my game, I will go into the red if I spend more than 1,000 hours in total. That is, I will not be able to pay my staff.

**The Client Group’s Message 3**

Thank you for letting me know. That is very helpful information. If that is the case, I do not want you to overspend on your public relations proposal.

Here is my suggestion.

- I am willing to design more time-efficient agency selection process, if you are willing to spend more time on your public relations service. It looks like a win-win solution.

What do you think of my suggestion? Would you like to cooperate?


Cummings, C. The marketing manager and the public relations budget: Do you know where your money is? *Public Relations Quarterly, 36*(1), 16-17.


Steinberg, B. (2007, April 17). Now, often, the agency is the one walking away; Dynamics behind breakups with clients are shifting; ‘It’s killing our business’ *Wall Street Journal*, p. B2.


BIOGRAPHICAL SKETCH

NaYoung Park graduated with a bachelor’s degree in biochemistry from Yonsei University, one of the most prestigious colleges in South Korea. She received her masters’ degree in Mass Communication with an emphasis in Public Relations from University of Florida in the spring of 2011.

Before returning to graduate school to further her education, she has worked across multiple communications practices as a consultant. Her experience includes marketing communication, corporate communication, and crisis communication as well as agency-client partnership design. She is also a translator of Faster Cheaper Better: The 9 Levers for Transforming How Work Gets Done by Michael Hammer and Lisa W. Hershman, Do More Great Work by Michael Bungay Stanier and Get Off Your “But” by Sean Stephenson.

During her graduate study, her particular interest was in the agency-client transaction, which is a quite complex but crucial process for the agencies’ excellent client relations and the clients’ excellent agency relations. After graduation, she plans to continue her consulting career, further elaborating Pleasant Partnership Design System to specialize in agency-client partnership design.