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Collaboration and conflict between agencies and clients

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Abstract

Public relations agencies are an important part of the public relations industry, but their relations with client organizations are rarely studied. There is more literature and studies in agency-client relations in advertising than in public relations. This paper reviews literature and reports results of an empirical study into perceptions of public relations agencies and their clients on the reasons for their cooperation and sources of conflict between them. Results show that agencies misperceive reasons for which they are hired and the sources of conflict in the relationship. The paper offers several suggestions about how to tackle the problem: notwithstanding rebranding into consultancies and firms, public relations agencies-client relations should be studied as a particular example of a broader family of agency-client relations. Also agencies should study and strategically manage relations with their clients, while being realistic about client organization's needs – sometimes they just need additional arms and legs.

Keywords: public relations, agencies, clients, public relations agencies, public relations clients

Collaboration and conflict between agencies and clients

Introduction

The public relations industry makes around US$14 billion (Sudhaman, 2016) and employs some 3 million people. There are between 7,000 and 10,000 public relations agencies in the US (Wilcox & Cameron, 2014) and probably even more in Europe and around the world – van Ruler (2009) reports that in the Netherlands alone there are approximately 11,500 public relations consultancies, although three quarters of these are one-person operations. Wilcox, Cameron & Shin (2011) quote *PRWeek* estimating that the relative majority, with over 40 percent of all public relations practitioners in the US, works in agencies. Yet, it is surprising that in contrast to advertising as a discipline of study, agencies are an understudied topic in public relations research.

This study focusses on public relations agencies, more specifically, on relations between agencies and their client organizations in Europe: how they perceive reasons for collaboration and important sources of conflict.

Problem statement

Twenty-five years ago Pincus, Acharya, Trotter & St. Michel (1991) noted that "although the target of much speculation, the subject of agency-client conflict is void of systematic and empirical research" (p. 152). In their exploratory study they asked a question, *"What are public relations agencies' and their clients' perceptions of the major issues of conflict in their professional relationships?"* (p. 154). Unlike in advertising research, not much has been investigated in public

relations on how public relations agencies collaborate and why they end up in conflict with their client organizations.

Public relations is a fast growing, yet turbulent industry. Notwithstanding periodic financial and economic crises, public relations has been experiencing over a century of strong growth. It is probably much bigger than US$14 billion has been estimated by the *The Holmes Report* (in Sudhaman, 2016), to which The USC Annenberg Center for Public Relations' (2016) *Global Communications Report* estimates a 25 percent growth in the next five years – to US$19.3 billion. The UK Public Relations Consultants Association (PRCA) estimates only the UK public relations market to be worth UK£10bn (Waddington, 2015). Because of this stellar growth, *regan.com* writes about public relations as an "employee market" with median salaries of US$130,000 for those working in-house, $84,500 in PR agencies, and $68,000 in non-profit organizations (Strong, 2016) . Yet, in the words of Waddington (2015): "Public relations is an anxious, insecure profession." On one side, many public relations agencies differentiate their place in the market from advertising agencies by rebranding themselves into consultancies or simply firms (more on that below in the literature review). On the other side, since the mid-1970s, the majority of the largest public relations agencies have been bought and integrated into multinational marketing conglomerates, with the largest of them, the Omnicom Group and WPP Group, each having annual revenues of over US$10 billion, and the first owning multinational public relations agencies Fleishman-Hillard and Ketchum and the second Burson-Marsteller and Hill & Knowlton (Wright, 2013). Already these two processes, rebranding to differentiate from advertising on the one side and integration into marketing conglomerates on the other, cause anxiety and insecurity. All this puts additional pressures on the relationship between agencies and their clients, which is always dynamic. Research doesn't inconclusively point towards the factors that shape this relationship.

There is a multitude of reasons why both sides in this relationship show higher or lower levels of satisfaction. Additionally it seems that elements of the relationship that are most important to clients do not match the perception of agencies. The main aim of this study therefore is to critically examine reasons for hiring public relations agencies from the perspective of clients as well as from the perspective of agencies and to analyze their agreement when it comes to sources of conflict between communication departments, clients and agencies.

Literature review

It is amazing that although public relations agencies form a substantial part of the public relations industry and are huge employers of public relations practitioners, many, if not even the majority of public relations textbooks don't deal with them at all. Those who do, note that beginning in the 1980s, "many 'public relations agencies' changed their titles to 'public relations firms' (Broom & Sha, 2012, p. 85) to communicate to the market their move away from publicity to counseling and to differentiate from advertising.

The Encyclopedia of Public Relations (Heath, 2005) and *The Handbook of Public Relations* (Heath, 2001) both contain entries on public relations "agency" (Hinrichsen 2001; 2005), with an additional explanation that

> *Some companies prefer to use the term firm to denote their emphasis on counselling and strategic planning and to differentiate themselves from advertising agencies. Public relations is a management team concept that the term agent or agency doesn't imply. Many, though, use the terms interchangeably.*
>
> (Hinrichsen, 2005, p. 685)

Lesly's Handbook of Public Relations and Communications (Lesly, 1998) writes only about "public relations counsels", while Morley in *The Global Public Relations Handbook* explains:

> *The description "public relations agency" today is suitable, but still less than accurate, for the majority of firms. While there are a number of people practicing as consultants only (they do not engage in the practical implementation of the advice and strategies they recommend), the majority of public relations companies are both consultants and agents. This is the reason why, together with the original ad agency public relations divisions, the public relations agency is usually referred to as "the agency".* (p. 865)

Verčič (2012) distinguishes three types of public relations companies: agencies, public relations firms and public relations consultancies. Agencies are primarily concerned with media relations, firms with arms and legs, while consultancies sell expertise. "They all service enterprises, but they are different in who they are, what they sell, and how they do it. Agencies primarily sell experience, services sell efficiency, and consultancies sell expertise. Agencies have publicity cultures, services have business cultures, and consultancies have professional cultures." (p. 246) His theoretical essay has never been empirically tested.

Within public relations literature there are suggestions of a myopic rivalry between public relations and advertising in which the first one subsumes the later to a tactical contributor, while assuming a strategic level for itself: "Because of the counseling function, we use the phrase *public relations firm* instead of *agency* throughout the book. Advertising firms, in contrast, are properly called *agencies* because they serve as agents, buying time or space on behalf of a client." (Wilcox & Cameron, 2012, p. 84) A brief overview of recent advertising textbooks could

show that too many authors in the public relations field know too little about contemporary advertising, which can be as strategic as any other communication discipline and from which public relations can learn a lot (c.f. Belch & Belch, 2012; Shimp & Andrews, 2013). In difference to the scarcity of research in agency-client relations in public relations (notable exceptions are Bourland, 1993; Hou, 2016; and Pincus et al., 1991), in advertising theory and practice agency-client relations "became a major area of study" (Waller, 2004). But this is not the only reason why the literature review continues with works mainly from advertising. Bourland (1993) studying literature on public relations agency-client relations noted that conflict issues for public relations agencies parallel those for advertising firms as reported in the advertising agency literature.

The term "agency" in management literature entered management language in the 1930s as a study of owner's (principal) dependence on management (the agent) who is supposed to operate in the best interest of the principal (Berle & Means, 1932). Out of this inherent problem of modernity (our general dependence on all kinds of experts to which we trust our interests) in economic theory developed a "general theory of agency", and research in "agency-principal relationships" or "agency-client relationships" "has expanded to be included in such areas as accounting, advertising, finance, management, marketing, organizational studies, political science, and sociology (Waller, 20014).

The relationship between an agency and its client represents a strategic partnership that can have a significant impact on both sides. Maintaining this relationship can have major business implications and can lead to increased business success (Gulsoy, 2012). For the agency, a successful long-term relationship means a stable income, prestige and a higher profit margin, since there is evidence that committed clients are occasionally prepared to retain the same agency even

with a price increases (Duhan & Sandvik, 2009). On the other hand, the breakdown of the relationship can lead to discontinuation of the campaign and a worsening position among competitors (Gulsoy, 2012).

In all communication disciplines the relationship between the agency and the client is the key to a successful communication process and therefore it is important that an agency carefully manages its relationship with the client. Agencies invest a lot of effort to obtain and maintain a positive agency-client relationship. Understanding this relationship is key, since a bad relationship can cause the ending of cooperation and consequentially great financial and time expenses. Research in agency-client relations focuses on service quality, being defined as technical quality (core service) and functional quality (Gronoors, 2000). The ongoing economic recession has additionally put pressure on the agencies (Lichtenhal & Shani, 2000). Understanding the forces that affect the choice of agencies is significant for maintaining and stabilizing the traditional relationship between the agency and the client.

Research about the relationship between clients and agencies in advertising can be classified into three categories: 1) criteria that clients use in choosing an agency; 2) factors that affect the long term relationship between the client and the agency and 3) forces that affect the end of the relationship. Most of the research in the area has been focused on why agencies and clients get together, stay together or break up (Lichtenhal et al 2000).

Cagley (1986, according to Lichtenhal & Shani, 2000) has found that clients and agencies share perceptions in 14 out of 25 criteria. Based on attribute mean performance both groups agreed that an agency has to have account responsibility. Additionally both sides agreed that agency business and management skills are very important. Agencies indicated a higher importance on relationships than clients. Cagley and Roberts (1986, according to Lichtenhal & Shani, 2000)

formed 25 attitudinal statements from discussions with employees in agencies and through a literature review. Four factors emerged and those factors included market analysis, operational scale, interpersonal relations, and veracity. Michell (1984, according to Lichtenhal & Shani, 2000) found that perception and creativity form the biggest source of conflict between agencies and clients.

Mitchel and Sanders (1995) tested a 7 factor 57 item model to predict loyalty among clients. Among the most important reasons for loyalty were mutual trust, high caliber personnel, and mutual professional competence. Henke (1995) predicted the possibility of changing an agency by comparing switchers and non-switchers. Creativity and the possibility of winning an award proved to be less important for the client. Agencies overestimated the importance of their creative ability and achievement.

Murphy and Maynard (1996) studied the sources of cognitive conflict between agencies and clients. In five key areas there were significant differences. Agencies agreed with clients on the significance of the message and budget. Media planning was third, while marketing research and client–agency relationship were deemed less important. Those results are not very surprising since it can be expected that clients are more concerned with product development, while agencies are more focused on relationships. Hotz, Ryans, and Shanklin (1982) conducted a study to detect sources of dysfunctional behavior among agencies and clients. The main sources of disagreement included personnel turnover at the agency, assistance given to the agency by the advertiser, client organization effectiveness with its advertising activities, and degree of agreement (on both sides) about the agency's role. When we look more widely in management literature it is interesting to consider experiences observed from other disciplines in terms of client and advisory relations. In studies of general auditing there has been a reported growth of an expectation gap between societal

expectations and auditors' performance depending on context with a European difference detected in some studies (Porter, Ó hÓgartaigh and Baskerville, 2012). Their data is based on a two-part comparative study in the UK and New Zealand which found differences in experiences of the gap in expectations of the auditing process. Other studies look at the determinants of auditor-client satisfaction (Behn and Carcello, 1997), auditor-client disagreement resolution (Salleh and Stewart 2012) and auditor-client relations and issues of independence (Young, 2006).

It is important to bear in mind that relationships between agencies and their clients are not balanced – there is no absolute need for organizations to hire agencies, while it is an absolute need for agencies to find clients (Arul, 2010). Arul (2011) also noted that as competition increases, companies demand more from their agencies. Hou (2016) found in China that agencies as suppliers are in submissive relations with their clients as buyers. This hierarchical relationship has twofold consequences. Agencies' function of "strategic counselling" is undermined with in-house departments being described as "brains" and agencies as "arms and legs", clients providing instructions and agencies following them. This "contractual hierarchy" imposes also "extra 'non-PR work' on agencies, such as arranging accommodation for a visiting CEO, and designing a poster for free etc." (Hou 2016, p. 635).

Beverland, Farrelly & Woodhatch (2009) found that agency proactivity is a driver for client satisfaction. Service quality is composed of technical quality (core service) and functional quality (how the service is delivered) (Gronoors, 2000). Many studies have followed organizational buying theory (Prendergast, Shi & West, 2001) and from a business buying perspective, agencies (advertising and public relations alike) are "marketers of business-to-business services" (Lichtenthal & Shani, 2000, p. 224). If agencies and clients are committed business partners, they are both "able to achieve better outcomes." (LaBahn & Kohli, 1997) But advertising agencies often

overestimate their client service (LaBahn, 1996), while client satisfaction demands both creative competence and project management (Levin et al, 2016). The most influential sources of account dissolution have been attributed to clients' perception of dissatisfying service quality based on either creativity or the quality of working relationships (Davies & Palihawadana, 2016).

In their exploratory study of 30 pairs of public relations agencies and their clients based on co-orientation, Pincus et al. (1991) found that both agencies and clients believed that they knew and understood the other's perceptions of conflict points, although "agencies were more accurate in their reading of client perceptions of conflict points than were clients in their reading of agency perspectives." (p. 154)

The study

This study is concerned with relations between public relations agencies and their clients in Europe, on reasons for collaboration and sources of conflict. It is based on a literature review on agency-client relations and an empirical study – a survey of representatives of both public relations agencies and practitioners working in public relations departments in organizations.

Objective

The main research question of the study therefore asks - is there agreement between communication departments and agencies on the importance of reasons for hiring agencies? Additionally, is there agreement between communication departments and agencies on the sources of conflict between communication departments as clients and agencies?

Hypotheses

H°: There is no significant difference between communication departments and agencies in their estimation of the importance of reasons for hiring agencies.

Methodology

In order to provide answers to the research question posed above, a large scale quantitative study was applied. The sample of the study included 1,601 professionals from 40 European countries working on different hierarchical levels in communication departments of companies, non-profits and governmental organizations who were surveyed as part of a larger transnational online survey. To reach these respondents more than 30,000 personal invitations were sent to communication professional by e-mail, followed up with additional invitations through national branch networks and associations. Only answers that were clearly identified as part of the population of European public relations practitioners were used. In the end the analysis is based on 2,253 fully completed replies by professionals working in communication departments (n=1601) and agencies (n=652).

The entire instrument that was used consisted of 33 questions organized into 19 sections. Three questions were used in two different versions for respondents working in communication departments and agencies respectively. All items were based on research questions and hypotheses derived from previous research and literature and are presented in table 1. Answers to the questions in table 1 were either multiple choice (questions 1 and 3), or five- point Likert type scales (from "not important at all" to "very important") in question 2.

Table 1.: Items in questionnaire aimed at communication departments or agencies

Communication departments	Agencies
1. What best describes the nature of your agency relationship(s)?	1. What best describes the nature of your client relationship(s)?

2. Why does your organisation work with agencies, freelancers and communication consultants?	2. Why does your average client work with agencies, freelancers and communication consultants?
3. Based on your professional experience, what are the three (3) most important reasons for conflict with communication agencies, freelancers or consultants?	3. Based on your professional experience, what are the three (3) most important reasons for conflict with clients?

Roughly six out of ten respondents worked in communication departments in companies, of which 35.2 per cent were employed in joint stock companies (called "public companies" in the United States) and 24.6 percent in private companies. Another 24.5 percent of the communication professionals worked for governmental organizations and the remaining 15.6 percent for non-profit organizations. 42.8 percent of the respondents held a position as head of communication. 27.7 percent of the respondents interviewed were responsible for a single communication discipline or were unit leaders and 22.5 percent were team members.

The demographics showed that 61.1 per cent of the surveyed professionals were female and roughly two thirds (68.3 percent) were aged between 30 to 49 years. Six out of ten professionals had more than ten years of experience in public relations, while 25.5 per cent had between six and ten years of experience and a minority (14.7 percent) less than five years. A vast majority (95.2 percent) of the respondents had an academic degree ranging from a professional bachelor to a doctorate, with most of these respondents holding a master degree (61.1 percent).

The IBM Statistical Package for the Social Sciences (SPSS) was used for data analysis. Results are classified as significant ($p \leq 0.05$)* or highly significant ($p \leq 0.01$)** in this article.

Results

Table 2.: Reasons for hiring agencies
(A comparison between communication departments and agencies)
Results of t-test

	Consultancies and agencies (n = 652)	Communications departments (n = 1,277)	T-test
	Mean	Mean	
Creativity and innovation	4.24	3.98	-9.761**
Additional “arms and legs”	3.85	3.95	3.441**
Expertise regarding specific geographies or markets	3.74	3.34	-11.368**
Strategic insight	4.24	3.33	-28.114**
Objective, independent counsel	3.93	3.33	-19.523**
Explaining communication trends and new instruments	4.18	3.24	-29.051**
Not allowed to hire additional people internally	2.69	3.08	10.519**
Cheaper than adding staff; saving money	3.08	2.97	-3.182**
Support in explaining communication strategies to top executives	3.79	2.59	-34.356**

**Significant at 1 per cent level.

Table 2. shows expectations that clients have from their agencies as well as agencies’ perception about the clients’ expectations. It presents estimation means of the importance of various reasons for hiring agencies. Those means are further compared by using independent sample t-test in order to test the hypothesis of the study. In each of the estimated items (reasons for hiring agencies) the significance of the difference between estimations is lower than 1 percent. This means that for every single estimated item there was significant disagreement between communication departments and agencies.

For communication departments the most important reason for hiring agencies was their creativity and innovation. However, they still gave this item a significantly lower mean grade (M=3.98) than their colleagues from agencies, who estimated it at M=4.24. The second reason for hiring agencies (“additional arms and legs”, judged by communication departments, followed only slightly behind with M=3.95. Agencies underestimated the importance of this reason for hiring and gave it an average grade of M=3.85. Communication departments believe expertise regarding specific geographies or markets is the third most important reason for hiring agencies and give it an average grade of M=3.34. Agencies overestimate the importance of this reason for hiring and judge it at M=3.74. Strategic insight comes in fourth as the reason for hiring among communication

departments with the average mean of 3.33, while this reason is once again significantly overestimated by agencies at 4.24. Exactly the same mean (M=3.33) is given to "Objective, independent counsel" by communication departments, while agencies overestimate the importance once again by judging it at M=3.93. Explaining communication trends and new instruments seems a little less important for communication departments as they place it in sixth place with an average grade of M=3.24. At the same time agencies give the second highest grade of M=4.18. As in all other items the difference is significant. As for item "Not allowed to hire additional people internally" it is ranked highly neither by communication departments nor by agencies. However, the rankings are significantly different in this item as well. Agencies judge it as the least important reason for hiring (M=2.69), while communication departments give it a higher average grade of M=3.08. As for the item "Cheaper than adding staff; saving money", communication departments give it an average grade of M=2.97, while agencies estimate it higher at M=3.08. Finally, the item "Support in explaining communication strategies to top executives" is the least important item of all for respondents from communication departments. They give it an average grade of only M=2.59. Respondents from agencies overestimate this item significantly at M=3.79.

In seven out of nine items the average estimation given by agencies is significantly higher than the estimation given by communication departments. It seems that experts from agencies overestimate their own importance in helping communication departments. The only two items in which their average grades are lower than the ones given by their colleagues from communication departments are – "Additional arms and legs" and "Cheaper than adding staff; saving money".

Average estimation of the importance of reasons for hiring agencies, between two groups of respondents, are different for all nine items. This allows the rejection of the null hypothesis.

Table 3.: Sources of conflict between communication departments and agencies

(A comparison between communication departments and agencies)

	Communications departments (n = 1,277)	Consultancies and agencies (n = 652)
	Rank	**Rank**
Lack of knowledge of the client's business and processes	1	6
Low performance and mistakes made by agencies	2	8
Use of junior staff and instead of experienced consultants	3	7
Different interpretations of situations and actions	4.5	4
Unclear objectives and expectations of the cooperation	4.5	1
Different role expectations or unclear tasks	6	2
Financial disagreements	7	3
Bad chemistry of disrespect, interpersonal differences	8	5

Table 3 shows sources of conflict between communication departments and agencies. Respondents from both groups selected three out of eight reasons as the most important sources of conflict. The eight items were than ranked according to the number of times they have been chosen. The second column of the table shows the rank of items according to importance, estimated by communication departments. The third column shows the rank of items according to importance, estimated by consultancies and agencies.

Respondents from communication departments judge the "Lack of knowledge of the client's business and processes" as the most important source of conflict. At the same time this is ranked at sixth place for the respondents from agencies. "Low performance and mistakes made by agencies" is the second most important source of conflict estimated by communication departments. At the same time, experts from agencies give the lowest rank and estimate it as the least important source of conflict. The third reason for conflict, as judged by communication departments, is the agencies' "Use of junior staff and instead of experienced consultants", while agencies give it the second to lowest rank, and deem it less important. Some similarity is shown in both sides estimation of "Different interpretations of situations and actions", where

communication department rank it at 4.5, and agencies rank it at 4. This item is the only one with any similarity in judgment. “Unclear objectives and expectations of the cooperation” also has rank 4.5 by communication departments, but is ranked as the most important source of conflict as judged by agencies. “Different role expectations or unclear tasks” is the sixth most important source of conflict for respondents from communication departments, but the second most important for respondents from consultancies and agencies. The final two reasons for conflict, as estimated by communication departments, are financial disagreements (ranked seventh) and bad chemistry of disrespect, interpersonal differences (ranked last and least important source of conflict). On the other hand, for agencies financial disagreement is rated as the third most important source of conflict, and bad chemistry of disrespect, interpersonal differences is ranked fifth. It is quite clear that the two sides see the main sources of mutual conflict quite differently.

Discussion

Respondents from public relations agencies generally overestimate their importance on all investigated reasons for why they are hired by public relations departments in organizations, except for two: (1) that they offer additional arms and legs, and (2) that it is cheaper hiring an agency than adding new staff to the department; in essence therefore meaning that hiring an agency can be a money saving strategy. This shows that practitioners working in public relations agencies in Europe misperceive the reasons why their colleagues in public relations departments in organizations hire them. The potential differences in perceptions between agencies and their clients on the basic reasons for their collaboration may develop into sources of conflict between the two parties.

The two groups of public relations agencies and clients have completely opposing perceptions about the sources of conflict between them. What clients see as the top three sources of conflict, agencies see as the least important. Clients put having "Lack of knowledge of the client's business and process" as the first reason with "Low performance and mistakes made by agencies" as the second and "Use of junior staff instead of experienced consultants" in the third position, while agencies put these in the sixth, eighth and seventh place respectively (out of eight in total). This raises some interesting questions on both the technical and functional competence of public relations agencies. Even if one would say that the sources of a client's dissatisfaction with services could reside on both sides, client's and agency's, it is primarily the agency's responsibility to manage its client's expectations, because the basic truism applies: organizations can live without agencies, while agencies can't live without clients.

It is hard to work together if parties don't agree on why they are together. The results of this study show that there is an inherent problem in the public relations market in Europe and that it would be in the mutual interest of both agencies and their clients to address this problem. The first step is to study the relationship and understand mutual expectations and perceptions, like the one produced in this study.

Suggestions

Results of this study show that public relations agencies and their clients hold differing perceptions on why they enter into business relationships (why organizations hire public relations agencies) and what are the sources of conflict between them. The first suggestion based on the literature review is that the public relations community must dig through the clutter of variable branding and naming of public relations agencies and see them as what they are: they

are a particular example of agencies in the market and that because of that a lot can be learned from general agency theory and research in agency-client relationships. Future studies should separately study technical quality (competence) and functional quality (relationship management), both in behaviors and in perceptions. Longitudinal studies of relationship growth and/or deterioration would also provide ingsights.

The second suggestion is also rooted in the literature review from which it is obvious that many features of agency-client relationships are the same for advertising and public relations agencies. There are obvious reasons why public relations agencies rebrand themselves as consultancies and firms. They are all three: agencies, firms and consultancies. They can learn a lot also from studying why are there firms and how they are different from other types of work organization (e.g. markets), and what constitutes consultancies and how should they be managed. But public relations consultancies and firms are agencies as well (see the first suggestion) and they should learn from their first cousin – advertising. It is amazing how little mutual learning there is in academia, considering that public relations and advertising studies are often located in the same or neighboring departments in the same schools, and even taught by the same faculty. Also practitioners could learn by studying advertising theory and research, as there is obviously much more work published on agency-client relationships in advertising than in public relations.

Understanding the agency nature of public relations firms could enable the third suggestion and that is that the field needs comparative research. Public relations agencies and relations with their clients should be compared not only with advertising agencies, but also with accountants, general management consultancies, etc. Such comparative research could enable learning that is obviously needed as it is visible in the results presented in this study. In particular because accounting and general management consultancies have traditionally attracted better

talent than public relations agencies and that probably has some impact in the market. Will the inclusion of public relations curricula into some business schools make a difference and what will be its consequences for public relations agencies is also something to be monitored closely.

The fourth suggestion follows from both the literature review and results of this study: perceptual mistakes are more dangerous for agencies than their clients. Organizations, businesses, governmental and non-governmental, can operate without agencies, while agencies can't operate without clients. This is the cause of a fundamental imbalance between agencies and their clients. Mistakes that agencies make by perceiving themselves as better than they are, or at least as perceived better by their clients, can be a costly mistake causing conflict in a relationship or even its termination. Agencies should institute regular customer satisfaction research as a component of their (total) quality management processes.

The fifth suggestion concerns realism. In the past three decades, there has been a lot of productive effort by practitioners, professional associations and academia to increase the knowledge component of public relations work and bring it to the (top) management table, developing its strategic management offerings. But not everybody can be a general; foot soldiers are needed as well. Many organizations are under severe economic strain and for that reason they often buy services from the market where they can make cost savings or it is a cheaper alternative when compared with internal hiring and related human resources processes. This means that organizations become clients because they can buy public relations services from agencies cheaper than they could produce them themselves, or when they need more "arms and legs" as a viable alternative when they are not prepared to employ new staff internally and on a permanent basis. Underestimating the basic economics of public relations agency-client business

relationships damages primarily agencies, but probably causes stress also on the side of their clients.

The sixth suggestion underlines the importance of joint development of practice and research. Practitioners in public relations agencies can try to intuitively guess what potential clients think about them and how satisfied they are with them when hired. They can openly and informally talk to their clients and seek answers to questions they have. But a more intelligent option and in line with good management practice is to design formal research programs in marketing intelligence to study the reasons for why organizations look for public relations agencies and their services, and in (total) quality management to assess the quality of the services provided as well as the customer (= client) satisfaction. Social science research has much to offer as such research programs should follow high standards of validity and reliability of measurement. A hi-tech public relations industry must live in and embrace the digital sphere, but also apply research technology to better manage its own future.

Conclusion

Public relations agencies are an essential part of the public relations industry. Therefore, they deserve more attention from researchers - about why they exist, how they operate, how they enter into business relationships with their clients, what are the components of (un)successful agency-client relationships and why and how relationships end or are terminated.

Public relations agencies deserve their own sections in every public relations textbook and, as a discreet area of the practice, it should also be included in university and professional curricula. Agencies should themselves encourage and stimulate research in agency-client relationships, inviting researchers to work with them and granting open access. The public

relations research community should pay more attention to agencies and their operations as legitimate objects for studies. Furthermore, studies are needed on the role public relations agencies play in the public relations industry and society as a whole. There are many indications that large multinational public relations agencies influence public and international narratives and policies, thus affecting the lives of increasing numbers of the population. This shouldn't remain unnoticed and understudied. This last point also highlights an obvious observation, that not all agencies and all clients are equal – some are larger, richer and more powerful than others.

Research in advertising agency-client relationships revealed the importance of technical and functional competencies for successful relationships. Results of the study presented in this paper question public relations agencies in Europe on both. Public relations agencies generally overestimate their knowledge and expertise as the reason for why they are hired by their clients, while underestimating that they are often hired to provide additional arms and legs for their clients at a lower cost (than employing permanent staff). In parallel, these differences in reasons for hiring are mirrored in the sources of conflict between the two parties: respondents in public relations departments in organizations reported that lack of knowledge and low performance are the major sources of conflict between agencies and their clients.

More research is needed to better understand and interpret these results. Two types of comparative research could help. Firstly, a comparative cross-sectorial research would enable public relations practitioners understand if these particular reasons are specific for the public relations sector or are general for agency-client relations across sectors. Reports from agency-client relationships in the advertising industry indicate that these issues could be general and so a question emerges, what is specific for public relations agencies in this general trend?

Secondly, a cross-continental study between Europe and other continents could reveal how much of the findings in this paper are specific for Europe and how much is general for the public relations industry more broadly. While the public relations agency sector has been practically dominated by US and European players for more than a century, the emergence of the Chinese public relations *BlueFocus* on the top 10 list of the largest public relations agencies (The Holmes Report, 2016) hints that the times are changing also for public relations and that comparative research is needed not only between Europe and the US, but also with Asia. What new factors could that bring into agency-client relationships is yet to be seen and understood.

With an accelerated public relations industry growth, questions of quality of services offered and of management of agency-client relationships will gain in importance. With encroachment from other similar service providers (advertising, marketing and general management agencies), the future of the public relations market depends on how much and how quickly public relations practitioners can learn to understand and fulfill the expectations of their clients. Research into agency-client relations does develop knowledge and understanding of how the working relationships are initiated, developed and terminated and has much to offer to practice.

Limitations

This study empirically explored mutual perceptions between respondents from public relations agencies and respondents from communication departments in organizations as clients about why they enter into business relationships and what are sources of conflicts in them. Its first limitation comes from the sample. The sample is from Europe and it is impossible to generalize the findings onto the global scale. As there are considerable differences in general

social, economic and political development between different European countries, averaging results across the continent may also contribute to some bias. A proper international and intercultural comparative study could reveal more and more interesting results and one can only hope that such a study would be done in the near future. The sample of respondents is not representative, as the total population of public relations practitioners in Europe is unknown. The survey was executed in the English language, which excluded those who are unable to use it. The questionnaire was developed on the basis of a literature review and was pretested, but additional qualitative research into causes of the obtained results could show more. And, finally, this study offers a snapshot picture in a given moment and more could be learned from a longitudinal study that would accommodate also economic cycles (some countries in this study were already leaving the last downturn, while others were still deeply into it).

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