

Conflict Resolution Strategies and Marketing Channel Relationships: Framework and Research Propositions

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ABSTRACT

Relationships in marketing channels tend to be long-term oriented and members of the channel rely on each other to jointly realize their goals by serving buyers. Despite the channel's focus on serving buyers, conflicts often arise between channel members because of each member's self-interest. When conflicts arise, the perceptions of a channel member based on normative, rational/instrumental, or emotional reasoning will influence relational norms like trust and commitment that characterize the relationship between members. The relational norms in turn influence how conflicts are resolved and relationship quality. A theoretical framework to study conflict resolution in marketing channels and its impact on channel relationships is developed by identifying the variables to represent channel member perceptions, relational norms, conflict resolution strategies, and relationship quality. Propositions linking these variables are developed and indicate how these variables influence one another when conflict occurs.

INTRODUCTION

In recent years there has been a surge of interest in the study of relationships between buyers and sellers and indeed relationship marketing has emerged as a new field of study (Sheth and Parvatiyar, 2000; Palmatier, Dant, Grewal, and Evans, 2006). The new emphasis on relationships has served to correct for an imbalance in the study of transactional and relational exchanges. While marketing has focused on buyer needs at least since the marketing concept gained acceptance, it has implicitly treated transactional exchange as the default mode of exchange, perhaps because of the ubiquity of transactional exchanges in consumer markets. But sellers in both consumer and business markets have long sought to establish relationships with their buyers.

Business markets in particular have been characterized by long-term relationships between organizations, especially in supply chains and marketing channels (e.g., Keep, Hollander, and Dickinson, 1998; Cannon and Perreault, 1999). Decisions regarding the structure of the marketing channel and choice of number and type of distribution intermediaries tend to be long-lived and are not easily changed unlike pricing and advertising decisions. Channel members are regarded as partners who work together to satisfy buyers even though each intermediary may be regarded as buying from the preceding member in the channel of distribution. For instance, Procter & Gamble and Wal-Mart are partners working together to satisfy buyers though the former may be regarded as a manufacturer selling to the latter regarded as a retailer who sells to the consumer. Wal-Mart could be considered Procter & Gamble's buyer and Procter & Gamble has to focus on Wal-Mart's need while Wal-Mart in turn focuses on its buyer's need. However, to prevent suboptimal results, Procter & Gamble and Wal-Mart must strive together as one interorganizational system to serve the consumer, not separately try to attain their individual goals. As a consequence, in long-term relationships like that between members of a marketing channel, conflict is inevitable and its resolution will impact relationships among channel members. In marketing channel relationships, "one of the parties eventually will engage in an action that another channel member considers potentially destructive for the relationship" (Hibbard, Kumar, and Stern, 2001, p. 45). Conversely, a channel member may consider another channel member's action as potentially constructive for the relationship.

Conflict has been studied from a variety of perspectives drawn from different disciplines including psychology, sociology, economics, political science, management, and marketing (see, e.g., Lewicki, Weiss, and Lewin, 1992). Research in marketing channels has a tradition of focusing on conflict and power as key constructs influencing distribution decisions and channel structure (e.g., Mallen, 1963; Assael, 1968; Stern (1969), Rosenberg and Stern, 1970;

1971; Etgar, 1976; Lusch, 1976; Brown and Day, 1981; Gaski, 1984; Dant and Schul, 1992; Kumar, Scheer, and Steenkamp, 1995; Hibbard, Kumar, and Stern, 2001; Vosgerau, Anderson, and Ross, 2008). However, only in recent years has the importance of norms like trust and commitment that characterize the relationship between organizations been recognized (Morgan and Hunt, 1994). But little attention has been given to how these norms are affected by conflict and in turn affect conflict. In this article we develop a framework to study conflict resolution in marketing channels that takes into account conflict perceptions, relational norms, conflict resolution strategies, and the relationship between channel members. We develop propositions to indicate how (1) conflict perceptions based on normative, rational/instrumental, and emotional reasoning affect relational norms, (2) relational norms affect conflict resolution strategies, and (3) conflict resolution strategies affect marketing channel relationships.

CONFLICT RESOLUTION IN MARKETING CHANNEL RELATIONSHIPS

Marketing channels are sets of “interdependent organizations involved in the process of making a product or service available for use or consumption” (Coughlan, Anderson, Stern, and El-Ansary, 2006, p. 2). The organizations that are members of the channel work together to serve the buyer by performing the necessary functions that gives the product or service the ability to satisfy buyer needs. The channel members specialize in the functions performed and the value added, with each organization responsible for some of the characteristics required by buyers. The relationship among channel members has to be considered triadic rather than dyadic as it involves not just the members of the marketing channel but also the buyer and the members engage in relational rather than transactional exchange (Narayandas, Caravella, and Deighton, 2002). Despite recognition that the interests of each member are best served by focusing on a third party, the buyer, members often focus on individual goals at the expense of the channel as an interorganizational system. Interorganizational relationships are prone to conflict because they are characterized by interdependence between members, perception by at least one member that there is some opposition or incompatibility among the goals of the members, and some form of interaction (Thomas, 1992).

Conflict in marketing channels has been defined as “a situation in which one channel member perceives another channel member to be engaged in behavior that is preventing or impeding him from achieving his goals” (Stern and El-Ansary, 1977, p. 283). If a channel member’s actions are viewed as impeding another channel member’s goals, conflict will increase. On the other hand, if a channel member’s actions are seen to facilitate the achievement of another member’s goals, conflict will decrease. A channel member’s perceptions of conflict will influence changes in the relational norms that characterize its relationship with other channel members. Depending on how the relational norms change, the conflict resolution strategies of the members will vary. The strategies used by the parties to resolve conflict will either improve or reduce the quality of the relationship among channel members.

CONFLICT PERCEPTIONS

In a seminal article on conflict, Pondy (1967) identifies five stages of a conflict episode: latent, perceived, felt, manifest, and aftermath. According to Gaski (1984), these stages represent a perceptual and a behavioral dimension of conflict. A channel member’s perceptions of another member’s actions will be based on normative, rational/instrumental, and emotional reasoning (Thomas, 1992). We develop variables to measure conflict perceptions based on each of these three modes.

Perceptions of conflict based on normative reasoning consider “the goodness of the act itself – that is, its normative acceptability” (Thomas, 1992). If a channel member perceives the action of another channel member to be fair, they will perceive it positively. If, however, the channel member perceives the action as unfair, they will perceive it negatively. A variable, Fairness, is introduced to measure the perceived fairness of the action.

Rational/instrumental reasoning “considers the desirability of the likely outcomes of a course of action. A course of action is considered desirable (and its choice is considered rational) if and only if it is seen as instrumental in producing a desired outcome” (Thomas, 1992). If a channel member perceives the action of another member as

beneficial to them, they will perceive it positively. But if it perceives the action as detrimental to their interests, they will perceive it negatively. A variable, Benefits, is introduced to measure the perceived benefits of the action.

Conflict perceptions based on emotional reasoning considers the emotions generated during a conflict episode as well as emotions left over from other events (Thomas, 1992). If the action of another channel member evokes positive emotions or the relationship with that channel member has previously generated positive emotions, it will increase the emotional bond between the parties and be perceived positively. If, however, the action evokes negative emotions or the relationship has previously generated negative emotions, it will decrease the emotional bond between the parties and be perceived negatively. A variable, Bonding, is introduced to measure the perceived strength of the emotional bond as a result of the action and previous emotions.

We have developed three variables to measure conflict perceptions: (1) Fairness, (2) Benefits, and (3) Bonding. All three variables are expected to influence the relational norms that characterize marketing channel relationships.

RELATIONAL NORMS

The norms that govern exchange relationships vary markedly between discrete and relational transactions (Macneil, 1981). In marketing channels, the members are involved in long-term interorganizational exchange relationships that serve to meet the needs of each member by the members working together to meet the needs of their buyer. Cooperation not conflict is the reason for these interorganizational exchange relationships and two key norms for their success are trust and commitment (Morgan and Hunt, 1994).

Following Morgan and Hunt (1994), we use Trust and Commitment as the variables to measure relational norms between channel members. Trust exists “when one party has confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt, 1994, p. 23). Depending on whether a channel member’s action contributes to increasing or decreasing the trust of another channel member, the latter’s behavior will vary. If a channel member’s action contributes to increasing the trust of another channel member, the latter will resort to one set of conflict resolution strategies. If, however, a channel member’s action serves to decrease the trust of another channel member, the latter will use a different set of conflict resolution strategies.

Commitment may be defined “as an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely” (Morgan and Hunt, 1994, p. 23). The action of a channel member may serve to either increase or decrease the commitment of another channel member. If a channel member’s action increases the commitment of another channel member, the latter will resort to the same set of conflict resolution strategies as when trust is increased. If a channel member’s action decreases the commitment of another channel member, the latter will use the same set of conflict resolution strategies as when trust is decreased.

CONFLICT RESOLUTION STRATEGIES

Conflict resolution has received much attention from a variety of perspectives in the study of interorganizational exchange relationships (see, e.g., Dant and Schul, 1992). A distinction has been drawn between structural and process approaches to conflict resolution. We focus on process approaches that involve choice of conflict resolution strategies. The variables to measure conflict resolution strategies are developed following Dant and Schul (1992). Four different conflict resolution strategies are identified based on the typology of March and Simon (1958): (1) Problem Solving, (2) Persuasion, (3) Bargaining, and (4) Politics.

Problem Solving is likely to be the preferred conflict resolution strategy when channel members share common goals and want a solution that satisfies the decision criteria of both parties. The common goals are readily apparent to both parties. Information exchange, concessionary behavior, and identification of new alternatives are likely (Pruitt, 1981).

Persuasion is likely to be the preferred conflict resolution strategy when one party attempts to alter the other party’s decision criteria so as to move the other party to a common set of goals. It is similar to problem solving with the

important difference that the common goals are not readily apparent to the two parties. The aim is to reduce differences between the sub-goals of the two organizations by emphasizing the superordinate goals of the marketing channel.

Bargaining is likely to be the preferred conflict resolution strategy when common goals are not expected and the two parties have a zero-sum orientation. One party is expected to win at the expense of the other party that in effect is considered to lose.

Politics is likely to be the preferred conflict resolution strategy when there is fixed disagreement over goals and a zero-sum orientation (like in bargaining), but also includes third-party intervention. The two parties are unable to resolve the conflict by themselves and seek the assistance of a third party to bridge their differences.

The choice of conflict resolution strategies is expected to depend on relational norms. The conflict resolution strategy will in turn influence the relationship between the channel members.

MARKETING CHANNEL RELATIONSHIPS

The conflict episode will impact the interorganizational relationships between members of the marketing channel. The perceived and behavioral dimensions of conflict will contribute to an increase or decrease in the quality of the relationship between the parties. We develop a variable, Relationship Quality, to measure changes in the relationship between the parties (see Dwyer and Oh, 1987; Anderson and Narus, 1990). Depending on the conflict resolution strategies chosen, Relationship Quality will either increase or decrease.

Thus a channel member's action, the conflict perceptions of another channel member, its effect on relational norms, and conflict resolution strategies chosen improve or worsen the relationship between channel members.

FRAMEWORK AND PROPOSITIONS

In an editorial in the *Academy of Management Review*, Mannix (2003) calls for a return to theorizing on conflict and conflict resolution. She points out that the field of conflict and conflict resolution began with a strong theoretical focus and argues that returning to theory would provide scholars with a new way of thinking that sparks new insights, provide "a direction for what empirical journey to take" and draw connections across disciplines (Mannix, 2003, p. 543). We develop a theoretical framework linking conflict perceptions, relational norms, conflict resolution strategies, and relationship quality and derive propositions for future empirical research.

A THEORETICAL FRAMEWORK

The actions of channel members lead to conflict perceptions in other members of the channel and affect the relational norms governing their interaction. The relational norms in turn influence the conflict resolution strategies adopted by the parties. The types of conflict resolution strategies used determine the quality of the relationship among channel members. Figure 1 provides a summary illustration of the constructs, variables, and relationships in our framework.

Figure 1. A Framework of Conflict Resolution in Marketing Channels

CONFLICT PERCEPTIONS AND RELATIONAL NORMS

We have developed three variables to measure a channel member's perceptions of another channel member's action: Fairness, Benefits, and Bonding. The norms that characterize the relationship are measured by two variables: Trust and Commitment. Channel member perceptions of conflict are expected to have a positive influence on relational norms. Figure 2 illustrates the relationship between conflict perceptions and relational norms.

Figure 2. Conflict Perceptions and Relational Norms

We derive the following propositions linking conflict perceptions and relational norms:

- Proposition 1:** The greater the perception of fairness of a channel member's action in a marketing channel relationship, greater the trust of the other channel member.
- Proposition 2:** The greater the perception of benefits of a channel member's action in a marketing channel relationship, greater the trust of the other channel member.
- Proposition 3:** The greater the perception of bonding as a result of a channel member's action in a marketing relationship, greater the trust of the other channel member.
- Proposition 4:** The greater the perception of fairness of a channel member's action in a marketing channel relationship, greater the commitment of the other channel member.
- Proposition 5:** The greater the perception of benefits of a channel member's action in a marketing channel relationship, greater the commitment of the other channel member.
- Proposition 6:** The greater the perception of bonding as a result of a channel member's action in a marketing channel relationship, greater the commitment of the other channel member.

RELATIONAL NORMS AND CONFLICT RESOLUTION STRATEGIES

Figure 3 illustrates the relationship between relational norms and conflict resolution strategies. Trust and commitment are expected to influence the four variables to measure conflict resolution strategies: Problem Solving, Persuasion, Bargaining, and Politics.

Figure 3. Relational Norms and Conflict Resolution Strategies

We derive the following propositions linking relational norms and conflict resolution strategies:

Proposition 7: The greater the trust engendered by a channel member's action, greater the likelihood of using (a) problem solving and (b) persuasion and lower the likelihood of using (c) bargaining and (d) politics to resolve conflicts in marketing channel relationships.

Proposition 8: The greater the commitment engendered by a channel member's action, greater the likelihood of using (a) problem solving and (b) persuasion and lower the likelihood of using (c) bargaining and (d) politics to resolve conflicts in marketing channel relationships.

CONFLICT RESOLUTION STRATEGIES AND RELATIONSHIP QUALITY

The types of conflict resolution strategies used by the channel members are expected to influence the overall quality of the relationship between them. Figure 4 illustrates the link between conflict distribution strategies and relationship quality.

We derive the following propositions linking conflict resolution strategies and relationship quality:

Proposition 9: The greater the use of problem solving and persuasion conflict resolution strategies, the greater the relationship quality in marketing channel relationships.

Proposition 10: The greater the use of bargaining and politics conflict resolution strategies, the lower the relationship quality in marketing channel relationships.

Figure 4: Conflict Resolution Strategies and Relationship Quality

In summary, the theoretical framework and research propositions indicate that how the actions of marketing channel members are perceived by other members in terms of the fairness of the act, benefits to them, and emotional bonding influences the relational norms of trust and commitment between them. These relational norms influence the likelihood of using problem solving, persuasion, bargaining, and politics to resolve conflicts. The use of problem solving or persuasion strategies is more likely to enhance the quality of the relationship between channel members while the use of bargaining or politics strategies is more likely to detract from the quality of that relationship.

CONCLUSION

We have developed a theoretical framework of conflict and its resolution in interorganizational relationships in marketing channels. In the framework, relational norms mediate the relationship between perceptions of conflict and conflict resolution behavior. The conflict resolution strategies chosen by channel members determine whether the quality of the relationship between them is improved or reduced.

We have identified variables to represent each of these constructs and derived propositions linking them. Future research can empirically investigate these propositions. Understanding how these variables affect one another can help managers assess the consequences of their actions on the perceptions of other members of the channel, norms governing the relationship with other channel members, choice of conflict resolution strategies, and the quality of the relationship with other channel members.

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