



The process of resolving severe conflict in buyer–supplier relationships



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ABSTRACT

Conflict is a prevalent concept in the literature on industrial buyer–supplier relationships. Buying and supplying companies have joint, but also opposing goals, and conflict therefore emerges regularly as a potentially destructive force that must be managed in order to ensure effective exchange. Sometimes, conflicts can develop into particularly severe proportions resulting in considerable damages to the exchange. Therefore, they represent a core managerial concern, which has not yet been dealt with adequately in extant research. In this paper, we first contribute by making an initial attempt at conceptualising severe conflict. Next, we investigate severe conflict resolution processes in three buyer–supplier relationships through qualitative inquiry. We find a common resolution pattern across the cases, where severe conflict first propels the key actors into a vacuum stage characterised by avoidance. Communication between other relevant actors then raises awareness of the conflict broadly in the two organisations, leading to organisational intervention that establishes a new interpersonal core link, which is functional, although plagued by an aftermath. Overall, severe conflict resolution emerges as a lengthy and unplanned process, resolved at both the interpersonal and inter-organisational levels of exchange.

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1. Introduction

This paper reports on a study of severe conflict resolution in buyer–supplier relationships on industrial markets. The ability to access resources from customers and suppliers on industrial markets is core to the achievement of strategic organisational effectiveness (Håkansson & Snehota, 1995). Therefore, conflicts, which may disrupt these flows of resources, need to be resolved. Research has shown that conflict is a central phenomenon in buyer–supplier or channel relationships (Brown & Day, 1981; Geyskens, Steenkamp, & Kumar, 1999; Reve & Stern, 1979). The probability of conflicting behaviours is significant, when buyers and suppliers are highly interdependent and simultaneously collaborate and compete (Bengtsson & Kock, 2000; Gettel, 1950). Minor conflicts are typically coped with through existing relational means, and some conflicts may even be healthy as they spark creativity and help to revitalise relationships (Ford, Gadde, Håkansson, & Snehota, 2006; Vaaland & Håkansson, 2003). However, conflicts may reach a level of severity, where their negative impact is considerable, and where normal resolution

strategies, such as smoothing over differences, improved communication or more formal resolution procedures are ineffective (Edmondson & Smith, 2006; Gaski, 1984; Jehn, 1997; Vaaland, 2006). For instance, Esso and oil-drilling contractor Smedvig ended up in a “lengthy knife-throwing battle” regarding coordination and communication, among other things, related to the construction of a vessel, which eventually resulted in a lawsuit and termination of the exchange (Vaaland, 2006). In other instances, such conflicts do not result in dissolution because the parties are highly interdependent, but damage the relationship to the extent where continued exchange is severely strained (Dirks, Lewicki, & Zaheer, 2009). Evidently, severe conflicts are costly and damaging to buyer–supplier relationships (Emiliani, 2003; Plank, Newell, & Reid, 2006).

This study can be positioned within the literature on industrial buyer–supplier or B2B relationships, specifically the research stream dealing with conflict and conflict resolution in this context. In addition, we draw on conflict research from the broader management literature and social psychology. Most of the extant conflict research prescribes interactive and joint strategies for resolving conflicts of moderate intensity, exemplified by the seminal conflict resolution framework proposed by Blake and Mouton (1964), or the influence strategies investigated by several marketing researchers (see for instance (Frazier & Rody, 1991) or (Mohr & Spekman, 1994)). This literature on conflict and conflict

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resolution in industrial buyer–supplier relationships is well developed, but it contains limited insights into different degrees of conflict, let alone severe conflict and its resolution. Research suggests that severe conflict represents a particularly challenging management task, which requires different means of resolution compared to less severe conflicts (Edmondson & Smith, 2006; Vaaland, 2006). Hence, the purpose of this paper is to gain understanding of how severe conflict develops. Moreover, we investigate how the involved companies actually deal with conflicts, and we use this knowledge to propose altered managerial practice. Severe conflicts are rare, but they are highly damaging to the buyer–supplier exchange, and managers must learn to manage these critical episodes to maintain effective exchange relationships. The following research question guides our inquiry: *How are severe conflicts resolved in industrial buyer–supplier relationships?*

Buyer–supplier (or channel) conflict can be 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 & El-Ansary, 1977, p. 283). The unit of analysis is the industrial buyer–supplier relationship with a focus on one specific severe conflict and its subsequent resolution process. In addition, we focus on severely conflicting relationships, where termination might be an option for one or more involved parties, but where perceived dependence on the other party means that dissolution is not an option. Conflict resolution or repair occurs when “a transgression causes the positive state(s) that constitute(s) the relationship to disappear and/or negative states to arise . . . and activities by one or both parties that substantively return the relationships to a positive state” (Dirks, Levicki, & Zaheer, 2009, p. 69). Under this broad definition, any activity or process carried out by one or both parties that produce this effect can be understood as conflict resolution. By employing a qualitative multiple case research design in the investigation, we compare the resolution of severe conflicts across the cases and uncover the generic features of the processes. The identified common pattern of conflict resolution, plus the discussion of severe conflict effects, organisational levels and the managerial challenges and options available, allow us to contribute to the literature on buyer–supplier relationships; particularly the research stream concerned with conflict resolution in this context (Brown & Day, 1981; Gaski, 1984; Mele, 2011; Plank et al., 2006; Rosenberg & Stern, 1970; Vaaland & Håkansson, 2003). Specifically, we contribute to extant literature by: (1) making a first attempt at conceptualising severe conflict in industrial buyer–supplier relationships, and (2) generating knowledge of the process of severe conflict resolution.

The paper is structured as follows: First, a theoretical section describes conflict in a buyer–supplier relationship and discusses conflicts of different intensities, with a focus on severe conflict and its resolution. After a methodological section, the cases of severe conflict resolution are presented, and the identified severe conflict resolution model is presented. After the discussion, managerial implications and future research opportunities are proposed, and a conclusion is drawn.

2. Conflict in buyer–supplier relationships

The literature on industrial buyer–supplier relationships has grown to form an important part of the management field. Contributions spanning several distinct, but related research areas, such as alliance research, industrial marketing and purchasing (IMP), inter-organisational relationships, marketing channels, relationship marketing and supply chain management demonstrate the importance of developing and managing relationships with suppliers and customers. Conflict and its resolution are inherent features of buyer–supplier relationships, because the parties have not only cooperative, but also opposing goals

(Bengtsson & Kock, 2000; Chang & Gotcher, 2010). While low levels of conflict can be productive (Deutsch, 1969; Mele, 2011), destructive conflict must be resolved to maintain the exchange relationship between the parties (Gemünden, 1985; Plank & Newell, 2007; Rosenberg & Stern, 1970), to allow value creation (Mele, 2011), and to optimise the performance of the exchange (Das & Teng, 2003; Gaski, 1984; Zaheer, McEvily, & Perrone, 1998). Research on buyer–supplier conflict has produced little evidence on conflict intensity, including the nature and resolution of severe conflicts. However, contributions, some of them originating in other research fields, indicate that conflicts of different degrees of intensity attain different characteristics, and therefore represent different conflict resolution challenges (Anderson, Anderson, Palmer, Mutchler, & Baker, 2011; Brown & Day, 1981; Edmondson & Smith, 2006; Gemünden, 1985; Janowicz-Panjaitan & Krishnan, 2009; Johar, 2005; Ross & Lusch, 1982).

3. Degrees of conflict intensity

To generate further knowledge on conflicts of different intensities, we first carried out an extensive review of the literature on industrial buyer–supplier relationships, focusing particularly on the research stream concerned with conflict. In addition, we also looked into conflict research from the broader management literature and social psychology. Our review shows that the management literature contains limited research on severe conflict and its resolution. Most research seems to concentrate on more moderate degrees of conflict resolution. However, it is our working hypothesis that severe conflict requires distinct resolution methods, beyond simply amplifying those conflict resolution means designed to cope with moderate conflicts. Below, we briefly provide an overview of the literature on mild, moderate and terminal conflict, before providing a more detailed discussion of severe conflict. In this process, we rely on key references identified in our literature review. Note that our empirical focus in this paper is not on how conflict may develop from one level to another, but exclusively on severe conflict and its resolution.

3.1. Mild conflict

In everyday buyer–supplier interactions, mild conflicts in relation to ongoing exchanges will inevitably occur somewhat frequently as human interaction unfolds (Gaski, 1984; Giller & Mear, 2001; Plank & Newell, 2007). These conflicts of low intensity simply represent a variation in usual exchange and can be coped with by the means of the existing relationship, as exchange actors host a broad spectrum of repairing interaction scripts (Dirks, Lewicki, & Zaheer, 2009). Sometimes, even somewhat critical events can emerge and be dealt with within the established relationship (Halinen, 1997). Hence, deliberate conflict resolution is not required for mild conflicts. Studies frequently take relational variables as departure for discussing minor conflict, such as dissatisfaction from service encounters (Bhandari, Tsarenko, & Polonski, 2007; Holmlund-Rytkönen & Strandvik, 2005; Smith & Bolton, 2002). Minor conflicts can be dealt with through several simple means, such as smoothing things over through means of communication (Mohr & Spekman, 1994) or they may simply be accepted as an integral part of the exchange (Bengtsson & Kock, 2000).

3.2. Moderate conflict

A considerable body of research investigates moderate conflicts (Mohr & Spekman, 1994; Rosenbloom, 1973; Selnes, 1998). Moderate conflicts cannot be dealt with by the use of the existing

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