ARTICLE IN PRESS
IMM-07465; No of Pages 14
Industrial Marketing Management xxx (2017) xxx–xxx
Contents lists available at ScienceDirect
Industrial Marketing Management

Power source drivers and performance outcomes of functional and dysfunctional conflict in exporter–importer relationships

Gregor Pfajfar [a,*], Aviv Shoham [b], Maja Makovec Brenčič [c], Dimitrios Koufopoulos [d], Constantine S. Katsikeas [e], Maciej Mitręga [f]

[a] University of Ljubljana, Faculty of Economics, Kardeljeva pl. 17, 1000 Ljubljana, Slovenia
[b] Department of Business Administration, University of Haifa, Faculty of Management, Abba Khoushy Ave 199, Haifa 3498838, Israel
[c] Minister of Education, Sport and Science of Republic of Slovenia, University of Ljubljana, Faculty of Economics, Kardeljeva pl. 17, 1000 Ljubljana, Slovenia
[d] Brunel Business School, College of Business, Arts and Social Science, Brunel University London, UK
[e] Arnold Ziff Research Chair in Marketing & International Management, Leeds University Business School, Maurice Keyworth Building, University of Leeds, Leeds LS2 9JT, UK
[f] Jan Długosz University of Częstochowa, Department of Law, Administration & Management, 42-200 Częstochowa, al. Armii Krajowej 36a, Poland

ARTICLE INFO

Article history:
Received 16 March 2016
Received in revised form 27 February 2017
Accepted 14 March 2017
Available online xxxx

Keywords:
Power sources
Functional and dysfunctional conflict
Conflict resolution
Power distance
Performance
Exporter–importer dyads

ABSTRACT

Although conflict is natural in buyer–seller relations, the issue has largely been studied in domestic market settings despite increasing globalization and the surge of cross-border inter-firm relationships. This research focuses on two different types of conflict, functional and dysfunctional, and examines how these are linked to coercive and non-coercive power bases and performance outcomes in exporter–importer relationships. Using survey data from 105 pairs of exporters and their foreign distributors, we find that only in the exporter group the use of coercive power by the foreign distributor lowers functional conflict. However, the use of coercive power by the overseas partner increases dysfunctional conflict and the use of non-coercive power reduces such conflict across both exporters and importers, although in the importer group this link is not significant. The results also suggest that functional conflict enhances performance only among importers. The use of problem solving conflict resolution boosts functional conflict's impact on performance among exporters, but adversely affects the performance effect of such conflict in the importer group. Nonetheless, problem solving resolution negatively affects the impact of dysfunctional conflict on performance in both the exporter and importer groups. Moreover, we find that power distance boosts the impact of dysfunctional conflict on performance in the relationship across the groups of exporters and importers. Implications of the findings for international marketing theory and practice are discussed, and limitations of the study considered along with future research directions.

1. Introduction

Over the past three decades there has been a surge in the frequency and scale of inter-organizational exchange relationships at both domestic and international levels. This has resulted in significant research interest in the study of behavioral aspects underpinning the establishment, development, and management of inter-firm cooperative arrangements. Within the wide range of rich research streams that have been pursued, conflict has been recognized in the marketing channels literature as an integral element of relationships between organizational customers and their suppliers (e.g., Van der Maelen, Breugelmans, & Cleeren, 2017; Hoppner, Griffith, & White, 2015). The presence of conflict in inter-firm relationships is rooted in the interdependence that inherently exists between the exchange partners, which is based on the fact that each side specializes in accomplishing certain tasks in the relationship (e.g., Gaski, 1984; Palmatier, Stern, El-Ansary, & Anderson, 2013). There is no doubt that understanding the phenomenon of conflict in buyer–seller business exchanges can lead to long-lasting close collaborative partnerships.

Notwithstanding the considerable managerial interest and research attention to the issue of conflict in business relationships, a systematic review of the literature identifies certain important issues that warrant consideration. First, the bulk of extant research has largely viewed conflict between buyers and their suppliers as harmful and unconstructive behaviors that mark weak business associations (e.g., Gaski, 1984; Frazier, 1999). However, it has been proposed that conflict can not only have negative, destructive elements in relational exchanges, but can also produce positive, constructive outcomes in buyer–seller

* Corresponding author.
E-mail addresses: gregor.pfajfar@ef.uni-lj.si (G. Pfajfar), ashoham@univ.haifa.ac.il (A. Shoham), maja.makovec@ef.uni-lj.si (M. Makovec Brenčič), dimitrios.koufopoulos@brunel.ac.uk (D. Koufopoulos), csk@lubs.leeds.ac.uk (C.S. Katsikeas), maciej.mitrega1978@gmail.com (M. Mitręga).

http://dx.doi.org/10.1016/j.indmarman.2017.03.005
0019-8501/© 2017 Published by Elsevier Inc.

interactions (e.g., Bucklin & Sengupta, 1993; Menon, Bharadwaj, & Howell, 1996). Compared to the substantial amount of empirical study on conflict's destructive outcomes, relatively limited research is conducted on its constructive elements and implications for the relationship (e.g., Geyskens, Steenkamp, & Kumar, 1999; Skarmeas, 2006). Even more important is that there is a dearth of research on work that simultaneously considers the different roles and effects of these diverse conflictual behaviors in business associations, limiting our understanding of the whole picture of conflict in buyer–seller interactions. Examination of both types of conflictual attitudes and behaviors would enable a holistic understanding of this important phenomenon in inter-firm relations regarding drivers of its functionality and dysfunctionality and how the two are linked to performance outcomes.

Second, empirical studies on the link between conflict and qualitative outcomes and performance across different types of relationships have produced discordant findings. While some research efforts indicate that conflict reduces beneficial relationship outcomes and performance (e.g., Anderson & Narus, 1990; Brown, Lusch, & Smith, 1991; Leonidou, Samiee, Aykol, & Talias, 2014), several other studies report no significant link (e.g., Bobot, 2011; Passos & Caetano, 2005), and still other efforts find that conflict has positive effects (e.g., Cooper & Watson, 2011; Skarmeas, 2006). These mixed results indicate that the connection between conflict and performance outcomes in the relationship is ambiguous and complex and that conflict's effects on performance may not be the same under all circumstances (cf. Menguc, Auh, Katsikeas, & Jung, 2016). This is an important limiting consideration in current work that requires attention, as it inhibits the development of coherent cumulative knowledge in the extant literature.

Third, the majority of studies on buyer–seller relationships, in general, and conflict, in particular, have been undertaken within the context of the domestic market. The issue of conflict has received limited empirical attention in cross-border exchange relationship settings. Even more important is the fact that the vast majority of studies on international business relationships are conducted either from the standpoint of the seller (e.g., Hoppner et al., 2015; Griffith & Zhao, 2015) or from the perspective of the purchasing organization (e.g., Katsikeas, Skarmeas, & Bello, 2009; Skarmeas, 2006). Scant empirical attention has been devoted to the study of both the buyer and the seller, which constitute two active components in the international exchange partnership. This is an important gap in the literature as cross-border inter-firm exchange phenomena have commonly been studied only on the basis of attitudes and perceptions of the one side in the relationship, while the counterpart's position and standpoint in the trading association are essentially ignored.

In view of these limiting considerations in the pertinent literature, the primary purpose of this study is to examine the issue of conflict in cross-border business associations. More specifically, this research focuses on the presence of conflict in exporter–importer relationships and investigates its power source-related drivers and performance outcomes. In contrast to relationships in the domestic market, international business associations are influenced by the different operating environments of the exchange partners typically characterized by differences in economic, political, regulatory, and socio-cultural factors, competitive forces, business practices, market characteristics, and customer behavior between home and host markets (e.g., Durand, Turkina, & Robson, 2016; Leonidou, Aykol, Fotiadis, & Christodoulides, 2017). Therefore, building and managing business relationships with trading partners in foreign markets is a more challenging task than buyer–seller relationships in the domestic market and, in turn, makes the study of drivers and performance outcomes of conflict in a cross-border dyadic context a particularly interesting issue for investigation.

This study contributes to the pertinent literature in various important ways. First, we pursue the distinction between functional conflict and dysfunctional conflict and consider how these two different types of conflict are connected with performance outcomes in the relationship.[1] We recognize that, in addition to the unhelpful, destructive elements associated with conflictual attitudes and behaviors, disagreements between the parties may also have positive, constructive ingredients that can strengthen the quality of interactions and the overall relationship. In this way, we integrate the literature on conflict and suggest that these two different types of conflict can co-exist even though that they are likely to yield different performance outcomes. Further, work on distribution channels has paid attention to examining how different types of power sources are related to conflict (e.g., Gaski & Nevin, 1985; Rawwas, Vitell, & Barnes, 1997; Zhuang, Xi, & Tang, 2010). We extend this examination by considering relationships of coercive power and non-coercive power bases with functional and dysfunctional conflict in cross-border exchanges.

Second, we consider conditions under which the strength and direction of the relationships of functional conflict and dysfunctional conflict with performance outcomes vary. We draw from the literature on conflict resolution and examine the relevance of problem solving conflict resolution, which is a distinct mechanism that companies often employ in dealing with disagreements and conflict situations, in potentially moderating the links between functional conflict and dysfunctional conflict and performance in the relationship. Furthermore, based on prior research on the role of national culture (e.g., Hofstede, 2001), we consider the importance of power distance in the firm's operating environment in influencing these conflict–performance links. We contribute to the literature by indicating that problem solving conflict resolution plays a different role across the two distinct types of conflict and across the exporter and importer groups, as well as that power distance conditions the dysfunctional conflict–performance link, which might help reconcile discordant findings in prior studies.

Finally, this empirical study investigates the phenomenon of conflict in cross-border exchange partnerships by considering both sides of the relationship. It adds to the body of research in international inter-firm collaboration that typically examines behavioral aspects underpinning business relationships either from the perspective of the supplier or less often from the standpoint of the purchasing side. In this research, we adopt a dyadic approach to examining drivers and performance outcomes of functional conflict and dysfunctional conflict by focusing on pairs of relationships between exporters and importers. Despite heightened difficulties in collecting paired data in the context of international exchange, this approach enables us to overcome concerns with one-sided studies of inter-firm relations and broaden our understanding of the complexities involved in international buyer–seller interactions, which reflect an inherently dyadic business phenomenon (e.g., Johnson, Cullen, Sakano, & Takenouchi, 1996).

2. Literature review and hypotheses development

2.1. The issue of conflict in buyer–seller relationships

There are two broad schools of thought that can be identified in the conflict literature: one school concerns the traditional viewpoint where conflict is viewed as bad for the relationship, while another school represents the more recent interactionist perspective that views conflict as energizing for a company that has strengthening and unifying elements for a group (Banner, 1995). Neither the occurrence nor the

[1] Consistent with inter-firm exchange research (e.g., Bello, Katsikeas, & Robson, 2010; Palmatier, Dant, Grewal, & Evans, 2006), we focus on each firm's performance through the relationship with the foreign partner. Exporters and importers naturally use different frames of reference when assessing their own performance. While both partners desire a successful relationship, success can differ between the two because they might be aspiring to achieve different outcomes. Exporters may well assess their performance achieved through a foreign distributor relationship on the basis of that relationship's contributions to the exporter's own sales and financial outcomes from the specific foreign market. In contrast, importers might assess performance in their local market based not only on maximizing sales and profits for the imports from a specific foreign supplier, but also on the contribution of these imports to their product portfolio and overall sales.