Effects of relationship climate, control mechanism, and communications on conflict resolution behavior and performance outcomes

Karen L. Koza [a,*], Rajiv P. Dant [b,1]

[a] *Ancell School of Business, Western Connecticut State University, 181 White Street, WS205, Danbury, CT 06810, United States*
[b] *College of Business Administration, University of South Florida, 4202 E Fowler Avenue, BSN 3403, Tampa, FL 33620, United States*

Abstract

In this two-year study we develop and test a comprehensive model of conflict management. The conceptual model commences by demonstrating the importance of channel members' past history of interactions as 'setting the stage' for members' present ability to interact, that is, communicate, resolve conflict disputes, and ultimately, culminate in performance outcomes (financial as well as relational). In effect, we track the full gamut of conflict management related constructs in the conceptual model, from antecedent conditions to the consequents of conflict management. Empirical results, utilizing a sample of 282 retailing agents affiliated to a large North American supplier (principal) across two years, indicate strong evidence for fourteen of the eighteen hypotheses drawn from our conceptual model. Specifically, among other effects, data reveal that past history of cooperative versus conflictive orientations and bureaucratic versus trust-based governance mechanisms significantly influence the communication strategies adopted, which in turn determine whether the distributive or integrative conflict resolution behaviors are adopted. Further, the choice of conflict resolution behaviors adopted commensurately influences relational performance, and the type of communication strategy adopted influences financial performance. The paper concludes with a series of managerial implications and an agenda for future research.
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Introduction

Recent work within conflict management acknowledges that conflict is not only inevitable in channel relationships, but helps define the very essence of these relationships (Bradford et al. 2003; Hagel and Brown 2005), and that 'the absence of conflict is not harmony, it's apathy' (Eisenhardt et al. 1997, p. 77). In this view, conflict not only helps define a relationship, but it helps to stimulate a genuine concern or interest in preserving the relationship. It is this reasoning that allows us

to safely state that channel conflict is real, it is unavoidable, and it will always be in close-working relationships (Gerzon 2006). An edifying question then becomes: How do firms "manage to cooperate and coordinate activities in the face of the ever-present potential for conflict to erupt into open disagreement" (Kolh 1987, p. 124). As Kumar and van Dissel (1996) state: "The starting point of managing conflict is to identify the sources and then to deploy proper interventions to produce functional outcomes" (p. 289). Keeping in mind that benefits attributed to close collaborative relationships can only be realized if the relationship is sustained over time, our research takes a holistic view of conflict, and investigates: (1) 'shadow of the past' interactions and their effect on channel members' present ability to manage conflict, (2) interactions of members within the working relationship and the means

* Corresponding author. Tel.: +1 203 837 9036; fax: +1 203 837 8527.
E-mail addresses: kozak@wcsu.edu (K.L. Koza), rdant@coba.usf.edu (R.P. Dant).
[1] Tel.: +1 813 974 6227; fax: +1 813 974 6175.

adopted by such members to resolve their conflicts, and (3) the direct-impact present interactions, and indirect-impact past interactions, have on the overall relational quality and financial health of the working relationship. In this respect, we view well-managed conflict as a key contributing factor to successful, enduring channel relationships.

Our research contributes to current conflict literature in two specific ways. *First*, we examine an expanded nomological network related to conflict management. While the majority of older conflict studies were based on the traditional power/dependence paradigm (e.g., Brown et al. 1983; Gaski and Nevin 1985), newer studies emphasize the dynamic nature of conflict (Mannix 2003), and the importance of understanding how disputes are actively managed in the relationship, and as a consequence, how performance of the relationship is affected (Lam and Chin 2005; Lu 2006). Following Frazier's (1999) call for further work in conflict, we attempt to tie together the antecedent conditions evolving from past interactions, the conflict resolution process, and the consequents of conflicts into a unified, holistic model of channel conflict management.

Secondly, we empirically evaluate the conceptual model developed using data straddling two years. While the majority of these newer conflict studies have been instrumental in shaping our knowledge on the constructive management of conflict, it is often difficult to find meaningful effects in cross-sectional, one-shot studies (Frazier 1999). One means of overcoming such difficulties is to conduct multi-year research. In this respect too, we take a more temporal view

of conflict management. This permits us to evaluate a more dynamic model of conflict, enabling us a deeper insight into causal explanations for good conflict management.

Conceptual framework and research hypotheses

The theoretical framework

In Fig. 1, we present a theoretical framework based on a more dynamic viewpoint of conflict management, where we take an introspective look at the comprehensive conflict resolution process. The model includes three components: The first describes past events within the relationship which 'set the stage' for present interactions. We title this the 'shadow of the past'. The second describes present interactions in terms of communication strategies used and conflict resolution behaviors exhibited. The third describes the performance outcomes (relational and financial) arising from both past and present interactions. We discuss each part of our model next, and then present our hypotheses.

'Shadow of the past'

As relationships develop a history of doing business together, outcomes of earlier business episodes provide members with a framework for subsequent interactions (Dant and Monroe 1987; Doney and Cannon 1997; Jehn and Mannix 2001). It is suggested that certain contextual fea-
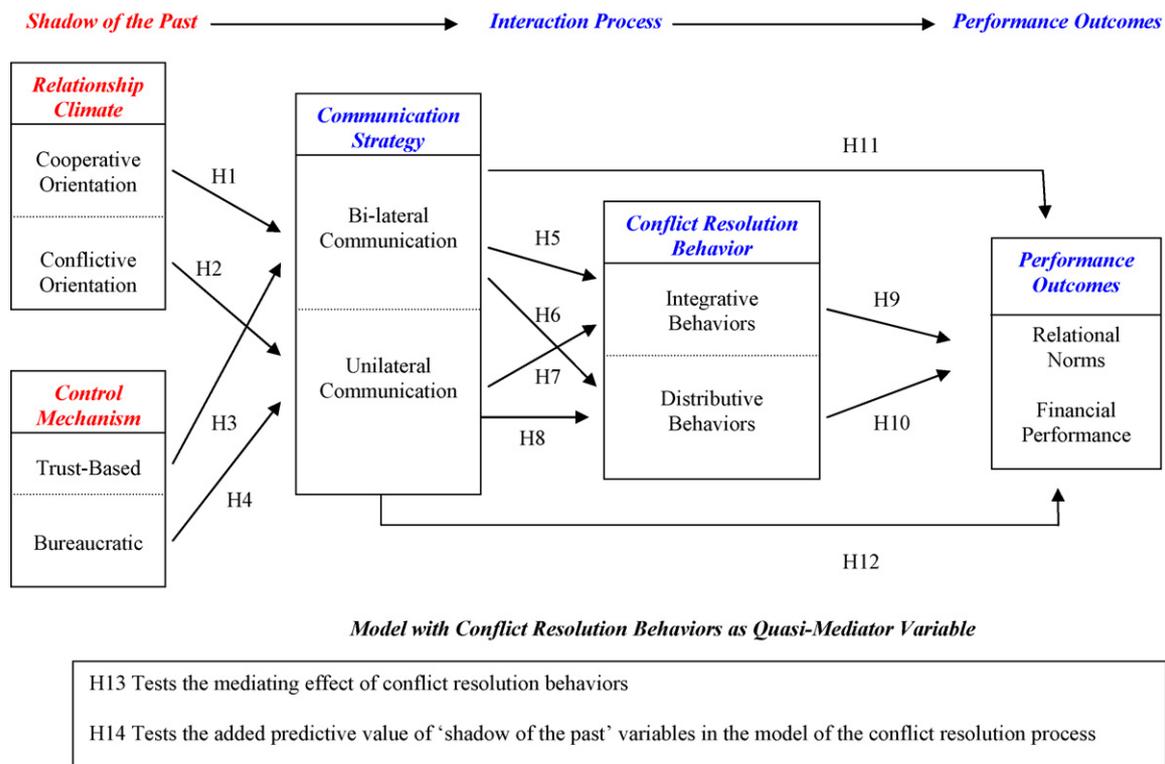

Fig. 1. A model for conflict resolution process and consequences within channel relationships.