Paper Title: The impact of conflict on B2B relationships in services

Abstract:

The aim of the research is to investigate the impact that inter-organisational conflict has on a B2B buyer-seller relationship. B2B conflict has been largely studied from a channel marketing perspective and there is little research on B2B conflict in the service industry. In order to fully investigate B2B conflict, the study shall seek to address several key facets of B2B relationships which include the concepts of uncertainty and opportunism in B2B relationship in the service sector. These elements when present could threaten to undermine the whole relationship. Examining the existing literature reveals a lack of a clear definition for what constitutes conflict in a B2B relationship. Current definitions for conflict vary from field to field. This provides an opportunity to develop a definition for B2B conflict. Beyond identifying a definition of conflict, the research will attempt to assess the impact of the types of conflict that exist and how, if at all, the relationship is affected. In order to establish an understanding of existing literature addressing conflict, the research will analyse material from a variety of disciplines, mainly from sociology, psychology and B2B. Some of the key research from established authors such as; Gaski (1984), Pondy (1967), Deutsch (1990), Wilson (1995) and Håkansson (1982). In order to satisfy the question mixed methods are to be employed. The primary research is currently entering its exploratory stage and suitable firms are being identified for the initial interviews to be conducted. These interviews will be semi-structured to encourage an open discussion on the interview subjects own conflict experiences. On completion of the interviews and evaluation of the data, a larger scale survey will be conducted targeting a wider segment of service sector firms.

Keywords: conflict, B2B, switching, uncertainty, opportunism, business relationships, outsourcing.
BACKGROUND

Business relationships are critical to organisations, as without building solid inter-firm bonds the organisations will cease to exist (Ford and Håkansson, 2006). Many firms seek to increase revenue and shareholder value by focusing their efforts on building and developing close relationships (Ford, 1980). However not all relationships are successful. This could be due to many factors; lack of trust between parties, poor performance or incompatibilities, or could it be related to multiple issues causing conflict between partners. The purpose of this study is to investigate B2B relationships and the effects of inter-party conflict and how conflict can impact on the relationship both short and long term.

Conflict is a broad subject that has been the subject of countless studies from a vast array of disciplines such as Charles Darwin looking at interspecies conflict in anthropology as well as Karl Marx and Sigmund Freud from social-political and psychological fields respectively (Deutsch, 1990). From a business context, conflict has so far been researched from a variety of angles but mostly from within the organisation. In business relationships, conflict has been predominantly studied in the channel marketing focusing mainly on conflict and power (Gaski, 1994), goal conflict (Eliashberg and Michie, 1984), conflict and performance (Duarte and Davies, 2003), how conflict emerges, how it can be avoided and how it can be used to reinforce business relationships (Vaaland and Håkansson, 2003), sources of conflict and maximising shareholder value and conflict and relationship loyalty (Plank and Newell, 2007).

From the IMP perspective, conflict has not been heavily researched. However, conflict does form an integral part of Håkansson’s (1982) earlier work on understanding business markets. The backbone of the IMP is to understand business relationships through the interaction approach theory. The interaction model segments B2B relationships into four key areas and elaborates on how they interact (Håkansson, 1982; Ford, 1997). This is a useful model that may form a fundamental part of this study as the research gathers pace. Furthermore, the work on conflict undertaken by the IMP has shed light on the positive and negative sides of conflict. Established IMP authors have presented works covering conflict along with a variety of antecedent factors such as power (Zolkiewski, 2001; Ford and Mouzas, 2003), opportunism (Högberg, 2002) and trust and commitment (Davies and Duarte, 2000; Nadin, 2009; Jiang, et al., 2009), however the scarcity of conflict literature researching the impact of conflict on B2B service relationship is blatantly apparent giving rise to an invaluable opportunity to undertake such a project.

In narrowing the focus of this paper, the chosen sector for this study is services as opposed to manufacturing as services account for the majority of GDP in the UK. According to Zolkiewski (2001, p.1)

"Business relationships are as important in service industries as they are in the traditional areas of industrial and organisational marketing research. Understanding and managing these relationships is vital to an organisation’s success."

Furthermore, most studies on B2B conflict has been researched from a channel marketing stance and conflict research within the B2B service sector has many opportunities available to expand on existing research. Just as conflict itself is a vague concept the service sector is equally as broad. Many diverse segments of the service sector exist ranging from banking and finance, legal, advertising and marketing, tourism, healthcare and entertainment to name
just a few. In today’s competitive market the outsourcing of these services has given rise to new companies offering services to organisations that were once an internal operation. The many facets of the service sector have undergone varying amounts of academic study; however conflict between B2B partners who outsource and provide business services presents great opportunity to contribute to the knowledge in this field; specifically how factors such as trust, uncertainty, opportunism and power influence partner behaviour.

The segment from within the service outsourcing sector that the study shall focus will primarily be the study of Information Technology Enabled Services (ITES). ITES is a relatively new term. ITES encompasses any business function that is dependent on information technology. With advancement of telecommunications systems globally there is almost no restriction of what services can be outsourced locally or internationally. The most common ITES business functions that firms are outsourcing range from customer facing roles in contact centres, business administration such as HR, finance, IT and accounting to knowledge intensive activities such as R&D (Carmel and Tjia, 2005). This business sector is relatively untouched from the perspective of the IMP. Outsourcing as a general business practice has been common place for many years, however, the IMP library has only primarily researched logistics and supply chain (Gadde, et al., 2002; Vissak, 2006).

Conflict with an outsource partner can have severe repercussion on an organisation. In recent years many well known firms have outsourced specific operations to seek the benefits previously mentioned, however occasionally the relationship is not always what the parties anticipate and the relationship breaks down. One such well documented instance relates to Sainsbury’s, the UKs third largest supermarket chain who decided to outsource its IT operations to Accenture. The contract was set up to run for seven years, however after four years Sainsbury’s terminated the contract at a combined cost of over £200 million. Furthermore, it is reported that 49% of firms who outsource their IT systems terminate the contracts early (Barney, et al., 2010). This raises the question, what can be going so wrong?

AIMS AND OBJECTIVES

The aim of the study is to research the impact of conflict on B2B relationships in services; focusing on the UK ITES outsourcing industry. The assumption is that a series of conflict episodes could have a negative effect on client-vendor relationships thus influencing clients to consider alternative vendors and possibly behave opportunistically. In order to meet the aim of the study, the following research objectives would need to be answered;

1. to understand conflict and its antecedents in outsourcing relationships;
2. to investigate whether conflict is positive or negative in outsourcing relationships;
3. to explore the outcome of conflict episodes on the outsource relationships.
LITERATURE REVIEW

BUSINESS RELATIONSHIPS

Inter-firm relationships continue to be an important part of the business world (Håkansson and Snehota, 1995). Ford and Håkansson (2006) posit that “relationships are perhaps the primary assets of companies. Without relationships neither business marketers nor their customers can continue to trade.” (p.250). Business relationships have been extensively studied according to Håkansson and Snehota (1995). Business relationships are said to last for many years and that these relationships may engage a number of people from both parties (Ford and Håkansson, 2006). Understanding business relationships has been a key agenda for the IMP group. Håkansson (1982) developed the interaction model which aimed to address the actions of organisations and individuals in relationships that could not be explained with the then current marketing models and theories (Håkansson, 1982; Ford and Håkansson, 2006). The interaction approach is divided into four key elements; the interaction process, the participants in the interaction process, the environment within which the interaction takes place and the atmosphere affecting and affected by the interaction (Håkansson, 1982). The general gist is that interactions between two firms occur in episodes and that each episode is influenced by the previous episodes and affects all future interactions. Exchanges take place within a certain business environment and specific atmosphere that may affect the exchanges themselves and vice versa. Furthermore, the interaction model identifies four key factors; power and dependence, and, conflict and cooperation within the atmosphere that affect the inter-firm exchanges.

OUTSOURCING

Outsourcing relationships are no different to industrial relationships. Outsourcing relationships involve firms made up of clients (buying firms) and vendors (selling firms). Outsourcing of business services is an ever increasing practice that has seen many operations transferred to specialist firms both onshore and offshore. This phenomenon within the service industry has had little attention from the IMP where logistics and supply chain has been their key industry focus (Gadde, et al., 2002; Vissak, 2006). The key drivers for firms to engage in outsourcing are, processes standardisation, performance improvement and efficiency and to reduce operating costs and the wages bill (Sturgeon, et al., 2006). More and more firms are now returning to the market because the cost of conducting certain activities internally is greater, i.e. the cost of performing certain business activities on the market has reduced (Coase, 1937).

The choice to buy corporate services on the open market means establishing new B2B relationships and the outsourcing of these previously in-house services has grown significantly since the early 1990’s. In 2009 the ITES outsourcing industry was worth over USD 373 billion globally (Yu, 2009) and industry experts predict that the outsourcing market will continue to be a growing and thriving industry in the coming years. The forecasted annual growth rate of the global business process outsourcing (BPO) market is 12% per year (NASSCOM, 2009).

With specialist companies existing to take advantage of the economies of scale by performing the same business activities for many different clients under one roof, it is more cost effective for organisations to externalise their non core business functions enabling them to reduce
their costs, increase shareholder value and concentrate on their core competencies (Prahalad and Hamel, 1990). A firm’s core competencies lie in the uniqueness of its resources and capabilities which provide the basis for competitive advantage (Hamel and Prahalad, 1994). However for outsourcing to be successful clients and vendors need to maintain and manage their relationships effectively, i.e. they need to handle any conflict that arise cooperatively.

**CONFLICT**

When researching the subject of organisational conflict in the marketing sector it quickly became apparent that there are many connotations of what conflict is and how it manifests itself. Conflict has not been significantly researched by the IMP group. Studies on conflict undertaken at the IMP level has been researched as part of the interaction approach theory where conflict is said to coexist with cooperation in the atmosphere of business relationships (Håkansson, 1982; Håkansson and Snehota, 1995). Additionally, researchers following the IMP school of thought have researched conflict in different ways. Laine (2002) studied sources of conflict between competing firms; Nadin (2009) researched the link between conflict and trust in supply chain and Freeman (2001) studied conflict in relation to exit strategies in distribution. Other IMP researchers for instance have researched conflict in relation to; power (Zolkiewski, 2001), opportunism (Högberg, 2002) and trust and commitment (Jiang, et al., 2009).

**CONFLICT DEFINED**

Conflict has been researched from a multitude of academic areas ranging from sociology, psychology, organisational behaviour and marketing (Deutsch, 1990; Thomas, 1992; Pondy, 1967; Gaski, 1984). Each field categorises conflict in a slightly different way and there does not seem to be one clear all encompassing definition that can be applied to all instances of conflict. Conflict according to previous studies is a social behaviour (Jehn, 1995). It has several meanings depending on the circumstances. Currently, there is no one clear definition of conflict. In laymen terms, conflict is described as an “emotional struggle”; a “clash”, a contradiction or “incompatible (with)” (Gleeson, et al., 2003, p.318). So far authors have defined conflict based on their research specialism and disciplines. The most widely recognised explanation of conflict is offered by Pondy (1967) where he implies that conflict is an encounter between two parties where “a gradual escalation to a state of disorder” (p.299) occurs and categorises them as latent conflict, perceived conflict, felt conflict, manifest conflict and conflict aftermath (p.300)

Various definitions of conflict have been used express what constitutes conflict. Although Pondy’s definition of conflict is widely accepted, other authors researching the same topic have introduced their own explanations more appropriate to their areas of study. Thomas (1976) cited in (Thomas, 1992) for instance sees conflict as “the process which begins when one party perceives that another has frustrated, or is about to frustrate, some concern of his” (p.265) Raven and Kruglanski (1970) defines conflict as the “tension between two or more social entities” (p.11). The table below illustrates many of these definitions;
Table 1 Illustration of various conflict definitions and relevant discipline

<table>
<thead>
<tr>
<th>Author</th>
<th>Year</th>
<th>Study</th>
<th>Definition</th>
<th>Field</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boulding</td>
<td>1963</td>
<td>Conflict and defence</td>
<td>“An awareness on the part of the parties involved of discrepancies, incompatible wishes, or irreconcilable desires” (p.238)</td>
<td>Economics</td>
</tr>
<tr>
<td>Pondy</td>
<td>1967</td>
<td>Organizational Conflict: Concepts and Models</td>
<td>“a gradual escalation to a state of disorder” (p.299)</td>
<td>Managerial psychology</td>
</tr>
<tr>
<td>Raven and Kruglanski</td>
<td>1970</td>
<td>Conflict and Power</td>
<td>“tension between two or more social entities” (p.70)</td>
<td>Social psychology</td>
</tr>
<tr>
<td>Deutsch</td>
<td>1973</td>
<td>The resolution of conflict</td>
<td>“conflict exists whenever incompatible activities occur . . . an action which prevents, obstructs, interferes with, injures, or in some way makes it less likely or less effective” (p.156)</td>
<td>Social psychology</td>
</tr>
<tr>
<td>Stern and El-Ansary</td>
<td>1977</td>
<td>Marketing Channels</td>
<td>“to be engaged in behaviour that is preventing or impeding him from achieving his goals” (p.11)</td>
<td>Channel marketing</td>
</tr>
<tr>
<td>Putman and Wilson</td>
<td>1982</td>
<td>Communicative strategies in organisational conflict</td>
<td>“Content-oriented differences of opinion that occur in interdependent relationships and can develop into incompatible goals and interests” (p.633)</td>
<td>Managerial psychology</td>
</tr>
<tr>
<td>Ruble and Cosier</td>
<td>1982</td>
<td>A laboratory study of five conflict handling modes</td>
<td>“Perceptions of incompatible views, goals, or emotions between people or groups” (p.7)</td>
<td>Management</td>
</tr>
<tr>
<td>Gaski</td>
<td>1984</td>
<td>The Theory of Power and Conflict in Channels of Distribution</td>
<td>“conflict arises due to differing views, opinions and objectives and can emanate from interpersonal attractions,</td>
<td>Channel marketing</td>
</tr>
</tbody>
</table>
interests and desires” (p.11)

**Hocker and Wilmot** 1985  
Interpersonal Conflict  
“An expressed struggle between at least two interdependent parties who perceive incompatible goals, scarce rewards, and interference from the other party in achieving their goals” (p.23)  
Managerial psychology

**Thomas** 1992  
Conflict and conflict management: reflections and update.  
“the process which begins when one party perceives that another has frustrated, or is about to frustrate, some concern of his” (p.265)  
Managerial psychology

**Wall and Callister** 1995  
Conflict and its Management  
“A process in which one party perceives its interests are being opposed or negatively affected by another party” (p.517)  
Managerial psychology

**Parayitam and Dooley** 2009  
The interplay between cognitive- and affective conflict and cognition- and affect-based trust in influencing decision outcomes  
“conflict arising from the judgemental differences about the task at hand” (p.790)  
Management and marketing

| Table 1 clearly illustrates the wide variety of definitions for conflict and from which respective field it was derived. In compiling this paper an attempt shall be made to construct an appropriate definition that is applicable to all B2B research. |

**CONFLICT CATEGORIES AND TYPES**

A literature search on conflict reveals that conflicts are categorised as either cognitive conflict or affective conflict. Cognitive conflict is when tensions occur due to different opinions and ideas (Plank and Newell, 2007) and affective conflict refers to personality clashes between individuals (Parayitam and Dooley, 2009) arising from disaffection (Amason and Sapienza, 1997). Amason (1996) and Pinkley (1990) have conducted studies specifically on relationship conflict; researching the significance of affective and cognitive conflict. Another study found for example that cognitive conflict enhances decision quality (Cosier, et al., 1991). Plank and Newell’s (2007) paper is an empirical study that focuses on the social aspects of conflicts in B2B buyer-seller relationships. Their work focused on existing B2B relationships and used primary research to investigate cognitive and perceived conflict and the resulting effect on relationship loyalty. Their findings indicate that perceived conflict
from buyers has a negative impact on relationship loyalty, whereas cognitive conflict has a minimal impact either positively or negatively on the relationship (Plank and Newell, 2007). Overall, studies on conflict would suggest that not all conflicts are the same.

INTERPERSONAL CONFLICT
Existing literature on conflict infer that conflict occurs due to personality clashes, differences in ideas and opinion related to tasks, incompatible goals and power balance. A study on interpersonal conflict highlights that when the level of communication is high, conflict is minimised and vice versa (Massey and Dawes, 2007). Nevertheless conflicts in relationships are inevitable (Dwyer, et al., 1987) and may arise for a multitude of reasons. In a business to business relationship, where partners work cooperatively to reduce costs and create additional benefits, conflict may arise in regards to the balance of power (Morgan and Hunt, 1994) which could lead to a rise in negative behaviours between partners.

TASK CONFLICT
Task conflict is when differences arise in relation to a group task and relationship conflict is when tension and hostility occurs due to interpersonal differences (Jehn and Mannix, 2001). Many researchers in the field of management insist that relationship conflict unlike task related conflict is dysfunctional (McShane and Von Glinow, 2000; Robbins, 2000; Rollinson, 2002).

GOAL CONFLICT
In channel marketing, Reve and Stern (1979) suggest that conflict arises due to goal incompatibility as each member in the channel has their own strategies and objectives to meet. Conflict can occur when one member perceives another “to be engaged in behaviour that is preventing or impeding him from achieving his goals” (Stern and El-Ansary, 1977, p.11).

POWER CONFLICT
Conflict can arise due to differing views, opinions and objectives and can emanate from interpersonal attractions, interests and desires (Gaski, 1984). Gaski’s (1984) paper provided a review of conflict literature taking works that are empirical and attempts to provide clarity on a working definition and also illustrate gaps in the research field. The key element that elevates the importance of Gaski’s (1984) work from others is the provision of a theoretical model on conflict that aims to comprehensively amalgamate the empirical contributions from recent authors in the channel marketing field. In this paper Gaski (1984) identifies the power balance within channel relationships. It indicates that the power balance may be a contributing factor that can cause conflict. The paper provides an important contribution to the conflict field however; the restriction in the use is its unidirectional focus on channel marketing. Power is key to business relationships and this is further explored in the latter section of this paper.

CONFLICT; POSITIVE, NEGATIVE OR NEUTRAL
The word conflict in general carries a negative connotation and logically, something that is negative should be either avoided altogether or at least minimised as much as possible. The
literature on B2B relationships however proposes that conflict can bring about positive benefits as well as negative effect under the right conditions (Plank and Newell, 2007; Vaaland and Håkansson, 2003). However relationships can dissolve if conflicts are not mutually and amicably resolved (Greaver, 1999).

As mentioned earlier conflict has been the subject of many studies over the years (Darwin and Marx). However, Kurt Lewin (1935) was one of the first to study conflict in a business context. His study on conflict looked at goal conflict from a social-psychological stance looked at “tension systems”. Tension systems reflect an individual’s focus and drive towards specific goals and are antecedents to a conflict situation and ways that a conflict can be managed. He identified three types of conflict, approach-approach, avoidance-avoidance and approach-avoidance (Falikowski, 2002). Later Von-Neumann and Morgenstern (1944) studied conflict using “game theory”. Game theory was originally an economic theory in which Von-Neumann and Morgenstern used matrices to establish the balance of interdependence within business relationships. Relationships were found to be either purely competitive, these were described a zero-value games or collaborative, non-zero-value games. However these studies gained grater momentum in the 1960’s where conflict was investigated by looking at competition on social and corporate groups.

The early research by Von-Neumann and Morgenstern (1944) and Lewin (1935) laid the groundwork for later works that have suggested that conflict can have either a neutral effect on a relationship or even be beneficial (Pondy, 1967). The latter (Pondy, 1967) implies that conflict is multidimensional and portrays that any episode of conflict between two parties is not a standalone incident; it is however according to Pondy a sequential sequence of factors. These factors include awareness, intensions and his model provides a feedback loop this illustrating a cyclical element to his model. The illustration provided by Pondy (1967) indicates potentially both a positive and negative outcome to an episode of conflict which gives rise to further research. His model classifies conflict it into five separate phases;

1. latent conflict; underlying sources of conflict;
2. perceived conflict; perception only, when no conditions of latent conflict exist;
3. felt conflict; tension, anxiety, disaffection in addition to the perception;
4. manifest conflict; behaviour which blocks another’s goal achievement;
5. Conflict aftermath; post-conflict conduct, either resolution or suppression (pp.300-305).

The paper and its model however are seen as vague and non specific giving a general process flow of conflict and not a clear concise definition which leaves open the need for further research (Wall and Callister, 1995).

Thomas (1979) developed upon Pondy’s work and created a two-dimensional model of conflict behaviour to categorise the response of parties to conflict. The term “Conflict behaviour” is the conflicting parties’ decision to solve the conflict (Thomas, 1979). He suggests that conflict behaviour is measured by the degree of the effort to get benefit for oneself (assertiveness) and to give others benefit (cooperativeness). Classified by these two dimensions, five conflict behaviours are suggested: avoiding, accommodating, compromising, competing, and collaborating. Among the five conflict behaviours, “competing (zero-sum game)” is the behaviour intended to get benefit for oneself by
sacrificing the other party. In contrast, “collaborating (positive-sum game)” is the behaviour that tries to resolve conflict by satisfying the other party. In this study, Thomas’ (1979) two-dimensional model of conflict behaviour is shown below to classify conflict behaviours.

Figure 1 Two-dimensional model of conflict behaviour (Thomas, 1979)

Established thinking on the possible benefits of conflict as well as the drawback is supported by Eliashberg and Michie’s (1984) study on conflict. They approached conflict from a variety of disciplines and focused specifically on dyadic relationships and levels of perceived conflict that exist and whether disharmony in organisational goals is a contributing factor. The key empirical findings showed evidence that the partners in a B2B relationship have varying views on the levels of conflict within their respective relationships. Eliashberg and Michie (1984) acknowledge the importance of conflict management citing Thomas’ model as they believe that there is a possible positive impact that could be gained in effective conflict management. However, the key focus of Eliashberg and Michie (1984) research was the antecedent factors giving rise to perceived conflict (Eliashberg and Michie, 1984). Research by Vaaland and Håkansson (2003) on conflict between partners shows conflict from two different angles, firstly, as a dysfunctional event which has negative issues and as a positive episode that could push innovation and organisational performance. The empirical element of their research focused on complex business and technical tasks.

Other theorists (Brown, 1983; Hackman and Morris, 1975; Wall and Callister, 1995) have studied the negative sides of conflict. Conflict has also been heavily researched in strategic decision making where conflict is found to have negative effects on performance, productivity and satisfaction (Gladstein, 1984; Saavedra, et al., 1993; Wall and Nolan, 1986) due to the tension and resentment it creates. In organisational studies, conflict is also found to be disruptive; distracting the people involved in the project from concentrating on the objectives at hand (De Dreu and Weingart, 2003). Nevertheless, some studies state that a low level of organisational conflict can be beneficial as it encourages people to confront the issues and to find creative solutions (Levine, et al., 1993, Nemeth, 1986; Tjosvold, 1997). Without conflict, issues are left to fester and remain unresolved thus building animosity, creating distance and causing uncertainty in the relationship (Ford, 1980). Decisions made after
conflicts have occurred are said to be more effective (Schulz-Hardt, et al., 2002; Schwenk, 1990; Hollenbeck, et al., 1995, 1998). Though De Dreu and Weingart (2003) point out that as conflict intensifies, it can affect the level of cooperation. This is also supported in a study conducted by Carnevale and Probst (1998) where results indicate that when conflict is high, cognitive flexibility and creative thinking diminishes.

Recent work focusing on the outsourcing industry by Johnsen, et al. (2006) highlight that there is a large amount of firms who are “back-sourcing” their operations to regain control (Gadde and Håkansson 2001). Greaver (1999) indicates that firms often struggle to cope with externalised operation and often use heavy handed micromanagement in an attempt to exert their control. This behaviour leads to conflicts in the relationships, a decrease in trust and commitment, and for many the end of the partnership. However the IMP work on conflict suggests that relationships are inherently fraught with conflicts of a varying degree. The parties may not always resolve all conflict but a certain level of conflict may be needed to keep the relationship from becoming stagnant. As the relationship continues parties find levels of cooperation where the relationship continues based on the satisfactory elements that have preceded any current issue (Hakansson and Snehota, 1995).

It is clear that conflict is complex in nature and can be either positive or negative depending on the circumstances. The proposition that conflict should be actively encouraged and even increased to open communication channels between parties (Cosier and Schwenk, 1990) seems rather vague. One would question as to whether this connotation would be relevant in a relationship where partners may have different objectives, different personality and incompatible personal goals, and dissimilar ideas and opinions as opposed to intra-organisational relationship where all internal parties have a common goal, which was the focus of Cosier and Schwenk’s (1990) research. In addition, one would argue that only those conflicts that materialise (cognitive conflict) will be resolved Cosier, et al., 1991), any perceived (affective) conflicts would remain unresolved and could cause strain on a relationship (Plank and Newell, 2007).

**RELATIONSHIP CONSTRUCTS RELEVANT TO CONFLICT**

**UNCERTAINTY**

Uncertainty has been largely studied in relation to decision making and trust. The term uncertainty can be construed in different ways. In reference to decision making, uncertainty refers to how a partner makes decisions, that is, does the partner have enough information for effective decision making. Whether the partner can predict the results of his decisions and how confident he is about those decisions are also referred to as uncertainty under the decision making umbrella (Achrol and Stern, 1988). Uncertainty could also be when one cannot predict the environment they compete in. Ganesan (1994) suggests that “environmental volatility refers to the extent to which market and demand changes are rapid.” (p.6). Ganesan (1994) further proposes that when the market is highly volatile, one can take the opportunity to make non-contractual requests which could increase the level of uncertainty for their partner (Ganesan, 1994). Uncertainty is most likely to occur when the level of trust diminishes in a relationship, which could lead the partners to behave opportunistically (Geyskens, et al., 1998). If trust is compromised within a relationship then
those involved may become uncertain of the future of the relationship. Any uncertainty has the potential to disrupt a previously amicable and profitable partnership. However, uncertainty can be reduced if one can increase the dependency level of their partner (Gao, et al., 2005). In addition, the comparative level of substitutes, switching costs and the level of investment injected into the relationship may also impact on the decision on whether to behave opportunistically or not (Anderson and Narus, 1984; Wilson, 1995).

**OPPORTUNISM**

Opportunism as defined by Williamson (1975, p6) is “self interest seeking with guile” (John, 1984); where a partner is being deceitful (MacNeil, 1982), when one falsifies information, lies, cheats and steals, retains information and fails to honour promises and commitments (Jap and Anderson, 2003). Opportunism is said to increase transaction costs, decrease efficiency in relational exchanges (John, 1984) and opportunism can be either passive; where one is unwilling to adjust to new situations, or is inflexible (Anderson and Weitz, 1986), or active; violates his position by behaving unethically with his exchange partner. Research through the IMP indicates that opportunistic behaviour does not impact the relationship when there is an abundance of supplier substitutions; however, the impact is much greater when there are imperfect market conditions (Högberg, 2002). Although opportunism may be deemed unethical, steps can be taken to minimise the impact of opportunistic behaviour and in some cases it can be more beneficial for firms to accept some opportunism as opposed to attempting to eliminate it (Wathne and Heide, 2000). Furthermore, according to Högberg (2002) partners expect each other to act opportunistically and that opportunism is the “part of the game” (Högberg, 2002, p14). Any partner in a relationship can engage in opportunistic behaviour in spite of its position or strength within its industry (Provan and Skinner, 1989). When the potential for a partner to behave opportunistically is high in a relationship one should invest substantial resources to control and monitor that risk (Wathne and Heide, 2000). Economists argue that although governance structures are created opportunism will still be present once a transaction takes place. However Dwyer, et al. (1987) maintain that high switching costs could deter partners from terminating the relationship and instead encourage them to maintain a quality relationship. Communication helps to minimise opportunistic behaviour because when partners are kept informed and involved throughout the relationship, they are fully engaged and more committed (Geyskens, et al., 1998). Communication is necessary throughout relationships as it facilitates information exchanges thus preventing any perceived negative feelings being formed.

Anderson and Narus (1984) cited in Wilson (1995) defined the comparison level of alternatives (Clalt) as “the quality of the outcome available from the best available relationship partner” (p11). The decision of whether to stay in the relationship or not may depend on the level of interdependence between the exchange partners. Wilson (1995) suggests that, if the Clalt is high then dependence is low, but if Clalt is low then opportunism will remain low. Williamson (1979) and Anderson and Weitz (1986) state that in large competitive markets, opportunistic behaviours may not take place as either partner can end the relationship. Moreover switching partners is not easy as one would expect as one would have to evaluate the alternatives. In addition it can be quite time consuming and very costly as well (Morgan and Hunt, 1994). Works conducted by Morgan and Hunt (1994) provided two models, their key mediating variables (KMV) model holds trust and commitment as the keystones of any B2B relationship and their RIVAL model allows other variables to be illustrated.
POWER AND DEPENDENCE

The direct connection between power and conflict in B2B has not received widespread focus, with much research being done on the client – service provider relationship in professional services. The IMP research into relationship power balance has been conducted in relation to the IMP interaction model and the connection between power and dependence (Håkansson, 1982; Ford, 1997). Relationship power can be summarised as the ability of one party to manipulate and exert pressure over another. Yorke (1990) cited in Zolkiewski (2008) indicates that the research in this field implies that the service provider carries the significant proportion of power (Zolkiewski, 2008). Furthermore, dependence is often perceived as an implicit indication of power. Through the research conducted by Zolkiewski (2008) on advertising agencies it was felt overwhelmingly that power is a negative relationship characteristic. Moreover, IMP research in the distribution field by Pfajfar et al. (2010) indicate that organisational size does not have any bearing on the balance of power or dependence and their empirical research suggest that power has little or no impact on the relationship. Power has also been researched in B2B network relationships (Hakansson and Snehota, 1995). Recently Zolkiewski (2011) assessed power and value in the UK healthcare services using a B2B network perspective. The study exposed that adaptations were made by the parties due the intricate power and value exchanges. Seeing that these results vary from field to field it is a clear indication that further research is needed even though the concept of power and dependence is difficult to quantify, observe and measure (Zolkiewski, 2008).

TRUST AND COMMITMENT

Trust is a very important facet of a successful relationship as it impacts on one’s willingness to commit to a relationship. Mogan and Hunt (1994, p.23) suggest that trust is “when one party has confidence in an exchange partner’s reliability and integrity”. Commitment is “an implicit or explicit pledge of relational continuity between exchange partners” (Dwyer, et al., 1987, p.19). Commitment according to Moorman, et al. (1992) is when one has “an enduring desire to maintain a valued relationship” (p.316) and is strengthened between partners after many satisfied relational exchanges. This is reinforce through the IMP which indicates that relationships become stronger over time as promises are fulfilled and buyer reliance grows (Jiang, et al., 2009). Similarly to trust, commitment plays a major role in B2B relationships (Anderson and Weitz, 1992; Ganesan, 1994) and it is vital for the long-term success of the relationships (Gundlach, et al., 1995). Through commitment, psychological bonds are created between partners that help to solve any frustrations or issues arising in the relationship, and thus prevent the parties from seeking alternative partners (Tellefsen and Thomas, 2005). Partners who are committed are said to be motivated to sustain their relationships by finding common solutions in conflicting situations (Dwyer, et al., 1987; Day; 1995; MacNeil, 1980). The extensive literature on relationship marketing would suggest that the lack of trust and commitment could hinder relationships causing them to fail, and, could in turn increase the level of uncertainty for the partners involved.

METHODOLOGY
To facilitate the research into conflict within B2B relationships in outsourcing, a mixed method approach will be used. As an initial stage of investigation, an exploratory study is currently being undertaken using semi-structured interviews with leading UK service firms, both clients and vendors engaged in ITES outsourcing. These interviews are currently underway and will be used to gain a detailed insight into current B2B relationships. The interviews will provide the opportunity to have an open dialogue with the participants on the topic and probe further into the answers given where needed. Findings from these interviews should assist in developing a conceptual framework and in compiling a questionnaire for the quantitative phase of the study. The aim is to survey buyers using closed questions similar to previous conflict studies. Sampling method is yet to be decided but will be representative of the industry and numbers of surveys will most certainly be above 200. The data from the qualitative element of the research will be analysed using Nvivo and for the quantitative section SPSS will be used. The statistical methods of analysis will be similar to those used in the previous studies on conflict; correlation and multiple regressions to allow for this study to be comparable.

Although the initial plan is to use a mixed method approach to study conflict in outsourcing relationships, it is likely that this methodology will change as the literature search increases and the study develops. Currently, the idea of researching the impact of conflict on B2B outsource relationships using solely a qualitative approach using case studies is being considered.

**CONTRIBUTION**

Conflict in relation to B2B relationships has until today only been researched in channel marketing hence this research will add to the literature in business relationships in services and to the outsourcing sector. There are a wealth of articles from the media that highlight a number of catastrophic repercussions of failed outsource relationships, however the causes of these breakdowns are often mere speculations thus it is an opportunity to understand these relationships from an academic perspective as the outsourcing sector shows no sign of slowing down. Where businesses are dependent on service providers, it is evident from the existing literature that if the negative elements of the relationship construct outweigh the positive then conflict episodes are common place between partners, it is particularly difficult to attain the intended result from the relationship. According to Lacity, et al., (2010) research is needed to understand outsourcing relationships as this is an area that requires significantly more attention than it has had to date.
REFERENCES


