MANAGING CHANNEL CONFLICT FOR ENHANCED ORGANIZATIONAL PERFORMANCE

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ABSTRACT: *The focal point of this study is managing channel conflict for enhanced organizational performance. It is a survey research and the main instrument of data collection was the questionnaire. Out of three hundred and forty five questionnaires administered, 86% or three hundred were retrieved and used in the analysis. Statistical package for social sciences (SPSS) was strictly used in the analysis. The Pearson product moment correlation analysis was used to test the various hypotheses earlier formulated. The study found that conflict affects the performance of the channel members negatively. There is inverse relationship between conflict and profitability. As a result of these findings, it was recommended, amongst others, that conflict in all its ramifications be minimized so as not to distract channel members from performing optimally*

KEYWORDS: Channel, Conflict, Organizational Performance

INTRODUCTION

Marketing practitioners and scholars are unanimous that channel intermediaries reduce the intensity of direct competition between manufacturers. Marketing literature reveals categorically that with a linear demand function, a manufacturer or producer is better off by maintaining exclusive dealers while a retailer has an incentive to deal with several manufacturers. According to Choi (1991:271) all channel members as well as consumers are better off when no one dominates the market.

Perhaps, it is pertinent to ask a begging question, why would a manufacturer relinquish some of the selling responsibilities to immediaries? The answer is obvious. Manufacturers use intermediaries when they lack the financial resources to engage in direct marketing, where direct marketing is unfeasible or when they will earn more by so doing. Intermediaries exhibit superior efficiency in making goods accessible to target customers.

The fact remains that no matter how effectively channels are crafted and managed, conflict will arise. Channel conflict affects the efficiency and effectiveness of channel members. This write up examines the types of conflict that normally arise in channels, the causes or sources of channel conflict and the resolution of same. It is believed that when channel conflict is effectively managed, it goes to enhance the performance of the organizations that are members of the channel system.

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

Objectives of the Study

The research effort seeks to achieve the following objectives:

(1) To find out the relationship between channel conflict and organizational performance of channel members. Organizational performance is broken down to various variables which account for objectives 2 – 6 below.

(2) To establish the relationship between conflict and profitability.

(3) The ascertain the link between conflict and market share of channel members.

(4) To evaluate the connection between conflict and customer satisfaction.

(5) To determine the association between channel conflict and respect for customers, and

(6) To establish the relationship between channel conflict and quality of service of channel members.

Research Questions

In a similar manner, the research attempts to provide answers to the following questions.

(1) What is the relationship between channel conflict and organizational performance?

(2) What is the link between channel conflict and profitability?

(3) What is the relationship between conflict and market share of channel members?

(4) What is the connection between conflict and customer satisfaction?

(5) What is the association between conflict and respect for customers?

(6) What is the relationship between channel conflict and quality of service?

Research Hypotheses

The following hypotheses have been formulated for testing later in the course of our investigation. The hypotheses are presented in the null form as follows:

1. Ho: There is negative relationship between channel conflict and organizational performance.
2. Ho: There is no relationship between channel conflict and profitability.
3. There is no relationship between channel conflict and market share of channel members.
4. There is no connection between channel conflict and customer satisfaction.
5. There is no association between channel conflict and respect for customers.
6. There is no positive relationship between channel conflict and quality of service of channel members.

LITERATURE REVIEW

An Overview of Chanel Conflict

According to Stern and EL-Ansary (1982) in Okoye (2005:190) channel conflict is a situation in which one channel member perceives another channel member(s) to be engaged in a behavior that is preventing or impeding him from achieving his goals. Chukwu (2004:175) submits that when more members of the distribution system become the object of one another's frustration we are made to believe that channel conflict has occurred. Channel conflict is opposition to the goals, ideas or the performance behaviour that occurs among the management of institutions that make up the marketing channel team. Channel members of

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

marketing channel operate in a dynamic field of conflicting and harmonious objectives. If the conflicting objectives out weights the harmonious ones, the effectiveness of the channel will be reduced. Conflict is an inherent behaviour dimension in all social systems.

Causes of Channel Conflict

In the considered opinion of Ehikwe (2002:233) the major cause of conflicts in the channel of distribution is the outcome of the rivalry and lack of continuous cooperation between manufacturers and the middlemen because of their conflicting goals. Choi (1991:21) is of the view that different objectives of channel members create conflict within a channel. Bonne and Kurtz (1985:293) as cited by Alabar, (2007:240) two types of conflict occur in channel distribution, vertical conflict and horizontal conflict. Vertical conflict occurs between channel members at different levels of the distribution system for instance between manufacturers and wholesalers/retailers or between a wholesaler and a retailer. Three sources of vertical conflict are most common (Alabar 2007:240).

First, conflict arises when a channel member bypasses another member and sells or buys products direct.

Second, disagreements over how profit margins are distributed among channel members.

Lastly, when manufacturers believe wholesalers or retailers are not giving their product adequate attention.

Horizontal conflict occurs between intermediaries at the same level in a marketing channel such as between two or more retailers or two or more wholesalers that handle the same manufacturer's brands. Two sources of horizontal conflict are most common. A primary source of horizontal conflict is scrambled merchandising in which middlemen diversify by adding product lines not traditionally carried by their type of business. For instance, banks selling insurance and trust services. Retailers that originally sold these product lines become irritated, and must now engage in intense competition for customers. Another source is dual distribution, when different types of retailers carry the same brands e.g. two competing supermarkets like Leventis stories and UAC stores.

Kotler (2003:326) explains, vertical channel conflict means conflict between different levels within the same channel. Horizontal channel conflict involves conflict between members at the same level within the channel. Multichannel conflict exists when the manufacturer has established two or more channels that sell to the same market. The same authority furthered that one major cause of conflict is goal incompatibility. For example, the manufacturer may want to achieve rapid market penetration through a low price policy. Dealers in contrast, may prefer to work with high margins and pursue short-run profitability. Nwokoye (1996:183) states, conflict may arise over the level of sales effort that a reseller is giving one's product. A manufacturer would want more effort for his product.

In his contribution Chukwu (2004:180-184) identifies other cases of conflict to include the followings.

Communication difficulties, differences in perception, ideological differences, decision domain disagreement, role incongruities, resource scarcity and expectational differences.
Communication provides a conduit pipe for distribution of information within a market from the manufacturer to the consumer and the other way round. A breakdown in communication can quickly turn a cooperative relationship into a conflicting one.
Communication breakdown could result if any member of the channel refuses to pass vital information to the other level.
Perceptual differences occur from the way stimuli is perceived hence perception refers to he way an individual selects and interprets environmental stimuli.
Ideological differences cause, conflict, for instance a manufacturer may be so satisfied with the performance of a wholesale distribution in a given territory that pressure is exerted on the manufacturer to expand the lines of business and move into new territories. The wholesaler may want business to continue in its present form. In such a situation, the manufacturer may fail to understand and conflict may arise.

Decision domain disagreement may cause conflict when a channel member attempts to take decision in an area in which another channel member believes is his exclusive rights. Usurpation of another channel member's role causes conflict. Scarcity of resources is equally another cause of conflict when disagreement occurs in the allocation of scarce resources needed to execute the respective goals of the channel members.

Channel conflict occurs when manufacturers (brands) disintermediate their channel partners, such as distributors, retailers, dealers and sales reps, by selling their products direct to consumers through general marketing methods and/or over the internet through e-commerce. Some manufacturers want their brands to capture the power of the internet but do not want to create conflict with their other distribution channels as these partners are necessary and viable for any manufacturer to maintain and gain success.

Channel conflict can also occur when there has been over production. This results in a surplus of products in the market place. Newer versions of products, changes in brands, insolvency of wholesalers and retailers and the distribution of damaged goods affect channel conflict. In this connection, a company's stock clearance strategy is important. To avoid a channel conflict, it is of great importance that both channels are fully integrated from all points of view (www.wikipedia.org).

The problem of channel conflict is made more complicated by the introduction of new intermediaries that serve the special needs of e-commerce.

Managing Channel Conflict
It has been asserted that the challenge is not really to eliminate conflict but to manage it better. Kotler (2003:520) recommends several mechanisms for effective conflict management. One is the adoption of super ordinate goals. Channel members agree on the fundamental goal they are jointly seeking in the market place, be it market share, customer satisfaction or high quality.

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

Exchange of persons between two or more channel levels is another good step. This way, participants will grow to appreciate the other's point of view.
Cooptation is another conflict resolution mechanisms. Cooptation refers to an attempt by an organization to win the support of leaders of other firms by including them on its board of directors.

Joint membership of trade associations like chamber of commerce may also help to douse tension. Kotler (2003:529) insists that when conflict is chronic or acute, the parties may have to resort to diplomacy, mediation or arbitration. Alabar (2007) suggests that of the major approach of resolving channel conflict is the ability of a channel member to influence the behaviour of others, the power of one channel member over the others. The channel member that has such power is referred to as the channel captain. Chukwu (2004:189) lists other channel resolution options to include by persuasion, political means, reconciliation, mediation, commission of inquiry/observers, withdrawal, and joint work.

One of the many drawbacks to the channel strategies of some organizations is the fact that they blindly stick with partners long after their usefulness has begun to wane, sucking personnel attention and some amount away from others where they would much better spent. Vishwanata (2006:91) concludes that central coordination is also essential to forging close relationship between retailers and product suppliers. The same authority reasons that technological advances allow for more meaningful sharing of customer knowledge and supply costs when chain stores are selling the same items through multiple formats.

METHODOLOGY

This study employed the survey research design. In the opinion of the researcher, this research design was preferable due to the fact that the research attempts to ascertain the association between existing variables, conflict and performance. The population of the study comprised all staff and owners of wholesale and retail shops in Onitsha market, Anambra State of Nigeria totaling 2556. Onitsha market was selected due to the fact that it is one of the biggest and busiest markets in the country with quite a significant number of consumer goods sold in it. In addition it has so many wholesale and retail shops. All these attributes will help to avail the research with some insight to channel conflicts. It is hoped that what obtains in Onitsha market will approximate what happens in other urban markets across the country and hence can be generalized. The Pearson product moment correlation was used to establish the relationship between conflict and performance.

To determine the sample size for the study, the Taro Yameni's formulae was adopted giving us a sample size of 345. A four point likert type questionnaire was designed as follows:

SA	4	Strongly agree
A	3	Agree
D	2	Disagree
SD	1	Strongly disagree

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

A total of 345 questionnaires were distributed. Due to some challenges, only 300 were retrieved and used in the analysis. The statistical package for the social sciences (SPSS) was used in the data analysis.

DATA PRESENTATION, ANALYSIS AND FINDINGS

Table 4.1: Sampled Population

Organization	Number of questionnaires administered	Number Retrieved	Percentage %
OMATA+	345	300	86
Total	**345**	**300**	**86**

Source: Field Data, August 2011
OMATA = Onitsha Market Traders Association.

The research variables include conflict and performance. Variables measuring performance here include profitability, market share, quality service, respect for customers and customer satisfaction.

Table 4.2: Means and Standard Deviation of the Research Variables

S/No	Variables	Mean x	Standard Deviation
1	Conflict	28.67	2.26
2	Profitability	20.8	1.79
3	Market share	20.78	1.80
4	Customer satisfaction	20.76	1.81
5	Respect for customers	20.78	1.81
6	Quality service	20.76	1.87
Total	**345**	**300**	**86**

Source: Computed from primary data

Table 4.3: Descriptive Statistics

	Mean	Standard Deviation	N
Conflict	28.67	3.26	
Profitability	20.8	1.8	

Table 4.4: The Pearson product moment correlation analysis of the relationship between conflict and profitability

		Conflict	Profitability
Conflict	Pearson correlation	1.000	-.142
	Sig (2 tailed)	.300	.014
	N		.300
Profitability	Pearson correlation	-142	1.000
	Sig (2 tailed)	.014	
	N	.300	.300

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

The calculated r value of -.142 was less than the table r value of 0.113 at 0.05 alpha level and 298 df. This means there is a significant inverse relationship between conflict and profitability. This means conflicts reduces the chances of an organization making profit.

Table 4.5: Pearson Product Moment Correlation Analysis of the Relationship between conflict and market share

		Conflict	**Market share**
Conflict	Pearson correlation Sig (2 tailed) N	1.000 .300	-0.141 .015 .300
Profitability	Pearson correlation Sig (2 tailed) N	-141 .015 .300	1.000 .300

Table value (critical r) = 0.113

The calculated r value of -0.141 was less than the table value of 0.088 at 0.05 alpha level and 298 degrees of freedom. This connotes a significant inverse relationship between conflict and market share. This means that in a conflictual situation, the ability of the channel member to increase its market share will be eroded.

Table 4.6: Descriptive Statistics

	Mean	**Standard Deviation**	**N**
Conflict	28.66	3.26	.300
	20.76	1.82	.300

Source: SPSS analysis by the researcher

Table 4.7: Pearson Product Moment Correlation Analysis of the relationship between conflict and customer satisfaction

		Conflict	**Customer Satisfaction**
Conflict	Pearson correlation Sig (2 tailed) N	1.000 .300	-.130 .024 .300
Customer Satisfaction	Pearson correlation Sig (2 tailed) N	-130 .024 .300	1.000 .300

Critical r = 0.113

From the above, the calculated r-value of 0.0130 was less than the critical r value of 0.088 at 0.05 alpha level and 298 df. The implication of this is that there is an inverse relationship between conflict and customer satisfaction. This means that conflict distracts the attention of channel members, the consequence of which is that they are unable to pay attention to the issue of customer satisfaction.

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

Table 4.8: Descriptive Statistic

	Mean	**Standard Deviation**	**N**
Conflict	28.66	3.26	.300
Respect for customers	20.79	1.82	.300

Source: SPSS analysis by the researcher

Table 4.9: Pearson Product Moment Correlation Analysis of the Relationship between conflict and Respect for Customers

		Conflict	**Respect for Customers**
Conflict	Pearson correlation Sig (2 tailed) N	1.000 .300	-.141 .015 .300
Respect for customers	Pearson correlation Sig (2 tailed) N	-141 .015 .300	1.000 .300

Critical value r = 0.113

We can discern from the above that the r – value of -0.141 is less than the critical r – value of 0.088 at 0.05 alpha level and 298 df. The implication of this is simply an inverse or negative relationship between conflict and respect for customers. This means that in a conflictual environment channel members are unable to pay close attention to customer's respect.

To ascertain the link between conflict and quality service, Pearson product moment correlation analysis (r) was done on scores of items measuring conflict and those measuring quality of services in Onitsha market. The analysis is presented as follows:

Table 4.10: Descriptive Statistic

	Mean	**Standard Deviation**	**N**
Conflict	28.66	3.26	.300
Quality of service	20.76	1.87	.300

Source: SPSS analysis of statistics by the researcher.

Table 4.11: Pearson Product Moment Correlation Analysis of the link between conflict and quality of service among channel members in Onitsha market

		Conflict	**Profitability**
Conflict	Pearson correlation Sig (2 tailed) N	1.000 .300	-.133 .021 .300
Quality of services	Pearson correlation Sig (2 tailed) N	-133 .021 .300	1.000 .300

Critical r = 0.113

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

It is clear from the above table that the calculated r – value of -0.133 was less than the critical r-value of 0.088 at 0.05 alpha level and 298 df. What this implies is that there is a significant negative relationship between conflict and quality of service.

DISCUSSION OF FINDINGS

The questionnaires solicited data on conflict and organizational performance (which was broken down to variables such as profitability, market share, customer satisfaction, respect for customers and quality of service).The test of the first hypothesis reveals an inverse relationship between conflict and profitability. This implies that conflict affects organizational profitability negatively. The test of the subsequent hypotheses equally revealed that conflict is negatively related to market share, customer satisfaction, respect for customers and quality service. These findings agree with Alderson (1965:229-258) in Chukwu (2004:184) who argues that the effects of conflict on channel performance are generally negative. In fact, it is so negative that it has led to business failure even in some advanced countries. Kalu (2004:21) reports that studies made by the US department of commerce disclosed the fact that about 70% of all commercial failure occurred in the retail trade. In fact about 60% of businesses that do not succeed are retail establishments. In another study conducted by the supermarket institute revealed that the great majority of supermarkets (91%) are in direct conflict with one to twelve other supermarkets in the same trading area. As conflict within the supermarket industry has increased, store loyalty has eroded.

CONCLUSION

The focus of this study was to examine channel conflict and to see how it affects organizational performance. The findings of the study reveal quite a lot. Conflictual situations affect the performance of channel members negatively hence they should be minimized or avoided completely.

In conflicting situations, channel members are unable to achieve the goals of their respective organizations as there is often conflict other than cooperation among channel members.

RECOMMENDATIONS

Based on the findings that plausibly emanated from the study, the following recommendations are pertinent.

1. Conflict, in all its ramifications is an ill wind that blows no one any good. Channel conflict is not an exception. It hurts channel members and should be minimized to zero level.
2. Manufacturers should always remember that channel members are very important stakeholders in the channel system. Manufactures should therefore not exert undue pressure on members of the channel system.
3. Since channel members are independent business organizations, they have responsibilities to run their organizations profitably. Their concerns should not be jettisoned with levity.

ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)

4. Distribution decisions are joint problems of the manufacturer and members of the channel system (Onah and Thomas, 2004:403). Their decisions should therefore be seeing as complementing and supporting each other.
5. For the channel system to succeed, manufacturers should exercise due diligence in the selection of individual firms that make up the channel system. This will go a long way in avoiding conflictual situations ab initio.
6. In developing their distribution system, manufacturers should realize the fact that as channel captains (in most cases), it is their responsibility to initiate channel conflict mechanisms that will pave way to quick resolution of conflict should they arise. They must therefore not shirk this all important responsibility.
7. In cases of horizontal conflicts, intermediaries should understand the fact that the channel system operates as a whole rather than as a set of individual parts. Each organization that makes up the channel system will achieve its goals only in a conflict-free environment.
8. It has been argued that no matter how well managed, conflict will arise in a channel system. Marketers should therefore anticipate and understand the sources or causes of channel conflict and try to eliminate or minimize them to the barest level.

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ISSN: ISSN 2053-4019(Print), ISSN: ISSN 2053-4027(Online)