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Influence of functional conflicts on marketing capability in channel relationships

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ABSTRACT

Extending the research on the positive effects of functional conflicts, this study examines how functional conflicts influence innovation capability and responsive capability in channel relationships by triggering inter-organizational knowledge sharing. The moderating effects of conflict frequency and relationship quality on the relationships between functional conflict, knowledge sharing, and capabilities are also explored. Based on a questionnaire survey of 152 small- and medium-sized enterprises in China, the results show that (1) functional conflict can stimulate inter-organizational knowledge sharing, but the frequency of conflict negatively moderates this relationship; (2) knowledge sharing has a mediating effect on the relationship between functional conflict and marketing capability; and (3) relationship quality positively moderates the relationship between functional conflict and knowledge sharing, but negatively moderates the relationship between knowledge sharing and innovation capability. These findings broaden the theoretical scope of conflict theory and refine the theoretical framework of channel conflict. This study also has significant practical implications for organizations seeking to effectively guide and resolve conflicts.

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1. Introduction

Channel conflict, an inevitable issue in channel relationship management (Dwyer, Schurr, & Oh, 1987), can be either a constructive or destructive variable in long-term relationships (Anderson & Weitz, 1992; Bucklin & Sengupta, 1993; Deutsch, 1969; De Dreu & Weingart, 2003; Moorman, Zaltman, & Deshpande, 1992; Grayson & Ambler, 1999; Anderson & Jap, 2005). Researchers classify conflicts as either functional or dysfunctional (e.g., Jehn, 1997): functional conflicts are generally task conflicts that can result in benefits to the team; dysfunctional conflicts are relationship conflicts that are harmful to team performance (Loughry & Amason, 2014). Functional conflicts promote channel relationships by motivating positive effects (e.g., innovation, improved decision-making quality, productivity, and value co-creation) (Amason, 1996; De Dreu, 2006; Mele, 2011; Skarmeas, 2006) and by impeding the “dark side” of long-term relationships, such as their tendency to hinder innovation and inhibit the ability to discover problems (Anderson & Jap, 2005; Grayson & Ambler, 1999; Mooi & Frambach, 2012; Moorman et al., 1992). Therefore, examining the mechanisms of functional conflict in long-term relationships has attracted the attention of management scholars. Accordingly, Webb and Hogan (2002) classifies the consequences of functional conflict as either relationship-related (e.g., satisfaction) or performance-related (e.g., productivity), the two most important outcome variable groups in channel marketing

(Anderson & Narus, 1990; Brown, Lusch, & Nicholson, 1996; Pantelia & Sockalingam, 2005).

However, contemporary studies pay more attention to minimizing negative conflicts in buyer-seller relationships (e.g., Mo, Booth, & Wang, 2012) than to how, or through what mechanisms, conflict might yield functional benefits to channel members at the inter-organizational level. As a result, there are still a number of gaps in the literature on conflict. First, few studies specifically examine the frequency of conflicts, which is a key factor affecting the functionality of conflicts (Hunt & Dodds, 2015). In fact, studies should examine different dimensions, including the level, frequency, and importance of conflicts (Magrath & Hardy, 1988), as the failure to take all of the influential factors into consideration results in an incomplete understanding of the functionality of conflicts. It is vital to determine which factors affect the threshold between functional and dysfunctional conflict (Winsted & Hunt, 2015). Second, most of the prevailing functional conflict research focuses on performance at the intra-organizational level (e.g., organizational performance, productivity; Mele, 2011) rather than at the inter-organizational level, and few studies focus on how to take advantage of functional conflict in channel relationships at the inter-organizational level. Third, most studies draw conclusions from theories or experience; few conduct empirical analyses to verify the positive influence of conflict on inter-organizational performance (Skarmeas, 2006), and the extant empirical support for functional conflict is inconsistent (Loughry & Amason, 2014). Indeed, few empirical studies identify how conflict in a relationship can help members to improve their effectiveness and eventually achieve a competitive advantage. It is essential to uncover the mechanism through which conflict

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influences organizational performance. Thus, this study analyzes the influence of conflict on marketing capabilities, which are extremely important to an organization's sustainable competitive advantage (Chang, Eun Park, & Chaib, 2010; Vorhies & Morgan, 2005).

Therefore, this study asks the following questions. What is the mechanism through which conflict positively influences marketing capability? Under what conditions does conflict positively affect marketing capability? Answering these questions has significant practical implications for enterprises' ability to implement effective conflict management, positively drive channel conflict, motivate marketing capability, and continuously improve their competitiveness in the pursuit of relationship marketing.

2. Theoretical background

2.1. Channel conflict

Channel conflict appears in many types of transaction relationships (Dwyer et al., 1987). According to Gaski (1984), channel conflict occurs when one channel member perceives that the behavior of another channel member might threaten his/her goal achievement. Conflict refers to "the perceived feeling of pressure, tension and hostility of a channel member aroused by another member" (Lusch, 1976). The possibility of conflict occurring depends on the degree of disagreement in objectives and different perceptions of interdependence between two parties (Moore, 1989). In channel marketing, if an enterprise lacks an effective channel management strategy, partners may feel confused and the competition between the supplier and channel members will gradually cause inter-channel conflict (Webb & Hogan, 2002).

Conflicts exist in many forms, ranging from mild disagreements to severe disputes (Brown & Day, 1981; Pondy, 1967). Lusch (1976) identifies two dimensions of conflict: frequency and intensity (level) of conflict. In terms of the intensity of conflict, studies show that conflict at a certain level will have a positive effect on channel efficiency, but above or below that level, it will have either no or negative effects on efficiency (Boulding, 1965; Rosenbloom, 1973; Winsted & Hunt, 2015). Other studies determine whether conflict is functional or dysfunctional mostly by its outcomes (e.g., Anderson & Narus, 1990; Balabanis, 1998; Morgan & Hunt, 1994). Functional conflict usually means a cognitive conflict that yields positive outcomes to all of the channel members (Dickinson, 2013). Functional conflict can improve production efficiency and lead to a win-win situation for members (Anderson & Narus, 1990) and its harmonious settlement can improve the mutual creation of value (Mele, 2011). Thus, in our study, functional conflict refers to (1) conflict that brings long-term positive benefits to the channel members (Anderson & Narus, 1990; Skarmeas, 2006); and (2) conflict that is within the threshold that generates positive effects on the channel relationship. Extant studies of functional conflict pay little attention to the frequency of conflict; this study argues that a high frequency of conflict has negative effects on channel conflict.

Although studies on channel conflict are paying increasing attention to the positive effects of channel conflict on relationships (see Table 1), most research conclusions draw on the basis of theories or experience

and few studies have empirically verified the positive influence of conflict (Skarmeas, 2006). To fill this gap, this study focuses on how functional conflict affects inter-organizational knowledge sharing and improves marketing capability. Furthermore, this study extends the examination of functional conflict to the effects of conflict frequency on outcomes.

2.2. Knowledge sharing

Knowledge sharing is a process through which organizations exchange information and specialized knowledge (Zaheer & Venkatraman, 1995). Knowledge sharing can occur in different layers. At the cross-organization layer, according to Tang, Mu, and MacLachlan (2008) strategic management theory of technical transfer, knowledge sharing can take place within both formal inter-organizational relationships and through informal interactions and channels.

Conflict experience exerts different influences on behavior (Pondy, 1967), and knowledge sharing is one type of salient subsequent behavior that affects organizational performance. Extant studies suggest that when faced with different viewpoints caused by functional conflict, members tend to settle the disagreement by re-evaluating their assumptions, searching for information (Sandy, Boardman, & Deutsch, 2006), exchanging ideas, and sharing task-related knowledge (Chen, Sharma, Edinger, Shapiro, & Farh, 2011; Pantelia & Sockalingam, 2005). Knowledge sharing is thus a form of group correlation consensus, which provides access to knowledge utilization and conveniently establishes and uses knowledge networks (Hogel, Parboteeah, & Munson, 2003).

Knowledge sharing can generate positive externalities and make it possible for an organization to acquire knowledge overflow from its cooperative partners (Lorenzoni & Lipparini, 1999). Sveiby (2001) indicates that inter-organizational knowledge sharing can improve the capabilities of all of the parties and promote their abilities to generate new knowledge. Mohr and Sengupta (2002) argue that knowledge sharing can enable an organization to respond quickly to changes, to innovate, and to create success. Knowledge sharing can have a positive influence on organizational performance through the exchange of implicit and explicit knowledge (Nonaka & Takeuchi, 1995). The knowledge-dispensing party provides useful knowledge for the receiving party, resulting in a common expectation (Zhang, Cavusgil, & Roath, 2003) that helps to achieve effective cooperation between organizations (Madhok & Tallman, 1998). Joshi and Sharma (2004) show that sharing relevant knowledge of the production cost structure and selection allows cooperative partners to identify organizational defects, thus helping to make proper and effective adjustments and project transfers.

2.3. Marketing capability

According to the resource-based theory, a firm's competitive advantage relies on it having resources and capabilities that are "rare, valuable and difficult to imitate" (Barney, 1991; Dierickx & Cool, 1989). Marketing capability is the integration process through which an enterprise collects and uses knowledge and skills to manage internal resources

Table 1
Overview of positive outcomes of inter-organizational conflicts.

Outcome	Authors	Functional benefits of conflict	Context
Relationship-related	Morgan & Hunt, 1994 Cahill et al., 2010	Increasing trust by increasing functionality of conflict The level of conflict positively moderates the effects of both price satisfaction and service satisfaction on customer loyalty	Retailers and suppliers Logistics buyers and sellers
Performance-related	Anderson & Narus, 1990 Skarmeas, 2006 Mele, 2011 Cheng et al., 2011	Functional conflict increases productivity Functional conflict enhances importers' future purchase intentions Enables value co-creation in project networks Dysfunctional conflict dampens decision making and information sharing	Distributor and manufacturer Exporters and importers Project partners Manufacturers and distributors

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