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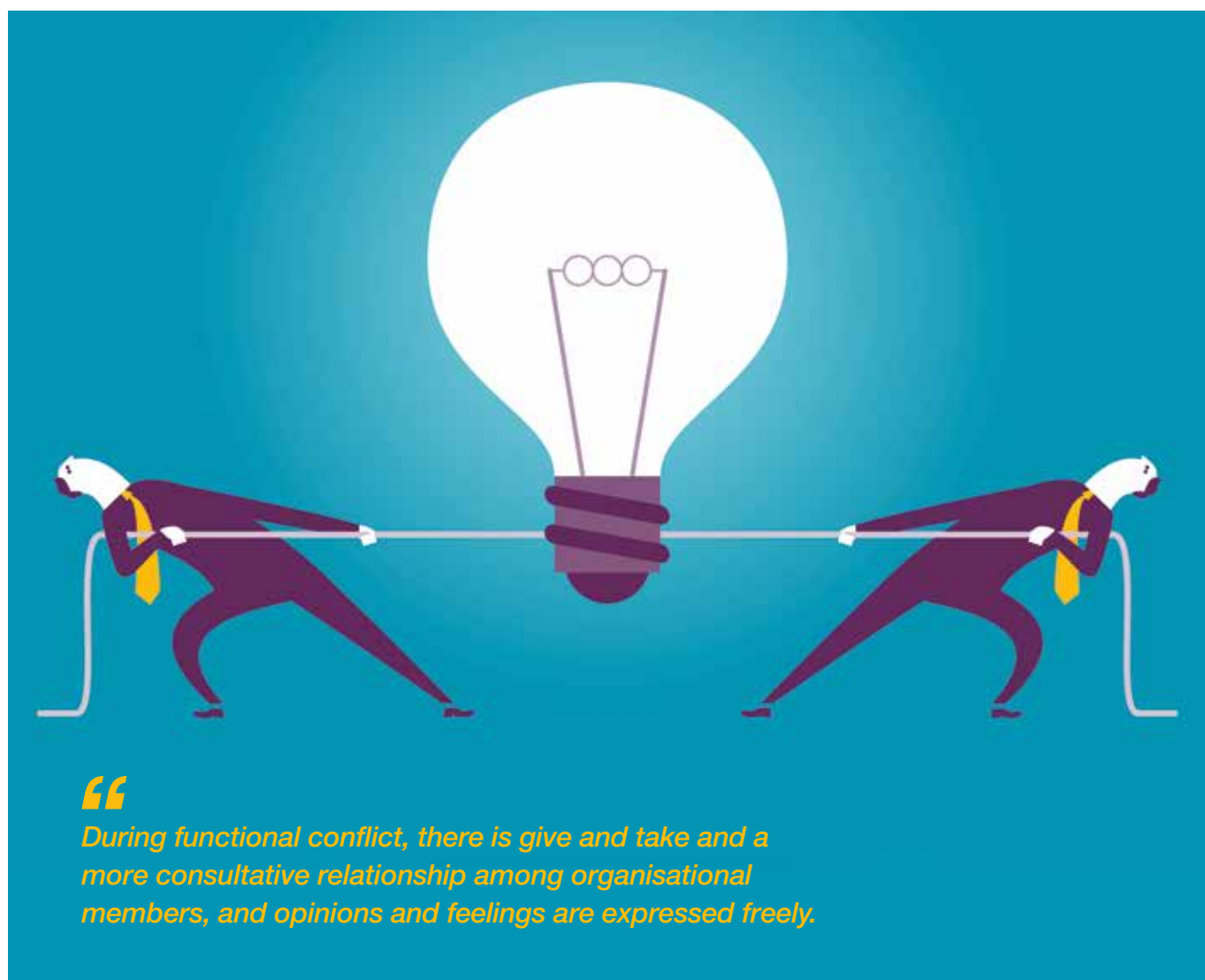
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**ACCELERATING
NEW TALENT**

*Dr Beth Rogers
& Bryan McCrae*

Is conflict within a relationship a bad thing?

✎ Mark Hollyoake, Melanie Ashleigh & Malcolm Higgs



Is conflict within a business-to-business (B2B) relationship a bad thing? Gargiulo & Ertug (2006) argue that hostility and bitterness resulting from disagreements not being resolved amicably can lead to almost pathological consequences such as relationship dissolution.

However, when disputes are resolved amicably, such disagreements can be referred to as functional conflict, because they prevent stagnation, stimulate interest and create curiosity, providing a “a medium through which problems can be aired and solutions arrived at” (Deutsch 1969, p19). In this instance,

functional conflict may increase the relationship productivity and be seen as “just another part of doing business” (Anderson & Narus, 1990, p45). The authors also go on to state that “firms who have developed strong trust in a relationship are more likely to work out their disagreements amicably” (ibid p45).

A number of senior commercial leaders within fast-moving consumer goods (FMCG), industrials, and financial services (FS) have recently challenged the relentless pursuit of utopia or the nirvana of deeply interdependent customer relationships, strategic partners and trusted advisor status. They point to two key areas

that are worth consideration and supported through B2B scholarly research – for example, (Grabher, 1993; Gargiulo and Benassi, 2000; Gargiulo & Ertug 2006; Hammervoll & Toften 2013; Tushman & Anderson 1986; and Uzzi, 1996 & 1997) to name but a few.

Concerns

The first area of concern is the over investment within relationships that are never going to be more than transactional. The second concern relates to the over-dependence that can develop and has the potential to deliver relationship catastrophe if it implodes, or a gradual reduction in value as it declines.

Within the world of B2B customer management, the continued and often relentless rise of consolidation within our customer base is very common – that reliance on a significant amount of our business within the hands of the ever-more-demanding few. In addition, there is the continual struggle to resist and deflect the pull of the “black hole” of commoditisation.

Perhaps you have been on the receiving end of a customer using coercive power to gain a relational advantage? Some would call this opportunism. How did you feel and what did you think? After the initial thoughts of revenge had subsided, perhaps you objectively, coolly and calmly set about salvaging the relationship through strategic value-adding insight and trust-based negotiation. However, it is still a less than pleasant side of customer management.

Some of you may also have found yourselves within a relationship that feels too comfortable and over dependent, or taking over a customer where the customer relationship is just “too cosy”. The benefits (performance) between both sides have been in gradual decline for a while, or not delivering what the organisation expects, yet the relationship seems to remain positive. This resonates with most senior leaders, discussing how a relationship could stagnate and become over-dependent on each party.

Excessive trust

Authors in the field of trust, Gargiulo & Ertug (2006) looked at the effects of excessive trust: “Trust is a good thing, but there can be too much of a good thing too” (p183). The relationship starts to operate without consideration to the external environment, competition or turns a blind eye to service and/or quality shortfalls; in essence when good goes bad and the dark side of trust emerges.

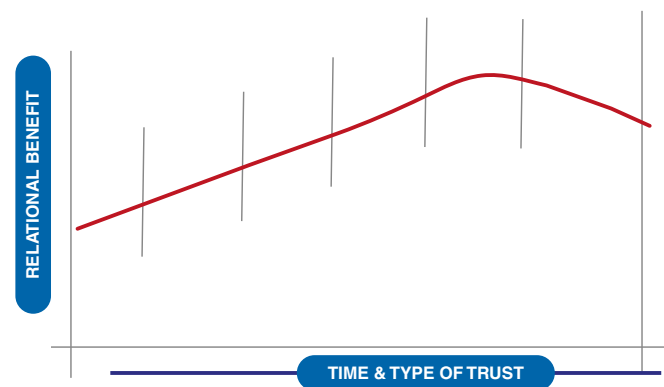


Figure 1: Over-dependence can become detrimental

The relationship develops over-dependence through excessive trust. Gargiulo & Ertug (2006) show how easy it is to tip from the benefits of an interdependent trust-based relationship into the “brambles and nettles” of the detrimental effects offered

from an over-dependent relationship, where the relationship has become locked into internal routines and practices or controlled between two or three principal contacts. This over-dependence and over trusting can cause negative as well as positive effects (**Figure 1**).

As (Gargiulo & Ertug 2006) argue, for example:

1. Trust diminishes information gathering and processing costs by reducing the need for monitoring and vigilance; however, it can lead to blind faith, which substantially increases the risk of malfeasance.
2. Trust leads to greater satisfaction with and commitment to a relationship; however, it can also lead to complacency and to the acceptance of less-than-satisfactory outcomes from such a relationship.
3. Trust leads to expanded communication and strategic information exchanges (Hammervoll & Toften 2013) but it can lead to over-embedded relationships that create unnecessary obligations between the parties (Gargiulo & Ertug 2006).

Personal relationships

At best, these relationships may fall into long-term decline but are rescued before they become negative. A common theme here is the often personal nature of the relationships, arising from the “one to one” contact that develops – for example: “That’s Harry’s customer, everything has to go through him”; and Harry deals with Bill, a similar gate-keeper on the customer side of the business.

This arrangement is still prevalent within many sectors including industrials, financial services and investment banking B2B customer management, to name but a few. When exploring the sub-prime fiasco, subsequent chaos in the United States and knock-on financial meltdown during 2008, a high level of over-dependent relationships turned a blind eye to the obvious, until it was too late. This is a stark reminder of what can happen when these relationships implode.

Lock in

As Dowell (2013) identifies, some customer relationships never achieve their true potential as they get stuck within the initial affective stage of relationship development. They remain locked into the personal level of: one-to-one contact, liking, familiarity, intuitive behaviour and actions. This prevents the development into the cognitive stage that unlocks additional value potential.

The dark side of over trusting is not only limited to one-on-one, gatekeeper-type relationships, but also extends to intra/intergroup relationships. Caruilo & Benassi (2000) discuss how this occurs with a reduction in the co-entity’s responsiveness to external conditions; people with strong bonds tend to build self-reinforcing business processes that make them less able to adapt to environmental changes (Tushman & Anderson 1986).

Uzzi, (1996) posits that high-trust relationships normally develop into an intricate set of mutual obligations and commitments. These could amplify the cost of corrective action, rather than highlighting corrective action in relation to declining performance or relationship inequities.

Another consideration is a cognitive one. High trust breeds strong bonds of familiarity and mutual understanding that greatly facilitate cooperation (Gulati, 1995); however, this may have a downside as a filter for information reaching the key relationship partners. This scenario generates a cognitive “lock-in” that isolates the firm from the outside world (Grabher, 1993; Uzzi 1997).

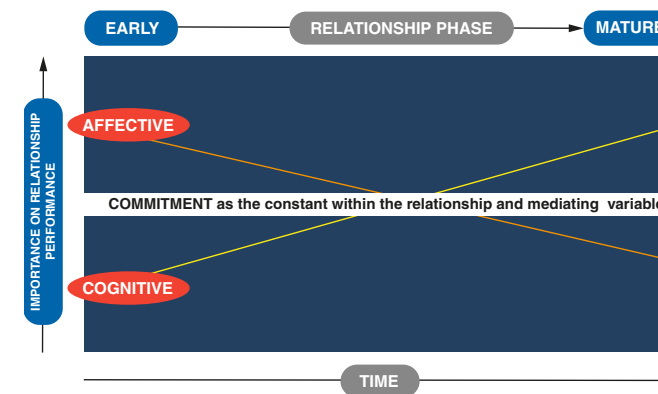
This lock-in or relationship bubble has the ability to

develop relational inertia (Gargiulo and Benassi, 2000) and can make high-trust relationships extremely resilient to losses in their instrumental value. In essence, excessive trust in one’s partner delays the triggering of corrective action in the face of an objective performance decline, which causes larger and more sustained losses in benefits for the trustor before corrective action is ultimately engaged upon.

Key issue

What does this mean in relation to day-to-day business? During a number of recent interviews within the financial services sector this type of relationship surfaced as a key issue for the management team. When the relationship is controlled through one person in conjunction with an opposite number operating in a similar way, it is unclear who owns the relationship and over-dependence masks relationship benefit shortfalls.

This is also supported through the study by Dowell (2013) who argues that mature relationship performance is more dependent upon cognitive trust (competence) – see **Figure 2**. This means an organisation still applying affective elements (relational, liking and intuition) may fail to realise true potential from the relationship.



Source: Dowell D, Morrison M., Heffeman T. (2013)

Figure 2: Mature relationship performance is more dependent upon cognitive trust (competence)

We have seen the opposite within the FMCG retail sector, with large retailers rotating the buying team on a regular basis to prevent the development of a relationship that may lead to anything other than hard-fought retailer upsides. It would be interesting to analyse the increase in the cost to serve as suppliers ring fenced and mitigated against this approach on their commercial terms. A level of common sense seems to have prevailed as this has now re-balanced with the emergence of joint development, joint action and joint business planning initiatives for the more proactive suppliers.

When putting the two together we can apply two dimensions: one that focuses on the development of excessive trust; the other focuses on the relational dynamic that accompanies this over-dependence.

One interviewee highlighted the identification of this factor within his organisation and had implemented a policy within the customer management team that rotated the account managers and client directors every five years – however, not all at the same time. This retained high levels of strategic customer insight, trust and joint development potential, without the relationship tipping into over-dependence.

He indicated the ability of the new team to be up and running within three months, relying on an effective customer

relationship management (CRM) system as the enabling platform. This process aimed to break the development of relationships that became over dependent and excessively trusting.

Functional conflict

How can we prevent the relationships from becoming over-dependent?

Functional conflict refers to the healthy and vigorous challenge of ideas, beliefs, and assumptions (cf Baron 1991; Cosier 1978; Tjosvold 1985). It refers to the constructive form of conflict that has been argued to exist within innovative and successful organisations (Eisenhardt & Bourgeois 1988; Pascale 1990).

In such organisations, individual departments demonstrate not only a willingness to consider new ideas and changes, they also volunteer information and ideas to others within the organisation (Baron 1991; Tjosvold 1982). During functional conflict, there is give and take and a more consultative relationship among organisational members, and opinions and feelings are expressed freely (Cosier 1978; Tjosvold 1985; Schwenk 1989).

The development of functional and/or healthy conflict and tension prevents the development of over-dependence and excessive trust, enhancing the relationship through shared experiences. The accumulation of war stories, jointly overcoming adversity and shared experiences is a key trigger of trust building, loyalty and relationship development.

1. We develop the relationship mechanisms that extend the relationship beyond one person and include others who balance the relationship and ensure objectivity – extended beyond the gatekeeper through other stakeholders brought together through a stakeholder map or plan.
2. Explore relationship quality with customer contacts that move beyond the principal contact.
3. Develop robust formalised relationship monitoring and review process, but don’t make it too onerous or it will add cost, complexity and salespeople are unlikely to fully comply. However, there needs to be enough to call the key contacts to account and keep the customer management healthy.
4. Implement a formalised relationship review mechanism that picks up when performance shortfalls occur or targets/forecasts are missed in consecutive periods to trigger corrective actions.
5. Customers can take for granted a supplier’s willingness to undertake what the supplier perceives to be relationship-enhancing activities, such as information provision, analysis and insight generation. These become obligations over time and a significant drain on resources, cost to serve and customer profitability; for instance, one customer had a supplier undertaking detailed analysis and insight generation on its behalf

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through a dedicated team of five. Those individuals wouldn't share what they were doing as, in their eyes, it breached customer trust. A regular cost-to-serve and cost-benefit analysis ensures activities of this kind remain equitable.

Team management and monitoring of large customers through frequent visits and a formalised customer-review process overlaid with the relationship quality ensure early indicators are spotted and corrective action put in place.

6. The rotation of the wider customer team over a five-year time frame allows positive trust-building elements to be developed, embedded and successfully passed on for onward development without compromising the overall relationship.

7. The enabling platform of customer information, held within an accessible systems, breaks over-dependence on one or two individuals for all the customer information and provides the platform for wider cross-functional involvement.

Using functional conflict to prevent over-dependence

There always will be disagreements or "conflict" in relational exchanges (Dwyer, Schurr & Oh 1987). Effective conflict resolution has a critical role to play in the prevention of relationship breakdown (Park et al, 2012; Robson et al 2006; Graca, Barry & Doney, 2015). Various definitions exist; however, conflict resolution behaviours are normally offered as: avoiding, accommodating, compromising, solving or collaborating (Mohr and Spekman, 1994; Monczka et al, 1998; Ndubisi, 2007).

“Some customer relationships never achieve their true potential as they get stuck within the initial affective stage of relationship development.”

This may seem obvious; however, when buyers and suppliers are cognisant of potential conflict situations and regularly take actions to avoid them, the research indicates that both sides enjoy greater success (Anderson & Narus, 1990; Carlson et al 2011). Graca, Barry & Doney (2015) looked at the role of conflict resolution in improving collaboration, feedback and power balance, enhancing the buyer-supplier relationships. Their research supported conflict resolution as a positive influence on performance satisfaction (Graca, Barry & Doney, (2015, p808).

Healthy conflict also leads to the development of war stories, used between both sides to reinforce the strength of the relationship, and is seen as a key trust builder. Scholars either propose or find that communication and past cooperative behaviours lead to the perception that conflict is functional (Anderson and Narus 1990; Deutsch 1969). However, they argued that it is trust that leads a partner to perceive that future conflictual episodes will be functional.

Past cooperation and communication, we propose, will result in increased functionality of conflict as a result of increasing trust. Morgan & Hunt (1994) indicate that trust

influences the way in which disagreements and arguments are perceived by exchange partners.

When trust is present, parties will view such conflict as functional. Therefore, they can discuss problems openly because they do not fear malevolent actions by their partners.

Power

Among the important outcomes (Mayer et al, 2011; Morgan Hunt, 1994) studies is the area of acquiescence within a relationship. Why do firms acquiesce to or comply with the desires of others?

Marketing's traditional answer has been that compliance results from the exercise (or one's fear of the exercise) of power, which, since Hunt and Nevin (1974), customarily has been divided into two types, coercive and non-coercive. However, to most practitioners, the term power implies, or at least strongly connotes, coercion – that is: "Do this or else!" If one does not have the ability to force compliance, then one may be said to have some degree of influence, but not genuine power.

In this vein, Young and Wilkinson (1989) argue that marketing's emphasis on power and conflict as key concepts for studying channels has "distorted the understanding of how channels functioned. The emphasis was on sick rather than healthy relationships"(p33). Instead of acquiescence resulting from the exercise of power, as in sick relationships, it is suggested that in "healthy" relationships partners acquiesce because of their commitment to the relationship, (Morgan & Hunt 1994, p33).

In short, whereas the exercise of coercive power yields compliance because firms are compelled to do so, firms committed to the relationship acquiesce because they want to do so. Long-run relationship success, scholars argue, is more likely to be associated with the absence of the exercise of coercive power and the presence of commitment and trust.

Furthermore, dependence varies directly with the value received from a partner and inversely with the availability of alternative trading partners (Morgan & Hunt, 1994; Cook and Emerson, 1978). In those terms, feelings of dependence can result from relationship benefits and relationship termination costs.

We need to also acknowledge that the exercise of power (based on dependence) in specific episodes can lead to a partner's acquiescence. However, the continuing exercise of power to gain acquiescence also destroys trust and commitment, which decreases cooperation and inhibits long-term success. As previous research supports (Lusch 1976), the use of power will also result in conflict (of the dysfunctional kind).

In summary, power:

1. results from relationship termination costs and relationship benefits;
2. positively affects acquiescence and conflict; and
3. negatively affects relationship commitment and trust.

This negative effect on relationship commitment and trust over the long term will decrease cooperation and diminish overall relationship success. Power, then, like opportunistic behaviour, affects long-term relationship building.

Conclusion

We often hear of relationships where the supplier has become dependent upon a single customer or small group of large customers. They feel vulnerable to the power the customer could wield even within a trust-based relationship. This power could manifest itself as coercion, autocratic dictates or veiled threats around future relationship value potential.

Even deeply interdependent, strategic partners and trusted advisors can find themselves on the wrong end of a large customer suggesting a course of action that isn't in your short-term best interest. This may lead to acquiescence and a feeling of non-mutual benefit. Within a trust-based relationship this could be seen as functional conflict.

Relationship levels

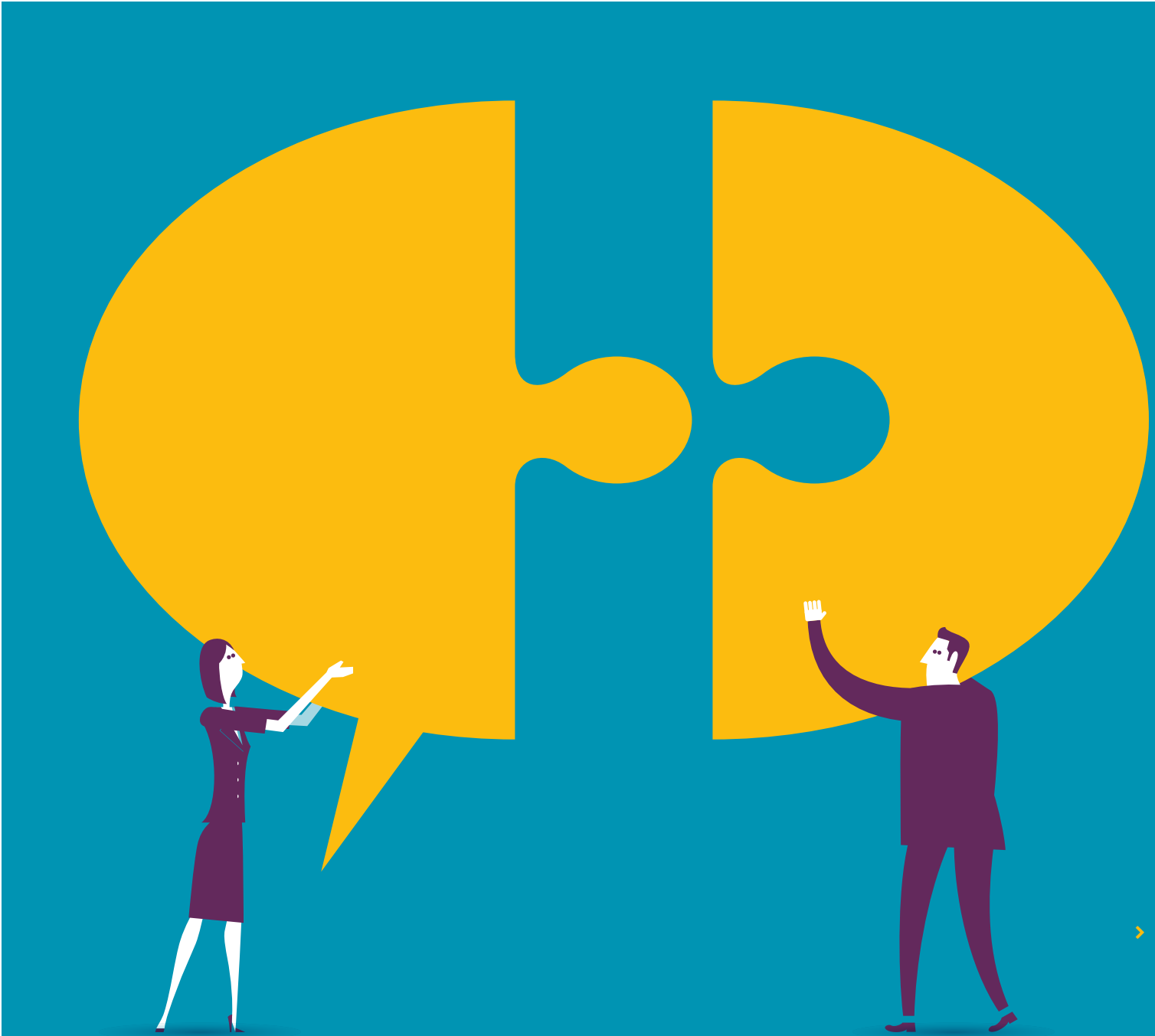
Relationships can operate at multiple levels within a customer: for instance, at "head to head" organisational level it can operate within a strategic interdependent framework. The conflict or skirmishing is tactical in nature at account manager/buyer level. This tension within the relationship ensures a regular review of the checks and balances undertaken.

This guards against levels of power that result in unacceptable acquiescence, which ultimately leads to a breakdown in trust and an increase in cost for both sides; for instance, witness the relationship breakdown between UK dairy

farmers and Asda/Morrison (Qtr2, 2015) over the terms and conditions they are operating under for milk supply.

It also acts as a check step to the relationship moving into over-dependence and excessive trust, and the accompanying

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negative relational connotations. Commonly referred to as “relationship driven”, such scenarios can still be found within certain financial institutions.

In some instances they display the traits of excessive trust and over-dependence. This results in neither side questioning the performance of the other, the external environment and getting locked into a “bubble of relational reality” that may not be the organisations wider best interest or society in general.

We have also seen this manifest within supply agreements, where over-dependence and excessive trust led to relationship collapse when the customer was acquired by a competitor that was supplied by the supplier's competitor.

In a multilevel relationship the healthy tension through tactical functional conflict, leads to relationship appraisal and review. This opens up the situation to more than the key actors; it also ensures the prevention of a drift at interpersonal level into over-dependence and excessive trust. The relationship at group/team or even organisational level may be neutral, shallow interdependence, yet oblivious to

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When trust is present, parties will view conflict as functional. Therefore, they can discuss problems openly because they do not fear malevolent actions by their partners.

the commitment the actors at interpersonal level have made without proper reviews, measurement and, in some cases, regulations.

Therefore, in order to prevent the drift of interdependent customer relationships into over-dependence a number of preventative measures can be instilled into the organisation's customer management, as indicated. If you face coercive power then it's advisable to understand the level of trust that exists within the relationship to enable the team to handle it within a functional conflict framework.



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