



DOCTOR OF BUSINESS ADMINISTRATION
PORTFOLIO/DISSERTATION SUBMISSION
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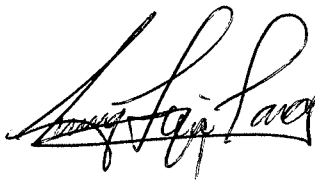
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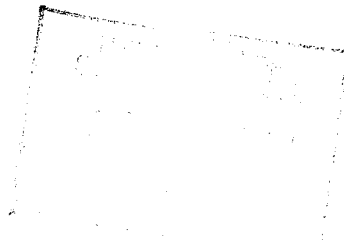
Date: 20th Oct 2004

**A STUDY OF CHANNEL CONFLICT IN FROZEN FOOD
DISTRIBUTORS IN MALAYSIA AND THE PHILIPPINES**

Leong Siew Pong

**Submitted on this 20th of October in the year 2004 for the partial
requirements of the degree of**

**Doctor of Business Administration
International Graduate School of Management
Division of Business and Enterprise
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Overview

There appears to be a dearth of studies focusing on the behavioural aspects of channel conflict in the developing nations, including the countries in South East Asia. It is important to recognize the tension that exists between all behavioural components and the inherent difficulty of securing the trust from most of the family owned frozen food business enterprises across the region. It is a seamless process to minimize conflict and improve channel efficiency or performance. While pursuing this path, one must be realistic about the challenges of supply chain collaboration. It is not the intention of this study to position particular theories into 'clean' positions, but rather to develop an overall perspective of channel conflict. It gives cognizance to the fact that in today's competitive global business environment, the survival of a company also depends on cross-cultural sensitivities. The ability to change quickly in the market is costly for others to imitate, which could be a source of competitive advantage. The culture in Asia is entangled with inter-personal networks formed by transnational family-controlled enterprises that rely heavily on trust and interpersonal connections, which may pose problems and create implications for an international channel strategy. There is a need to establish effective cross-cultural channel strategies that are capable of preventing conflict from escalating and becoming uncontrollable.

The core content of the Paper One was drawn from various behavioural sciences in an effort to illustrate the meaning of channel conflict and its impact on performance efficiency and other behaviour-related aspects, namely, distributor trust, cooperation, and commitment within the framework of channel studies. It focused on a conceptual approach for the understanding of the importance of inter-organizational relationship backed by the constructs of power, conflict, and communication. Agency theory and Transactional theory were used to determine the intentions of a manufacturer searching either for a new distributor or opting for an internal sales organization, particularly when the distributor fails to comply with the requirements and objectives of the manufacturer, or when the cost of monitoring or wastage caused by channel conflict becomes too expensive. It also highlighted the need to measure conflict as a research variable and to explore the information gap.

The relationship between conflict and trust, commitment, cooperation, performance and satisfaction was covered in Paper Two. The channel conflict framework proposed by Magrath and Hardy (1989) was highlighted. The results of research on channel conflict among distributors in Malaysia indicated that medium level channel conflict negatively affects trust and commitment of the distributors. It however has no direct influence over the levels of cooperation, satisfaction and performance of the distributors. Interestingly, a distributor's trust, cooperation and performance vary at different levels of channel conflict. All the behavioural dimensions scored the highest in frequencies when conflict is maintained at a particular level. A bell shape curve '∪ shape' (Performance affects Conflict) and '∩ shape' (Conflict affects Performance) were formed when conflict was tabulated against all behavioural dimensions especially on performance (the latter is not supported by empirical evidence). Results supported the long-held view that to a certain extent, a distributor's trust and cooperation have a relationship with the level of satisfaction and performance of channel members. The need to address the 'transferability' of the findings in Paper Two lead to Paper Three, where channel conflict was explored in an international business environment, with the Philippines being used as a comparison against Malaysia.

The key findings revealed a new perspective on how culture and quality distribution systems could affect channel conflict. Under this view, the comparison of these two countries in terms of values, norms and working attitude, established the framework for studying channel conflict in an international market context. Both markets were perceived as identical in terms of cultural distance. Quality distribution systems did not show any significant result over channel conflict and other behavioural dimensions. A bell-shape curve '∪ shape' and '∩ shape' resurfaced again when conflict was measured against distributor trust, commitment, cooperation, satisfaction and performance (the latter is not supported by empirical evidence). The findings showed that a common channel strategy is workable for Philippines and Malaysia because these two markets are perceived as similar to each other (low context perspective). Notwithstanding, one must not view South East Asia as a single cultural unit. Overall, cultural integration - based on the tenets of collectivity, reciprocity and sensitivity - must be observed in managing distribution networks in South East Asia. Finally, any business strategy will be invalid if it is pursued without

clear understanding of the cultural roots of a particular society. The best way to understand management and culture in South East Asia is to appreciate the common values that are fundamental to organizational culture, which will ultimately help resolve conflict and achieve channel goals effectively.

In summary, distributor trust and cooperation can be maximised when channel conflict is at an optimum level. In other words, the goal of a principal is to manage a distributor by 'internalizing' control through the various behavioural dimensions. Ultimately, being respected is a better way towards leadership excellence than being feared.

Acknowledgement

The researcher would like to extend his appreciation to Dr. Darryl Dymock and Dr. Quek Ai Hwa. Their valuable advice and guidance have contributed to the birth of this portfolio. Also, not forgetting the comments and support given by Professor Leonard Young and statistician, Dr. Amran.

This thesis is dedicated to my wife and my two adorable daughters, Megan and Mirabel.

**“It is important in building our organisational machines not to exclude the dissenter, the ‘Outsider’, the non-conformist.”
- Leo Burnett 1891**

**THE IMPACT OF CHANNEL CONFLICT ON DISTRIBUTION
EFFICIENCY: A LITERATURE REVIEW**

Leong Siew Pong

**Submitted on this 20th of October in the year 2004 for the partial
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Abstract

The primary purpose of this paper is to introduce, describe and explore the concept of channel conflict, which relates to the analysis of channel distribution. The content has been drawn from various behavioural sciences in an effort to illustrate the meaning of channel conflict and its impact on performance efficiency, cooperation, relationship, and satisfaction in distribution within the framework of channel studies. This paper also focused on the conceptual approach for an understanding of the importance of inter-organizational relationship in relation to the constructs of power, conflict and communication. Agency theory and Transactional theory with possible implications for the understanding of conflict between organizations were also discussed. The conclusion addressed the direction for future research. Firstly, there should be research on measuring the conflict variable. Secondly, future research should examine the relationship between conflict on trust, commitment and cooperation, performance and satisfaction. Finally, it is also suggested that research should explore whether different conflict levels would lead to varying degrees of performance or financial returns.

Introduction

In the recent decade, large consumer packaged goods manufacturers enjoy high market and bargaining powers relative to distributors. More often than not, this was based on merely pull and push strategies (Magrath & Hardy 1988) in which manufacturers spend lavishly on advertising to build strong brands while distributors were obliged to carry their brands. However, due to recent trends in trade concentration, proliferation of brands, intensified global competition and several other developments, there has been a clear shifting of power to distributors relative to the manufacturers (Kotler et. al. 1995). English, Lewinson and Delozier (1981) contended that wholesalers would emerge as the dominating force in the channel distribution system. On the contrary, Mallen (1967) predicted that there would be a switch of power from wholesaler to manufacturer and ultimately, the retailer. It is not uncommon for a manufacturer to provide services other than products such as promotional and sales support, product exclusivity, and attractive product margin and credit terms to a distributor who, in turn, promises to perform all his basic roles and responsibilities, from storing to distributing the products effectively.

Power inequality between a principal and his agent/ channel partner more often than not causes cheating behaviour on the weaker party over time in order to alleviate his accumulated dissatisfaction or sense of injustice (Hardy & Magrath 1989). For example, it is very common to find distributors or dealers in the Malaysian frozen food industry maintaining the obliged minimum level of inventory and cheating occasionally by selling cheaper competitive brands.

Parallel with the rapid market growth in the frozen food industry in Malaysia and the rest of the countries in South East Asia, there is indeed a demanding need to address the operational complexities and complications of the traditional distribution channel consisting of medium to large size distributors, namely, constant in-fighting over pricing, product range/ positioning, territory overlaps/ exclusivity, refusal of information sharing, and dispute over marketing fund allocation.¹ These are all counter-productive and have a negative impact on the efficiency of distributor performance. Global competition and

¹ Based on writer's past work experience in Kellogg's, Coca-Cola and McCain in Malaysia

maturing domestic markets are creating increasingly competitive conditions, which in turn pressure manufacturers to decrease their investments in conventional channels and to search for options with less channel investments or force or persuade the distributors to invest more instead (Siguaw, Simpson & Baker 1998). This is very true in Malaysia as more and more companies are outsourcing selling and logistics functions to trading partners, namely wholesalers and distributors, replacing their own high maintenance sales force.

There are many definitions for 'marketing channel'. It can be expressed as a physical path for any goods to move from the manufacturer to the end-user. It can also be defined as an alliance of independent commercial entities, united by a common business objective - ensuring timely delivery of goods to meet market demand. It was stated that channel construct is a structure, which encapsulates intermediaries such as distributors, dealers, wholesalers and retailers linked by an integrated product flow in order to achieve competitive advantages (Svensson 2002; Neves, Zuurbier & Campomar 2001). In short, marketing channel can be defined as, 'the external contractual organization that management operates to achieve its distribution objectives' (Rosenbloom 1999, p. 9). It can also be further defined as, 'An organized network (system) of agencies and institutions, which, in combination, performs all the activities, required to link producers with users to accomplish the marketing task' (Berman 1995, p. 5). In today's business environment, there is a growing tendency to name channel related activities, namely responsive logistic service, effective supplier management and customer relationship management as supply chain management (Fawcett & Magnan 2002). The terms of marketing channel and distribution channel are used interchangeably throughout the text.

Channel distribution plays an important role in ensuring product accessibility to end users. The success or failure of any new product launch or product strategies is highly driven by the capability of its channel distribution (Magrill 1996) as well as strong support and participation by channel members (Rosenbloom 1984). Although extensive researches have been carried out on the behavioural aspects of channels in the US and European companies, little has been done on the distribution channel of frozen foods in

Asia Pacific, particularly Malaysia. According to Liu and Wang (1999), they attempted to fill in the information gap of distribution channels in China by investigating a few foreign funded companies in China. These papers will contribute to a systematic understanding of the much-neglected field of channel management from a behavioural perspective within the context of a local frozen food industry. The result and practical recommendations could potentially enlighten the FMCG (Fast Moving Consumer Goods) manufacturers on how to best manage the most commonly encountered channel related issues.

Firstly, some of the prominent behavioural dimensions of channel conflict related studies will be visited and any significant trend of thoughts will be identified. The primary objective of this paper is to review the literature on channel conflict in goods distribution. This effort would subsequently lead to the development of a conceptual framework based on readily available research works and theories. In essence, to create an efficient channel distribution, one must not overlook the impact of conflict and its potential consequences on the survivorship of the channel system. Following this, a brief exposition of the relationship between channel conflict and efficiency will precede the detailed discussion of the Transactional Cost Analysis and Agency Theory for the distribution channel. Finally, the direction for future research and framework is recommended in order to analyze the pertinent constructs.

History: channel conflict

A review of past channel-related studies in the late 1950's and early 1960's showed channel of distribution has been seen as a social system being explained from behavioural and economic perspective (El-Ansary 1971). Within the dimension of conflict (Appendix 1), behavioural constructs, namely, 'actual conflict', 'potential conflict', 'functional and dysfunctional conflict' and 'causes of conflict' have received significant attention from past fellow researchers (Hunt, Ray & Wood 1985). Out of these constructs, 'actual conflict' was not as widely discussed among researchers in the 1970's and early 1980's. In the 1980's, 'causes of conflict' seemed to attract much research interests. As shown in Appendix 1, it is very obvious that there is a lacking of research done in measuring conflict in terms of levels, particularly in the frozen food industry in the 21st century. The

theme of channel planning dominated the research era of the 1990's (Appendix 2). In line with the growing attention on channel conflict, power construct also attracted growing interest from channel research works from the 1950's to the early 1980's. For instance, Gaski (1984) highlighted the issue of different power perceptions of the channel member in a channel dyad.

The common perception of channel conflict in the early days was confined to how to promote cooperation by eliminating channel conflict (Zikmund & Catalanello 1976). It was not uncommon to hear a statement like "if conflict got out of hand, you are in trouble." Subsequently, researchers found that a certain level of conflict is conducive for efficiency. Notwithstanding, there are still doubts on what is the most appropriate level of conflict. Separately, Hunt, Ray and Wood (1985) commented that relationship-related aspects of channel studies have been much neglected since inception. A few constructs such as channel cooperation, performance and roles are now being recognized as central to discussion by the inter-organizational relationship theories. For instance, Alter (1990) commented that there are researchers who only purported channel conflict in their studies of organizational relationships while others emphasized on cooperation or interpersonal relationships among channel members. A review of past channel studies does highlight a knowledge gap on how to measure conflict levels in order to uncover its impact on the pertinent constructs that are deemed to be important to inculcate performance efficiency in a distribution channel.

Studies of conflict

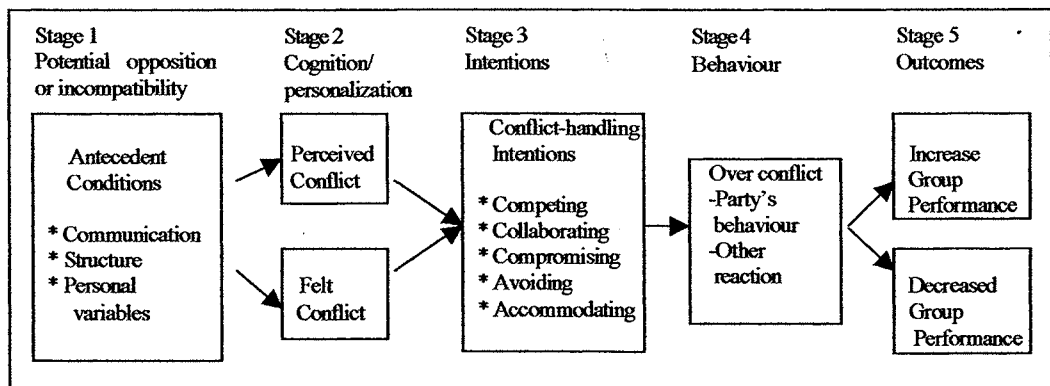
Conflict can be a serious problem in any channel distribution. It might not bring about the demise of a channel member but certainly it can hurt the overall channel performance as well as loss of many good channel members. The influential work of Hunt, Ray and Wood (1985) in the early 1980's provided a helicopter view of the literature in channel studies. Some of the interesting citations worth mentioning are as follows:

- i. Most of the theorists have a commonly held view that conflict is prevalent throughout all channel distribution (Robicheaux & El-Ansary 1975; Rosenberg & Stern 1971).

- ii. Etgar (1979) proposed channel roles, expectations, perceptions, communication and the structural dimensions of goal divergence, drive for autonomy, and competition for scarce resources as the major causes of conflict. Basically, these are grouped into two distinct sources of conflict classified as attitudinal and structural causes.
- iii. Rosenbloom (1973) proposed modest (threshold concept) levels of conflict as means to maximize channel efficiency.
- iv. Assael (1968) highlighted two main solutions to channel conflict through political and self-resolution in retail and wholesale trade.

Conflict is defined as ‘A process that begins when one party perceives that another party has negatively affected, or is about to negatively affect, something the first party cares about’ (Robbins 1996, p. 505). An example of the conflict process comprises five stages as shown below: potential opposition or incompatibility, cognition/personalization, intentions, behaviour and outcomes. This is similar to the sequence of conflict episodes proposed by Pondy (1996).

Figure 1.1 The conflict process



Source : Robbins (1996, p. 508)

The term conflict encompasses a wide range of disputes attributable to incompatibility of goals, differences over interpretations of ideology; disagreements based on expectations and domain dissensus (Reve & Stern 1979). According to the behavioural dimensions of channel studies, the conflict phenomenon is inescapable and inevitable which is mainly caused by goal divergence, channel members' frustrations with each other's behaviour, and excessive drive for autonomy and attempts to control (Wilkinson 1996; Reve & Stern

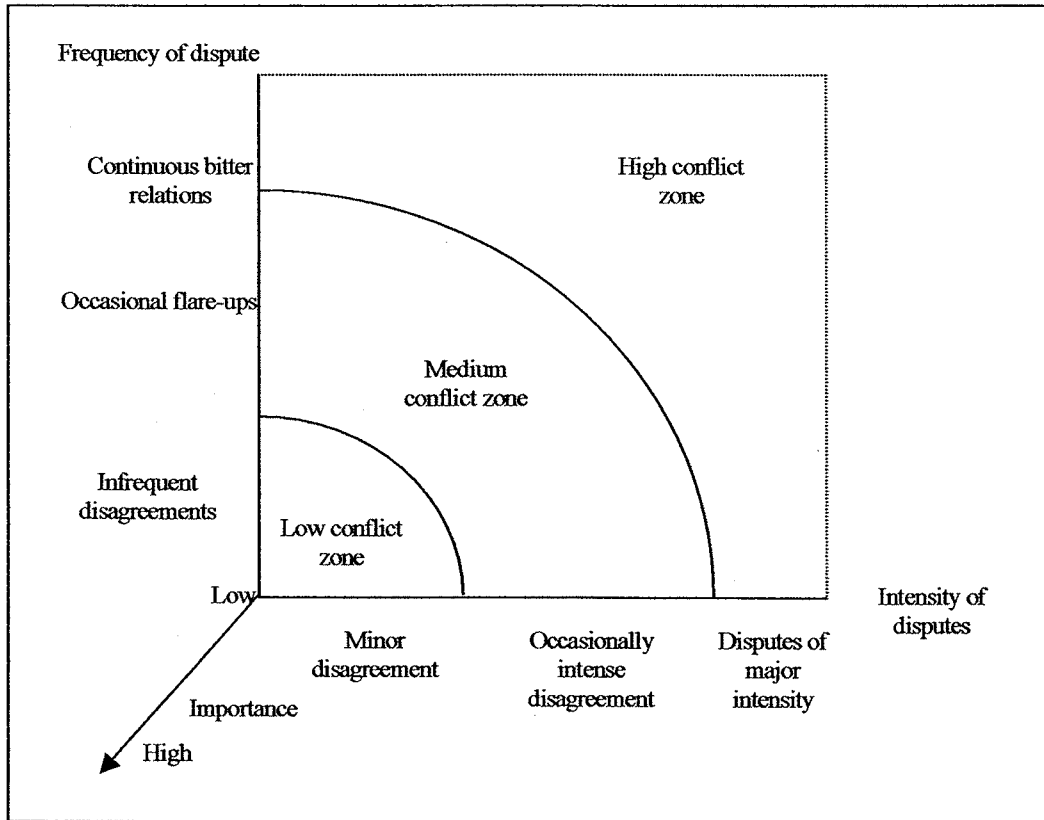
1979). Rosenberg and Stern (1971) explored the causes of conflict and found that there is a strong positive correlation between channel membership (duration) and conflict level with the manufacturer. Channel conflict can be expressed in the form of development phases, for example, starting with state of incongruence to perceived conflict and later, transiting from affective conflict to manifest conflict/ outcome (Frazier 1999; Cadotte & Stern 1979). There have been attempts to determine the causes of conflict in affective and manifest situations. Etgar (1979) commented that attitudinal causes have stronger correlation with affective conflict and manifest conflict as compared with structural causes, which imply the use of a good communication program (knowledge transfer) to resolve conflict (Burkink 2002).

Conflict is further categorized into two dimensions – frequency and intensity. According to Webb and Hogan (2002, p. 341),

‘Conflict frequency can range from sporadic disputes and occasional disagreement to protracted bitter relations. Conflict intensity can range from minor flare-ups that are easily forgotten to major disagreement with long lasting consequences’. (refer to Figure 1.2)

Brown and Day (1981) examined various measures of manifest conflict and suggested that the most appropriate measure of conflict is frequency of disagreements and intensity of conflict behaviour as well as the issue of concern/ importance. In Figure 1.2, Magrath and Hardy (1989) utilized the dimensions of measuring conflict: frequency of disagreement and intensity of conflict, and further developed it into three different zones of conflict, ranging from low, medium to high conflict. In short, they both proposed that conflict is a function of frequency of disagreement and intensity of conflict. According to Magrath and Hardy (1987), some of the pitfalls which must be avoided in managing distribution channels which may invite conflict are: manufacturer bypassing the appointed channel members (resellers), over-saturation (appointing too many resellers), too many layers in the distribution design, and practice of ‘double standard’ channel policies. Depending on the research scope and objective, conflict can be defined in many ways, for example, independent or dependent variables (Hunt, Ray & Wood 1985).

Figure 1.2 Modeling levels of conflict between manufacturer and resellers



Source: Magrath & Hardy (1989, p. 95)

More often than not, firms attempt to reconstruct the supply chain so that it becomes more effective and efficient - a process that will disrupt the traditional channels resulting in internal conflict, supplier's (manufacturer's) channel managers (Metha, Rosenbloom & Anderson 2000) and externally with other distribution partners (Webb & Hogan 2002). According to Webb and Hogan (2002), channel conflict can lead to two possible outcomes. Firstly, horizontal conflict (externally) and price war or competition within the same industry/ product type (Palamountain 1967). Secondly, vertical conflict (internally) where conflict happens between the manufacturer's organization and its channel partners (Palamountain 1967).

Vertical conflict normally happens in the same distribution network but at different levels, which sometimes gives rise to another type of conflict called intertype competition, which is the birth of hypermarket chains as opposed to the traditional hostility between

wholesaler and retailer (Stern & Heskett 1969). The methodologies, designs and various channel studies are shown in Appendix 3. Reve & Stern (1979) contended that studies (see Appendix 3) have demonstrated that conflict in marketing channels could be measured both in empirical and experimental research. They also showed that vertical conflict is very common in a marketing channel where high interdependency exists. As commented by Robicheaux (1976), channel system is associated with interdependency in terms of organizational objectives and performance level, which require inter-firm coordination. The process of reallocating system resources usually causes conflict between interdependent business organizations. Nevertheless, the structural aspects of an organization involving functions and roles must be realigned to meet the requirements of the total channel system (Assael 1969). Overall, the success of the channel system depends on how effective conflict resolution strategy is used (Pondy 1996). Gabrielsson, Kirpalani and Luostarinen (2002) commented that increasing e-commerce will add more choices to channels, resulting in multiple channels, where conflict is likely to intensify.

*Appendix 3 describes the past empirical studies namely, sample size, research design and types of conflict.

Studies of channel power

Channel power and conflict are closely related to each other within the channel system. Channel power is defined as 'the ability to control the decision variables in the marketing strategy of another member in a given channel at a different level of distribution' (El-Ansary & Stern 1972, p. 47).

Early channel literature is built on the premise of the political aspect of channel behaviour (conflict) or the struggle of power among companies (Ford 2002). As advocated by Wilkinson (1996), it is basically incomplete if the study of the behavioural dimensions of a distribution channel fails to incorporate power and conflict as well as economic factors. As pointed out by Reve and Stern (1979), the Wilkinson-Kipnis research suggested that the power element is inseparable from any study of conflict. It is also usually related to constructs such as satisfaction and performance (Gaski 1996). A number of influential literature in the early 1980's have provided a 'snapshot' view of channel power:

- i. El-Ansary and Stern (1972), in their research on power and conflict, found when power was diffused throughout the channel, high amount of conflict was present.
- ii. Stern, Schultz and Grabner (1973) found problem-solving behaviour or methods more effective than imposing threat for example, the use of punitive measure (power) to resolve conflict.
- iii. Lusch's (1976) findings showed that power imbalance would normally lead to franchisor-franchisee conflict and poor performance.

Wilemon (1972) suggested that the impact of the principal's influence on its channel members depends on factors such as the product, brand and financial strength within the parameter defined by the contractual relationship. The use of power is influenced by the relationship between the principal and its distributor, which covers the perceived magnitude of the power and interdependency as well as the overall goal of the channel system. Beier and Stern (1969) proposed that the prerequisite to better understand power bases such as scope, weight and domain, is to be able to comprehend the concept of dependency relationship, that is if party A relies heavily on party B, the latter will have more power. Stern and Heskett (1969) concurred on the importance of dependency relationship and commitment in strategizing inter-organizational conflict resolution. Price (1993) commented that interdependence among channel members has a moderating effect on the relationship between leadership, satisfaction and channel conflict. 'The lower the interdependence among channel members, the stronger and more positive the relationship between directive leadership and channel conflict' (Price 1993, p.261). In other words, the use of directive leadership in loosely linked channel system would breed conflict and hostility. As advocated by Wilkinson (1996), power can be seen as the key to foster coordination and reinforce cooperation in the channel community so that the adverse effect of conflict can be controlled, which is paramount to maintaining a profitable business. Dependency of a distributor on a supplier creates some power relationship in favor of the former (Hunt, Ray & Wood 1985). Some argue that power is a function of the interdependent relationship among channel members (El-Ansary 1971; Stern & Heskett 1969; Thompson 1969; Wilemon 1972; Wilkinson 1974). Similarly, Assael (1969, p. 573) also commented, 'The potential for conflict is high in systems of selective

and exclusive distribution, since they are characterized by high level of functional interdependence between manufacturers and dealers'. However, research findings in the study of Reve and Stern (1979) found the relationship between dependency and power remained unstable over time and the relationship 'interdependencies' were susceptible to disagreement and dispute. Similarly, Foster and Shuptrine (1973) found that when a key channel member has ample options of supply source, which means less dependency over the manufacturer, there is an inclination for conflict to occur.

Stern and Heskett (1969) proposed the least-conflict resolution method, by examining the different power bases, i.e. referent, expert, reward, coercive and legitimate. Reve and Stern (1979, p. 411) suggested that, 'It was found that conflict is lowest when referent and expert power are used and highest when reward and coercive power are used'. Lusch (1978) concurred on the direct relationship between the use of power bases and conflict, which implies that '...threats of coercion as a response to conflict tend to intensify and increase the frequency of conflict...' (p. 275). However, Etgar (1978) rejected this finding and claimed that Lusch (1978) overlooked the dynamic nature of power-conflict relations. According to Yavas (1998), the more powerful is a principal or firm, the more inclined it is to use force (coercive power) on its channel members, which would lead to mediocre performance (increased monitoring costs), reduced efficiency and heightened channel conflict. Lusch (1976) explored the effect of coercive and non-coercive power on channel conflict. His results indicated that auto dealers were dissatisfied and would subsequently resort to retaliation on manufacturers when the latter applied coercive tactics, hence a positive correlation between coercive power and channel conflict was found. Stern and Heskett (1969) advised an organization to optimize its business performance without using power, for example, threats or penalties, in order to minimize the undesired repercussions, such as conflict and dissatisfaction among its channel members. Notwithstanding, Yavas (1988) suggested that the underlying core pillars of channel study such as power-conflict and power-satisfaction relationships are intervened by certain moderators, namely *culture*. The research finding of Yavas (1998) revealed the fact that neither coercive nor non-coercive power sources are related to conflict in some cultures, as is the case in Saudi Arabia

where the exercise of power by a manufacturer over its distributor is an accepted norm of working behaviour in the automotive industry. In an authoritarian culture, the employees usually accept instructions without many objections. In a highly structured and authoritarian society, the roles of the younger members are clearly spelled out by the older members. It is true in most of the family owned businesses in South East Asia (Andres & Andres 2004).

As mentioned earlier, since the exercise of power is closely associated with conflict, it is the primary duty of an organization to choose the least 'conflict-free' method in order to serve the common goal of the total channel system (Wilkinson 1996). Shipley and Egan (1992) advocated that the main responsibility of a channel leader is to reduce channel conflict by piggybacking on channel member strength and downplays its weakness. This can be achieved via judicious use of power, as power abuses breed conflict and vice versa. The channel leader must not be selfish in delegating power to its channel members. By policing and scrutinizing their sales operation, the supplier is seen as breaching the standard procedure in the distribution system (Assael 1969).

Ford (2002) has examined the striking similarities and differences in channels, internationalization and networks. The channel literature was established on an understanding that whatever actions taken by the channel would affect the performance of the channel leader or other members in terms of product distribution strategy. As compared with internationalization, its focus of concern is the company itself and its relevant skills, resources and learning curve (Ford 2002). It also commented that the clear difference between network and channel literature is that, the latter focuses on inter-company conflict while the network approach emphasizes cooperation, complimentary and co-ordination and it applies beyond a simple dyadic relationship (Healy et. al. 2001). In summary, there is an absence of past research work that attempts to operationalize conflict levels in terms of measurement. Both of the theories on power and conflict need to be synthesized and unified before it makes any research sense, that is, does power imbalance give rise to conflict and vice-versa?

Channel conflict and efficiency

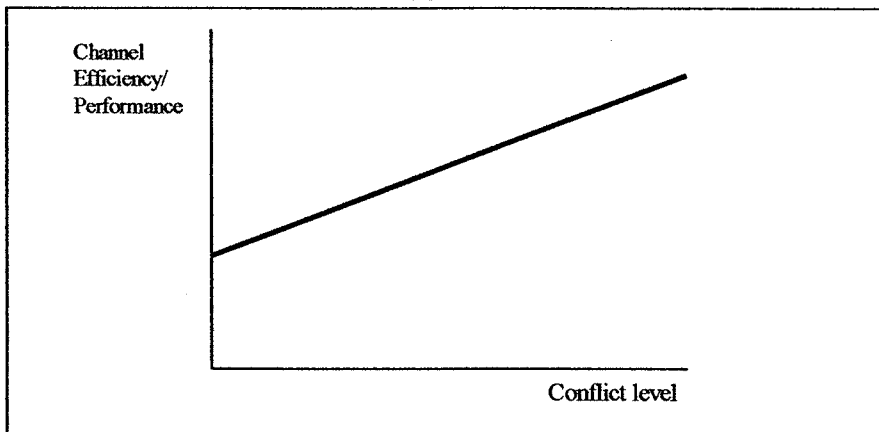
Channel conflict and its impact on efficiency is a widely discussed topic in channel management. Lusch (1976a) contended that channel conflict has influence over the operating performance and efficiency of channel members, while Rosenbloom (1999, p. 127) asserted that,

‘The concept of channel efficiency provides the channel manager with a criterion against which to appraise the effect of conflict. Thus conflict can be seen as a behavioural dimension that can influence how efficiently distribution objectives are achieved’.

The terms channel efficiency and performance is used interchangeably (Brown 1980). The impact of channel conflict on efficiency is reflected in a bell-shape curve. As the channel conflict increases, the efficiency (performance) will increase on an upward slope from left to right. Once the optimum level of efficiency is reached, it will reduce on a downward slope from left to right (Rosenbloom 1999). As mentioned earlier, the concept of interdependency gives rise to conflict and cooperation. If the latter is greater, the result will be increased efficiency and vice-versa (Assael 1968).

Conflict can be shown to cause an increase in channel efficiency as illustrated in Figure 1.3. The increased conflict level has propelled channel members to reevaluate business processes and subsequently reallocate resources to improve existing performance efficiency (Rosenbloom 1999).

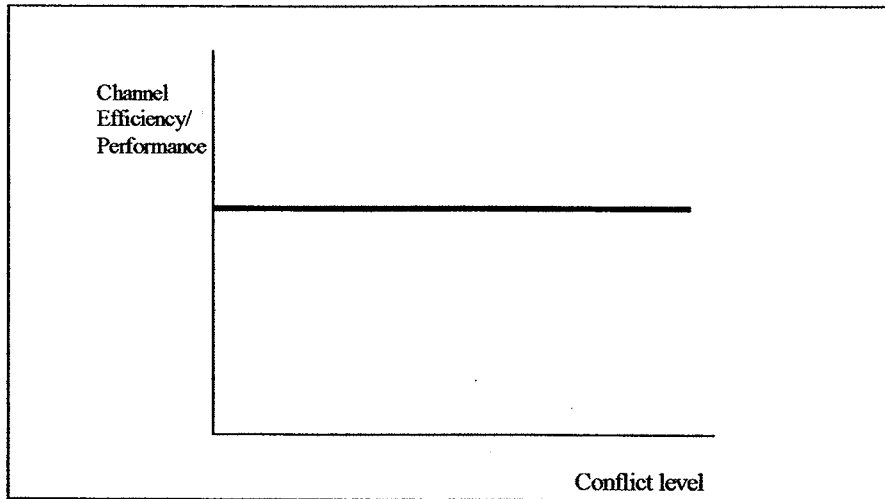
Figure 1.3 Conflict and channel efficiency/performance – positive effect



Source: Rosenbloom (1973, p. 29)

The existence of conflict can also cause no change in channel efficiency as shown in Figure 1.4. The effect of conflict on input levels necessary to achieve distribution objectives is insignificant, i.e. channel members are 'accustomed' to conflict due to the over-riding effect of achieving certain objectives (Rosenbloom 1999).

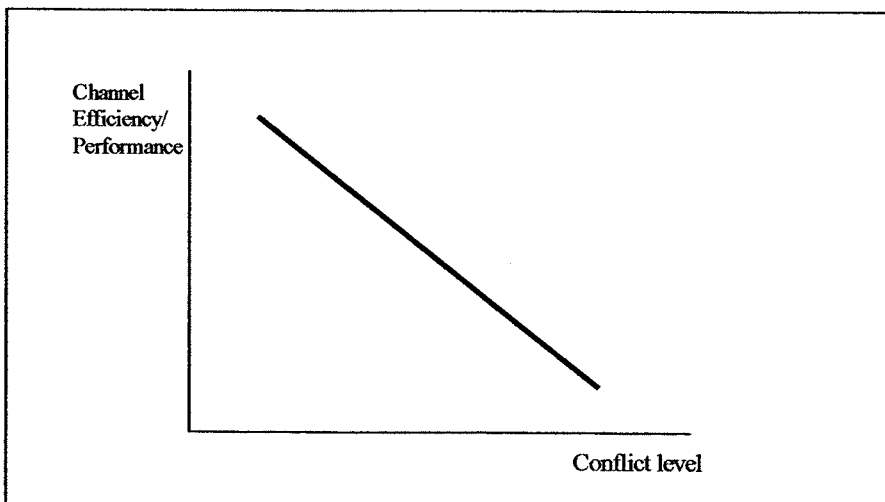
Figure 1.4 Conflict and channel efficiency/performance -- no effect



Source: Rosenbloom (1973, p. 28)

In addition, Figure 1.5 illustrates the relationship between the effects of conflict on channel efficiency (Rosenbloom 1973). As the level of conflict increases, channel efficiency declines.

Figure 1.5 Negative effect – reduced efficiency/performance

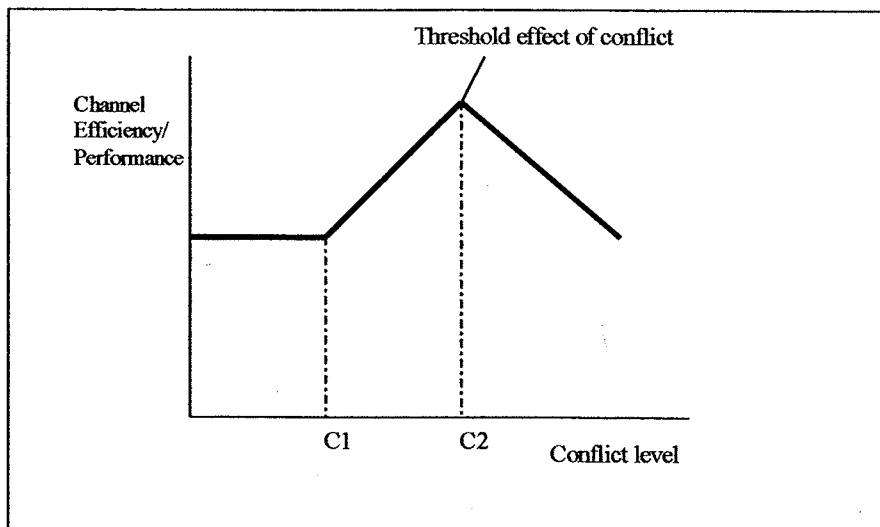


Source: Rosenbloom (1973, p. 28)

However, in practice, all three scenarios above may exist for a manufacturer and its channel members, as shown in Figure 1.6.

In Figure 1.6, the level of conflict represented by C1 suggests a tolerance range over which the conflict has no effect on channel efficiency. Over the range C1C2, the effect of conflict is positive, while beyond C2; the effect is negative due to the detrimental effect of excessive conflict (Rosenbloom 1999). The 'General Curve' is the same as the '∩ shape' (Conflict affects Performance) while the reverse of it is the '∪ shape' curve where performance is affecting conflict as highlighted by Brown (1980).

Figure 1.6 Conflict and channel efficiency/performance – general curve



Source: Rosenbloom (1973, p. 29)

Several researchers have suggested that low levels of channel conflict may have little impact on channel efficiency while moderate levels may actually increase efficiency, and high level of conflict may be counter-productive to channel efficiency (Assael 1968). This concept is 'based on the notion that channel members have a tolerance zone for conflict and react negatively to conflict when it exceeds their tolerance threshold' (Berman 1995, p. 572). Lusch (1976) concurred with the above findings in his empirical investigation of the relationship between channel conflict and retailer operating performance. Winsted and Hunt (1988, p. 244) argued, 'The effect of conflict on channel efficiency is related to the

source of the conflict, the level of conflict, and how conflict is managed'. Rosenberg (1974) concluded that conflict reduces efficiency but conflict also triggers off an early alarm to management to change or adjust their channel strategy according to the competitive environment.

Assael (1969, p. 573) emphasized the importance of differentiating conflict type,

'Effective management of the channel system requires evaluation and control of the effects of inter-organizational conflict on the performance and stability of the system. Criteria must be established to distinguish between constructive and destructive conflict'.

Merton (1969) proposed that since channel members come from different backgrounds, they would have different value systems and differing expectations about each other. Hence, the onus is on effective communication so that all diverging direction can be converged and realigned before it became dysfunctional. In a study of Hybrid channel conflict by Webb and Hogan (2002), channel conflict is an important determinant of both channel performance and satisfaction, which, in turn, is capable of reducing either channel performance or force channel members to optimize their performance efficiency. Several past research have studied the relationship between channel performance (lower cost or higher profitability) and channel conflict. They all share a common conclusion: channel performance efficiency is a function of conflict (Kelly & Peters 1977; Pearson & Monoky 1976; Rosenbloom 1973).

Transactional cost analysis (TCA) and agency theory

Both Transactional Cost Analysis and Agency Theory support channel conflict theory because they both assume the survival of the system or transaction depends on the perceived costs and risks. TCA drives cost down through its usual negotiation process and ultimately uses internal organization as the solution when the cost of managing the distributor becomes too costly. Agency Theory emphasizes more on performance compliance of the distributor rather than merely on cost.

Rindfleisch and Heide (1997, p. 32) defines TCA as,

‘The basic premise of TCA is that if adaptation, performance evaluation and safeguarding costs are absent or low, economic factors will favor market governance. If these costs are high enough to exceed the production costs advantages of the market, firms will favor internal organization’.

Put simply, this means that if a market size does not generate enough revenue to support a complete set-up of an independent direct sales force, then it is justified to rely merely on a third party or distributor to manage the business. Similarly, Heide and John (1988, p. 22) have contended that,

‘The principal can replace the agent with a company sales force after the agency has developed the territory [contractual hazard for the agency]. In effect, the firm is expropriating the value of the investment made by the agency in developing the territory’.

This extract implies that when the market is already well developed by the distributor, the principal may consider withdrawing the agency from the distributor and re-establish its own local business entity to manage the business directly. From the manufacturer’s or principal’s perspective, the primary goal of transaction cost analysis is to safeguard, through vertical integration, against potential issues, such as high monitoring costs (frequency of transaction) over distributors due to external uncertainties, too much profit-taking by distributors at the expense of the principal, and obsolete reward schemes to distributors with mediocre performances (Heide & John 1988; Rialp, Axinn & Thach 2002).

Overall, internal organization minimizes transaction costs due to the following reasons (Rindfleisch & Heide 1997):

- i. Principal’s organization offers much better flexibility in controlling and managing its internal sales team compared to distributors.
- ii. The effect of better working atmosphere with team members (common culture) - aiming for a common goal versus diverging goals pursued by independent channel members. Inefficiency might arise due to protracted channel conflict.

Klein, Flazier and Roth (1990, p. 197) commented that,

'The basic premise of TCA is that a firm will internalize activities that it is able to perform at lower cost and will rely on the market for activities in which other providers have an advantage. When faced with the inability of markets to impose behavioural constraint and enforce simple contracts, firms are expected to internalize transactions to reduce costs of exchange'.

Furthermore, TCA suggests that the objective of cost minimization would determine the structure of distribution. Basically, transactional costs comprise the costs associated with a market's failure to ensure full contractual compliance, costs of monitoring and enforcing performance of the distributors (Kim 1998). It was commented that decreased transaction costs will enhance performance and produce higher profitability (Kim 1998). Hence, TCA is very much skewed toward costs or exchanges comprise of small investment, short time frame, and low switching (sunk) costs and involves strategies such as sales promotions in dealing with its distributors. It lacks the 'people' or relationship element in its analysis, a neglected intangible property that can be an important business 'equity'. On the contrary, relational exchanges involve repeated transactions over a longer time frame and are different from a merely price-based negotiation like TCA (Ruyter, Wetzels & Lemmink 1996).

As advocated by Griffith & Ryans Jr. (1995), the transactional cost paradigm driven by cost minimization does offer a useful tool for analysis. It helps distributor to be cost conscious and continue to improve or search for the most efficient channel design. However, the overemphasis on cost efficiency could overshadow other important aspects such as natural channels in the era of global marketing. On the contrary, Heide and John (1988) highlighted a weakness associated with TCA from a distributor's perspective where vertical integration is almost impossible for a small operation limited by financial constraint. In addition, a principal may be unprepared to grant longer-term contracts (e.g. more than a year), hence a distributor could be left unprotected. As quoted by Heide and John (1988, p. 20), 'The traditional TCA safeguards are insufficient here, because vertical integration is not feasible for the small firm at risk and long-term contractual protection is not present in conventional channels'. They continued that 'Agencies (or channel

members) with more specific assets invested in their relationship with a principal attempted to bond themselves more closely to their accounts to safeguard those assets'. Sometimes, such bonding efforts resulted in a lower level of dependence on the principal because these agencies were better able to replace the principal if need be as they would have had obtained the necessary know-how and market information.

Heide and John (1988) also highlighted implicitly the inverse relationship between dependency and financial performance. Rosenbloom (1999, p. 130) commented 'Low dependency gives rise to channel conflict. In this case, the conflict has served as an impetus for either or both of the channel members to reappraise their policies'. The outcome of mutual reappraisal would thus lead to constructive results, that is, improved efficiency provided a consensus is obtained among them and vice-versa (Shuptrine & Foster 1976).

In brief, TCA is a commonly used approach to help channel manager to resolve 'buy or make' decision. It may not be perfect as it is over-emphasized on the important of cost element and neglect the 'soft' perspectives in the longer term, namely, relationship and communication (information sharing) between the principal and agent which are covered in Agency Theory.

Eisenhardt (1989, p. 58) commented that,

'Agency theory is concerned with resolving two problems that occur in agency relationships. The first problem is the agency problem that arises when (a) the desires or goals of the principal and agent are conflicting and (b) it is difficult or expensive for the principal to verify what the agent is actually doing'.

In other words, Agency theory resorts to two deterministic factors, namely goal congruence and market monitoring cost to measure distributor performance. Among the theoretical frameworks offered by power-dependence theory, power sources and political economy, agency theory is preferred due to its ease of application in a dyads distribution channel relationship (Eisenhardt 1989). However, the limitation of agency theory is it does not recognize the internal relationship dimension, that is, it is only concerned about

manufacturer – distributor relationship and ignores the external perspective of channel and customer (Andreassen & Lanseng 1997).

As asserted by Eisenhardt (1989, p. 59),

‘The domain of the agency theory is a relationship that mirror the basic agency structure of a principal and an agent who are engaged in cooperative behaviour, but have differing goals and differing attitudes towards risk [namely, transfer pricing and compensation program]’.

Therefore, Agency Theory can be applied in a channel relationship study. According to Eisenhardt (1985), Agency Theory proposes two approaches to control behaviour and outcome. A manufacturer needs to monitor the performance (behaviour) of its distributor through a reward or information system (cost) in order to ensure sales target is achieved (outcome). If the manufacturer is only concerned about the outcome, the distributor may need to share the risk of uncertainty, such as failure to deliver results, by inviting the manufacturer to participate in providing supportive trade channel programs.

An overview of Agency Theory is provided in Table 1.1, highlighting its core features. As cited by Eisenhardt (1989, p. 64), ‘Agency theory reminds us that much of organization life, whether we like it or not, is based on self-interest’. Some of the application of Agency Theory such as treatment of information and risk implications are used to explain the relationship between principal or manufacturer and agent (channel member/ distributor) in relation to channel behaviour, namely channel conflict in the suggested framework in Figure 1.9.

Table 1.1 Agency theory: an assessment and review

Key Idea	Principal-agent relationships should reflect efficient organization of information and risk-bearing costs
Unit of analysis	Contract between principal and agent
Human assumptions	Self-interest Bounded rationality Risk aversion
Organizational assumptions	Partial goal conflict among participants Efficiency as the effectiveness criterion

Table 1.1 Agency theory: an assessment and review (Cont'd)

	Information asymmetry between principal and agent
Information assumptions	Information as a purchasable commodity
Contracting problems	Agency (moral hazard and adverse selection) Risk sharing
Problem domain	Relationships in which the principal and agent have partly differing goals and risk preferences (i.e. compensation, regulation, leadership, impression management,

Source: Eisenhardt (1989, p. 59)

A comparison of Agency Theory with Transactional Theory is shown in Table 1.2 as follows. It shows that Agency Theory and TCA share some common areas such as being conflict driven, focusing on efficiency and rationality, and information sharing to certain extent between the principal and agent (distributor).

Finally, as indicated in Table 1.2, the element of information has been repeatedly mentioned. Coincidentally, in the study of Hunt (1995), there is evidence that past experience of how the channel system processes information has a bearing on the way channel members perceive future conflict event.

Table 1.2 Agency theory vs. transaction cost analysis: an assessment and review

Assumption	Perspective	
	Agency Theory	Transaction Cost Analysis
Self-interest	X	X
Goal conflict	X	X
Bounded rationality	X	X
Information asymmetry	X	X
Pre-eminence of efficiency	X	X
Risk aversion	X	
Information as commodity	X	

Source: Adopted from Eisenhardt (1989, p. 59)

Channel cooperation

Channel cooperation has been identified as one of the many behavioural dimensions that could minimize if not prevent channel conflict. Svensson (2002) stated that the interdependent nature of the channel system calls for the need for cooperation and coordination between the buyer and seller in order to achieve the business goal with minimum conflict. According to Svensson (2002), a marketing channel by nature is characterized by conflicting functions, namely, promotion, sales and distribution. The influential work of Hunt, Ray and Wood (1985) in the early 1980's has provided a thorough view of the literature in channel studies, particularly in channel cooperation. Some of the interesting citations worth mentioning are as follows:

- i. Cooperation is being viewed as a continuum, which is the opposite of conflict. The primary objective of all channel members is to search for strategies in order to promote cooperation, which is the solution for increased inefficiency (Pearson & Monoky 1976).
- ii. As commented by Mallen (1969), if there are enough reasons to cooperate, there must be enough reasons for not provoking conflict. Only through the path of cooperation, channel profit and consumer satisfaction can be reaped!
- iii. According to Guiltinan, Rejab and Rodgers (1980), coordination is determined by the effectiveness of channel communication, the ability to predict the future market and making the channel member a partner in the decision-making. According to Alter (1990), cooperation and coordination are used interchangeably.
- iv. Channel coordination is related to knowledge transfer, information sharing and overall channel performance between manufacturer, distributor or retailer (Burkink 2002).

Pearson and Monoky (1976) asserted that highly efficient channels would reflect more cooperative dimension, while low performance channels exhibited conflict dimension. When channel members work closely together and if either conflict or cooperation is absent, the channel relationship may not have the capacity to develop the operation effectively (Alter 1990). Alderson (1965) examined the possible effects of conflict

relative to achieving cooperation. As commented by Alderson (1965, p. 201), 'Conflict is an inevitable part of continuing adjustment, particularly for activities which are organized on a cooperative basis'. In other words, cooperation is being recognized as an important variable in determining conflict level in any channel system. Channel members are united because total gained is more compared to what they could obtain by working alone. However, the decision over 'who will get what share' based on their contribution to the channel system could lead to conflict too. The latter is positively related to channel formalization, i.e. common goal and operating structure. Kelly and Peters (1977), in their research on the incidence of vertical conflict across different types of channel systems, found that low performance of a channel member is related to high disagreement and conflict.

Metha, Larsen and Rosenbloom (1996), commented that different leadership styles would result in different level of channel cooperation. The impact of increased cooperation on channel member performance is also assessed and evaluated. Schul, Pride and Little (1983) found that the right channel leadership style plays an important role in promoting overall satisfaction and performance of its channel members while keeping the conflict under control. For instance, by demonstrating participative leadership behaviour in channel decision or policymaking, conflict is reduced significantly (Price 1993). In a vertical marketing system, the desire for power and autonomy, balanced by the need for channel cooperation, have created a combination of conflicting and cooperative motives (Reve & Stern 1979). Shamdasani, Keh and Chan (2001) commented that the use of expert power will very likely lead to long-term cooperation.

Moreover, 'where a complex relationship exchange exists and where considerable interaction occurs, conflict and cooperation are likely to coexist' (Frazier 1999, p. 230). Mallen (1969) asserted that channel cooperation is the only possible solution to increase effectiveness of the channel as well as efficiency of its distribution. In addition, constant channel communication is also seen as essential to induce satisfaction and cooperation. Rosenberg & Stern (1971) stated that communication is a pre-requisite and effective tool for understanding and resolving channel conflict.

As quoted by Assael (1969, p. 578),

'Constructive conflict results in improved communications between organizations, allowing for legitimate differences of interests and beliefs to emerge. Formal means of communication may act as outlets to relieve accumulated hostility and redress grievances'.

According to Wilkinson (1996), the premise of channel distribution is based on an interrelated and interdependent system motivated by a common profit goal to bring finished products to its users. Due to its interdependency, there is a need for some form of cooperation between channel members and coordination of activities. Channel cooperation demonstrated by appropriate leadership behaviour is said to be a more effective approach to maximizing channel performance versus the past method of transactional cost analysis (Metha, Larsen & Rosenbloom 1996). Another method of containing channel conflict is through creating a sense of cooperation, which is a partnership approach, would minimize conflict through using non-coercive power sources, good communications, mutual cooperation and equity (Shipley & Egan 1992). As suggested by Siguaw, Simpson & Baker (1998), adopting market-oriented behaviour in a competitive environment is a possible solution of overcoming conflict.

A research model was also proposed in the study of Siguaw, Simpson & Baker (1998) where the likely effects and consequences of a supplier's market orientation on the distributor's market orientation and other channel relationship factors were examined. However, this model did not provide evidence of a representative sample and was confined to isolated cases, whereby it focused only on specific industries and thus lacked the ability to draw generalizations and conclusions. As suggested by Siguaw, Simpson & Baker (1998), the outcome of their study indicated that the supplier's market-oriented behaviour affected all channel relationship factors such as the distributor's market orientation, trust, cooperative norms, commitment and satisfaction with financial performance. However, Siguaw, Simpson & Baker (1998) failed to produce constructive validity of the dependent variable; distributor is being contacted and asked to provide "the

name of the key informant in the supplier's firm who had the most knowledge about the distributor" which is deemed to be very subjective and open to bias in the process of collecting the information. In this case, only reliability was evident. The potential impact of channel conflict on overall channel relationship and performance is neglected. Finally, the observable flaw associated with Sigauw's work is a classic example of data collected skewed towards one particular segment of the industry. Hence, its findings cannot be applied to other industries as compared with other cross-sectional studies (Gaski 1989).

Channel relationship (Trust and commitment)

Similar to the concept of cooperation in channel theory, trust and commitment of the distributors usually determine the survivorship of the channel system. The definition of relationship marketing is borrowed and applied in channel relationship where the objective is to sustain and reinforce the customer relationships provided it is profitable (Selnes 1998). Relationship marketing states that relationship dependence plays a critical role in the planning, implementation and control of a marketing channel (Svensson 2002a). Rylander, Strutton and Pelton (1997) asserted that the value of relationship commitment is an important factor in business; however, the nature and scope of commitment within a marketing channel remain unanswered. According to Rylander, Strutton and Pelton (1997, p. 60), 'The attitudinal aspect of commitment is defined in terms of developing the trust, mutuality, integrity and solidarity that are necessary to sustain a long-term channel relationship'.

Morgan and Hunt (1994) suggested that commitment is a key influence on trust, shared values and the associated cost of relationship, for example benefits and relationship termination costs. In fact, they defined both trust and commitment under a general construct called commitment. Rylander, Strutton and Pelton (1997, p. 65) also commented that commitment has a positive relationship with channel performance, stated that, 'More agreement exists regarding the potential outcomes of commitment. In general, researchers agree that commitment should lead to improved relationships and performance'. In fact they proved in their study that commitment is a very critical determinant of success in channel relationships.

According to Ruyter, Wetzels and Lemmink (1996), there has been a shift from classic economy theory to manufacturer-distributor (long-term) and power-dependence theory in recent theoretical perspectives brought by channel research. As mentioned in the work of Paswan and Young (1999, p. 445), 'The current degree of trust and long-term relational perspective are positively associated with more strategic and marketing-related support mechanisms offered to channel members'. This notion implies a sense of cooperation and strategic alliance type of relationship versus the past definition of relationship, which is market driven and competitive. Relationship marketing highlights the fact that there are a limited number of these kinds of exchanges that any manufacturer or distributor can maintain due to the high costs and risks involved (Svenson 2002b). The high opportunity costs element should force both manufacturer and distributor to be very careful in selecting their relationship partners and in establishing long-term commitments, as well as to constantly seek out collaborative relationships and channel cooperation that would pave the way toward strategic integration.

Harvey & Novicevic (2002) summed up relationship management as a systematic approach to build, maintain and reinforce business network relationship through a combination of supporting ingredients such as trust; commitment and cooperation so that the overall benefits outweigh its costs. Harvey and Novicevic (2002, p. 530) said,

'In more traditional economic perspective, the exchange relationship has been viewed from a self-interest and adversarial framework (Williamson 1975; Axelrod 1984). Whereas in a relational context of analysis, trust / commitment and shared risk are considered to be essential components in the relationship that supercede the short -run return maximization of return or advantage.... '

As suggested by Hibbard, Kumar and Stern (2001), building trust and commitment with channel members can be used as a contingency plan "goodwill" when an unpleasant event occurs. According to Ruyter, Wetzels and Lemmink (1996, p. 23), 'There are many theoretical perspective drawn upon to understand the sophisticated nature of marketing channel phenomena, political economy paradigm and the relationship marketing paradigm'. It is very clear that there has been a shift in marketing thought from

transactional to a relationship perspective, which is, from pure price channel transaction to a more sophisticated exchange relationship with high sunk costs. In the work of Kim and Frazier (1996), it is pointed out that the extent of value-added in the downstream channel, uncertainty in the environment, and replaceability of suppliers are major determinant factors of the commitment between manufacturers and distributors.

Two papers (Siguaw, Simpson & Baker 1998; Metha, Larsen & Rosenbloom 1996) presented their assumed relationship variables through hypothesized models, which are shown in Figures 1.7 & 1.8. While Siguaw, Simpson & Baker (1998) presented their independent variables - supplier market orientation and distributor market orientation - based on a similar conceptual framework, Metha, Larsen and Rosenbloom (1996) have applied various leadership styles, namely, participative, supportive and directive on cooperation and performance of the channel system.

Channel performance and satisfaction

Channel conflict usually affects the performance as well as satisfaction of the distributors. Brown (1980), Rosenberg and Stern (1970), Rosenbloom (1973), and Stern and Heskett (1969) investigated the influence of conflict on performance. Shoham, Rose and Kropp (1997) mentioned that the overall satisfaction of the channel relationship (channel members and manufacturers) is affected by channel conflict. Hunt, Ray and Wood (1985) showed that the monitoring cost of channel performance and efficiency would have an impact on the investment orientation of the channel member. This statement shows the fact that the Agency Theory discussed earlier is capable of explaining channel behaviour, namely non-compliance or conflict with the principal. Hunt, Ray and Wood (1985) also mentioned that there is a strong positive correlation between channel performance and supportive programmes provided by the principals. Reve and Stern (1979) argued that there is a reverse relationship between conflict and satisfaction within the channel network. Below is a definition of channel member satisfaction by Ruckert and Churchill (1984, p. 227):

“The domain of all characteristics of the relationship between a channel member (the focal organization) and another institution in the channel (the target organization) which the focal

organization finds rewarding, profitable, instrumental and satisfying or frustrating, problematic, inhibiting or unsatisfying’.

Price (1993) highlighted that there is a reverse relationship between control exerted by manufacturers and satisfaction of channel members. The performance of other competing channel members could also contribute to conflict (Foster & Shuptrine 1973; Gill & Stern 1969). Schul, Lamb and Little (1981) suggested that a future area of research could be to investigate the possible relationships between leadership behaviour, intra-channel conflict and channel performance.

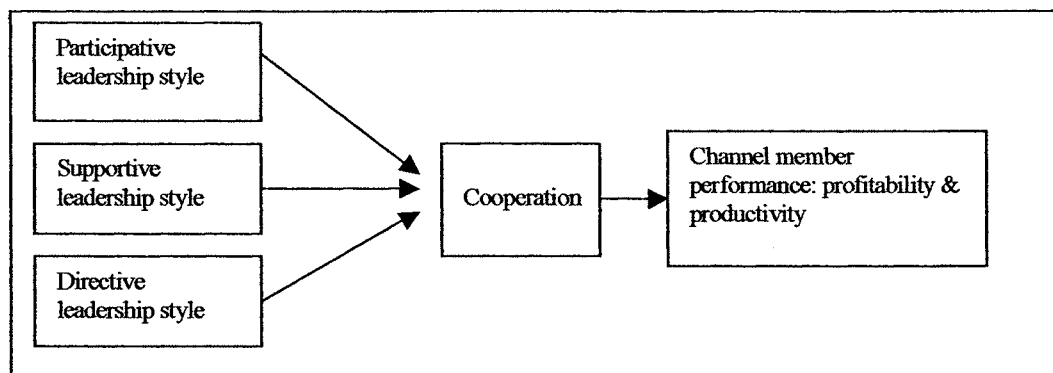
Overall, channel literature lacks a holistic perspective on causal behavioural relationship, for example, intra-channel conflict, relationship, power and performance as commented by Liu and Wang (1999). In addition, it is prevalent in most existing literature that the relationship of intra-channel relationship and conflict, power and other relational aspects are not presented in a coherent manner (Liu & Wang 1999). This observable flaw is reflected in the work of Metha, Larsen and Rosenbloom (1996) and Sigauw, Simpson and Baker (1998). Lastly, Liu and Wang (1999, p. 132) commented, ‘There has been often an inappropriate use of single-item variable or scale to measure intra-channel conflict in power conflict research, despite the existence of several empirically supported conflict causes’. Stern and Heskett (1969) concurred that the study of conflict cause (superordinate goal) lacks support from empirical data and is artificial in nature. According to Kim and Frazier (1996), the fragmented nature of various theories and models in behavioural channel research has led to a serious divergence which render cross-border transferability difficult. Coincidentally, two critical elements missing in the framework provided by Metha, Larsen and Rosenbloom(1996) and Sigauw, Simpson and Baker(1998) were mentioned by Wilkinson (1996). The study of power is critical in the understanding of channel effectiveness, channel cooperation and coordination of activities, as well as the environmental factor, which promotes some degree of cooperation as it becomes unstable. More often than not, this critical aspect is widely neglected in channel literature. In the work of Ruyter, Wetzels and Lemmink (1996, pp. 23-24) ‘Power is inseparable in marketing channel if cooperation and satisfactory performance is to be achieved’. In addition, as posited by Wilkinson (1996, p. 35), ‘Power

does not manifest itself in the open until the possibility of conflict arises ... when on-going relationship is being re-negotiated'.

All of the theories discussed, namely, power and conflict, agency theory and channel cooperation, and long-term relationships (trust and commitment) are perfect if they are used independently. The diversity in each of the underpinning concepts will not complicate the research result or cause unnecessary confusion. Hence, by way of modification and adaptation of these theories into a cohesive chain of thought to support the suggested framework, the inherent weaknesses in each theoretical aspect could be resolved.

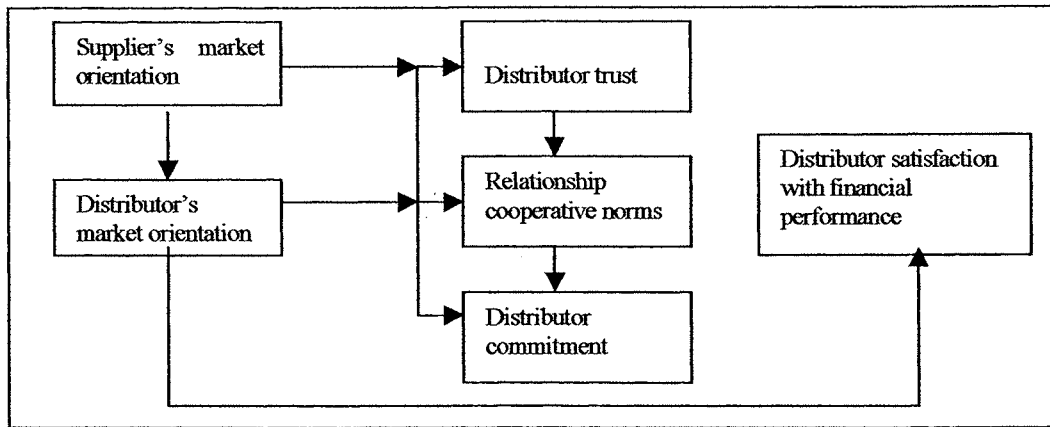
As depicted in Figures 1.7 & 1.8, both of the hypothesized frameworks are highly similar in terms of the delineated relationship into three components. Firstly, there are three different types of leadership styles versus two different types of market orientation. Secondly, cooperation is used by Metha, Larsen and Rosenbloom (1996) while Siguaw, Simpson and Baker (1998) focused on distributor trust, cooperative norms and commitment. Finally, the third component of each model emphasizes on financial performance.

Figure 1.7 Relationships variables: hypothesized model (1)



Source: Metha, Larsen & Rosenbloom (1996, p. 40)

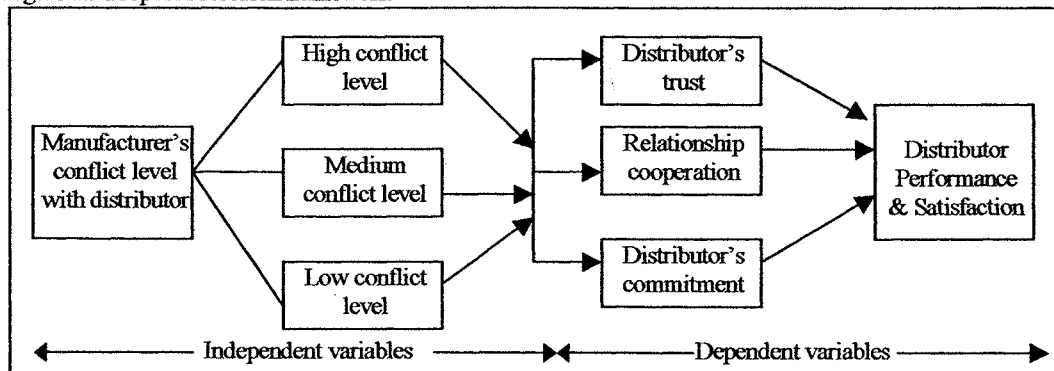
Figure 1.8 Relationships variables: hypothesized model (2)



Source: Siguaw, Simpson & Baker (1998, p. 101)

The above frameworks offered by Siguaw, Simpson and Baker (1998) and Metha, Larsen and Rosenbloom (1996) provide the basis for the topic of channel conflict to be researched in-depth. An overview of the proposed research framework for this paper is illustrated in Figure 1.9

Figure 1.9 Proposed research framework



Conclusion

This paper has focused on introducing and exploring the concept of channel conflict, a subject within channel distribution analysis, which needs further research. The interplay of Agency theory and Transactional Cost theory are the underlying forces that propel channel leaders to constantly strive for system efficiency, which inevitably leads to conflict and retaliatory actions among channel members. The study of channel conflict in channel distribution provides insights into inter-organizational interactions. The concepts

of dependency/cooperation and commitment are critical factors in understanding channel relationships in the distribution channel. The effective use of power by channel leaders in a highly interdependent channel environment should lead to increased performance efficiency and reduced resistance and hence should lessen conflict. Similarly, if channel members are well committed to the channel leader (manufacturer), the likelihood of creating conflict is less as the latter is able to influence the members at ease. It is almost impossible to find an environment without conflict. This paper also highlights the fact that conflict needs to be minimized, if not curbed, so that channel performance can be aligned and satisfaction among channel members can be maintained. Ultimately this will lead to the highest possible efficiency and the survivorship of the whole channel system.

An analysis of the literature on channel conflict and the examination of various models proposed indicates that future research efforts should be undertaken to attempt to measure conflict levels. In addition, there is a need to study the relationship between the variables, namely distributor trusts, commitment and sense of cooperation, satisfaction and performance outcome in relation to conflict.

Important empirical evidence that supports the research objective of Paper One is found in the work of Gill and Johnson (1997). Most of the research undertaken and described were mainly empirical studies designed to analyze the interrelationship of conflict with cooperation and power, performance and satisfaction to a large extent. For example, whenever there is power diffused in the channel, high conflict level was present (El-Ansary & Stern 1972). The relationship of channel conflict and satisfaction is also moderated by the element of interdependency (Price 1993). Cooperation is also being defined as a continuum, which is the opposite of conflict (Pearson & Monoky 1976). Channel cooperation has a positive relationship with channel performance between manufacturer, distributor or retailer (Burkink 2002).

The findings are based on empirical studies mainly field (survey research) and laboratory (experimental design). This past research has used different sample sizes ranging from 25 to 300 respondents from diversified channel types and none of them was related to the South East Asian context. There is also lack of interrelationship and association among

the past sampling frame used, namely, automobile dealers, student surrogated and building material segment. Moreover, there is an absence of a definition about the channel conflict 'level' in all the past research. Regarding Malaysia and Philippines research seems to be negligible on the frozen food segment of the industry which addresses the following issues:

- i. Investigating the behavioural dimension in relation to channel conflict
- ii. Measuring the conflict level empirically and the effect on the behavioural variables
- iii. Controlling selected extraneous variables, namely, the interdependency variable and power (constant) by selecting the sample from the suitable type of channel and
- iv. Replicating some of the methods used by past research in order to ascertain the reliability level

These issues are increasingly relevant for research since Malaysia and Philippines are currently the two largest frozen food markets (French fries) in South East Asia² Drawing from the review discussed earlier, it is noted that past research strategies used were mainly two methods, namely, the analytical survey (field) and experimental research design which focus on a nomothetic approach of deducting findings from various statistical controls to facilitate the hypothesis testing.

The past research strategy such as survey research is capable of extracting the behavioural insights. The primary concentration of these two deductive methodologies would lead to the exclusion of other inductive strategies such as descriptive survey research (concerned with generality) or action research (concerned with utilization) and ethnography (concerned with character of context), which may bring about new frontiers of knowledge (Gill & Johnson 1997). The diversification of research methods (multiple methods) would increase the likelihood of a persuasive outcome (Smith 1975). The limited methods have narrowed the findings which otherwise are likely to enrich the explanations. According to Gill and Johnson (1997), multimethods are not popular in business type of research due to

² Internal data of McCain Foods Asia Pacific dated 2004 (International Trade Export to S.E.A)

the difficulty methodologically as well as other constraint such as high cost and time-consuming.

The reviews also showed that the past research was systematic because the channel categories used were not abstract and were relevant to real business environments, ranging from automobile dealers to retailers. However, the research was skewed towards analysis of supplier- distribution association across different channel types. In other words, the past research work is mostly based on a dyad relationship involving two parties or business entities only (Siguaw, Simpson & Baker 1998).

When different channel types are used, the research strategies are unfocused because the same research methods are hardly being replicated across different channel types; hence, this poses an issue of reliability. Failure in fulfilling this criterion would mean the past research findings lack the ability for extrapolation. Moreover, the behavioural dimensions used are widely dispersed from conflict to power, performance, role, satisfaction and political economy. Hence, there is a clear sign of lack of in-depth research, which is being compromised by the broadness of the dimensions.

Other important empirical evidence that supports the objective of Paper One is found in the work of Hunt, Ray and Wood (1985) which showed that past research work has been much neglected largely on potential constructs, namely channel cooperation, performance and satisfaction. In other words, the relationship between channel conflict and channel performance and satisfaction did not seem to attract much research attention.

Most of the past research is cross-sectional studies, which captured a particular moment in time of an on-going situation (Hussey & Hussey 1997). In order to uncover any changes to behavioural dimensions over time, a longitudinal study is more appropriate. Furthermore, the former method is incapable of unveiling the dynamic nature of the channel relationship (Siguaw, Simpson & Baker 1998).

There is also a clear message found in the review that conflict levels need to be minimized but what is considered acceptable or a healthy level remains unanswered. The existing models do not operationalize conflict in terms of level. The question of what level of conflict is conducive for good performance or positive behavioural response remains unanswered.

Lastly, the issue of 'hidden' selected extraneous variables such as the presence of interdependency and power that might temper the research findings in some of the past research as far as channel conflict is concerned is not sufficiently dealt with. In other words, there is an uncertainty of whether the independent variables caused the physical or visual change in the dependent variables. For example, some of these extraneous variables, such as group influence in channel, setting influence, value, attitude and beliefs, might compromise the internal validity of the outcome.

In the development of the new model, much consideration has been given to the issues discussed earlier. In fact, the new framework/ model is aimed to minimize if not eliminate several of the specific issues listed as follows:

- i. To investigate the much neglected behavioural dimension in relation to channel conflict
- ii. To measure the conflict level empirically and the effect on the behavioural variables
- iii. To attempt to control the extraneous variables, namely, control the interdependency variable and power (constant) by selecting the sample from the right type of channel
- iv. To replicate some of the methods used by past research in order to ascertain the reliability level
- v. The framework is capable of introducing new learning and implications for business practitioners from a South East Asian perspective

The proposed theoretical framework (Figure 1.9) is not aimed to be better than the model of Siguaw, Simpson and Baker (1998) or Metha, Larsen and Rosenbloom (1996). These

two models are being used as a 'platform' to introduce a new variable – channel conflict level. As showed by the detailed review, the relationships between channel conflict and the behavioural aspects are well supported by past research. The previous research methods of Siguaw, Simpson and Baker (1998) or Metha, Larsen and Rosenbloom (1996) are being replicated to a certain extent in order to increase the reliability as well as the validity of the new model in measuring the relationship of channel conflict and the behavioural variables, which are distinctly and mutually exclusive from each other. For example, trust does not overlap with cooperation and commitment or even channel conflict. This issue could be addressed through research. In addition, the proposed theoretical framework can be used to guide the positivist development of testable hypotheses. The choice of this methodology is driven by Morgan's statement that the choice of research method is not merely a choice per se but it is a mode of engagement or dependent on the assumption and research subject being studied (Morgan 1983). Furthermore, in terms of adequacy and appropriateness, the proposed framework or model would demonstrate the complementary data in terms of correlation between the independent and dependent variables.

The proposed framework also has addressed some of the issues discussed during the literature review by introducing the new knowledge from the Asian point of view. It overcomes the fragmented nature of various theories and models in the behavioural channel research by linking channel conflict level with behavioural variables empirically in a regional business context. One may argue that social reality is influenced by human perception, which may not be measured empirically (Gill & Johnson 1997). They both termed this as 'imposing the shared versions of social reality upon subjects before data collection begins, therefore giving their version of social reality an unwarranted superior status' (p.137), which is the fundamental of positivist epistemology that the current model is subscribing to. Nevertheless, under the methodology of analytical survey, there is a need to operationalize the so-called social reality (channel conflict) and measure and stimuli and response in the design. Overall, the framework is coherent, defensible and not self-contradicting with the fundamental established by previous research.

Secondly, it also the starting-point to attempt to measure conflict level as suggested by the concept proposed earlier by Magrath and Hardy (1989). The process of determining the specific level might seem to be mechanical in data deduction but it is the preliminary move to allow the phenomena/ relationship to be analyzed. The framework is a result of the convergence of substantive findings obtained from a diversity of theories and it also provides a detailed justification for the research strategy.

Thirdly, the framework has also synthesized channel conflict and behavioural aspects in a more coherent fashion, which help to develop testable hypotheses. It is a synthesis of all the relationships placed in a model in order to trace the possible association within the channel structure, which is a close resemblance of reality in channel management.

Finally, it also helps to fill the information gap in terms of a 'relationship' between conflict and behavioural variables empirically. In other words, the findings would be used, partially or fully supported by theories, to explain the phenomena. This is somewhat a departure from the positivist approach to data deduction. Nevertheless, the probability of 'generalizing' statements would be based on evidence gathered during the survey as well as through the statistical analysis.

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Appendices

- Appendix 1 Behavioural dimensions of channels literature
- Appendix 2 Some channel planning/design models found in the literature, and the steps proposed
- Appendix 3 Empirical studies of conflict in vertical marketing system

Appendix 1 Behavioural dimensions of channels literature

TABLE CODES

SAMPLE SIZE

- (a) 0 – 50
- (b) 51 - 100
- (c) 101-200
- (d) 201 – 300
- (e) greater than 300
- (f) not reported

CHANNEL TYPES

- (a) Automobile Dealers
- (b) Building Materials
- (c) Distributors
- (d) Franchising
- (e) Student Surrogates
- (f) Heating & Cooling
- (g) Household Durables
- (h) Manufacturing
- (i) Multiple Channels
- (j) Specialty Consumer Products
- (k) Food Broker
- (l) Services
- (m) Farm Implements

Source: Hunt, Ray & Wood (1985, pp. 2-6)

Appendix 1 Behavioural dimensions of channel literature (Cont'd)

	Etgar (a) '76	Webster '75	Robicheaux '75	Mason '75	El-ansary '75	Wilkinson '74	Weigand '74	Rosenberg '74	Porter '74	Hunt '74	Guiltinan '74	Firat '74	El-ansary '74	Wilinson '73	Stern '73	Stern/Schu '73	Rosenbloom '73	Korpi '73	Foster '73	Bucklin '73	Wileman '72	El-ansary '72	Walker '71	Stern '71	Rosenberg '71	Nickson '71	El-ansary '71	Rosenberg '70	Raven '70
1. Bargaining		x																											
2. Conflict				x			x				x																		
a. actual	x																												
b. potential	x																												
c. functional																													
d. dysfunctional																													
e. causes of																													
3. Cooperation																													
4. Power																													
a. sources	x																												
b. dependency	x																												
c. countervailing																													
d. control																													
5. Performance																													
6. Role																													
7. Satisfaction																													
8. Political-economy																													
9. Empirical Study																													
a. laboratory																													
b. field																													
c. channels																													
d. sample size																													
e. channel type																													
10. Model Development																													

Appendix 1 Behavioural dimensions of channel literature (Cont'd)

	Stern '80	Pitts '80	Moore '80	Guilman '80	Dwyer '80	Bemion '80	Brown (b) '80	Brown (a) '80	Wilkinson '79	Reve '79	Etgar '79	Cadotte '79	Wilkinson '78	Rosson '78	Michie '78	Mallen '78	Lusch '78	Grimes '78	Fornell '78	Etgar (c) '78	Etgar (b) '78	Etgar (a) '78	Angelmar '77	Roeving '77	Kelly '77	Etgar (b) '77	Etgar (a) '77	Brown '77	Robicheaux '75	Pearson '76	Lusch '76	Etgar (b) '76					
1. Bargaining	x			x																x			x	x													
2. Conflict		x																																			
a. actual																																					
b. potential																																					
c. functional																																					
d. dysfunctional																																					
e. causes of																																					
3. Cooperation																																					
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b. field																																					
c. channels																																					
d. sample size																																					
e. channel type																																					
10. Model Development																																					

Appendix 1 Behavioural dimensions of channel literature (Cont'd)

	Schul '83	Neslin '83	Frazier '83	Amdt '83	Achrol '83	Wong '82	Sibley '82	Ross (c) '82	Ross (b) '82	Ross (a) '82	Robbins '82	Philips '82	Patti '82	Parameswaran '82	Lusch '82	Izraeli '82	Bown '82	Bennion '82	Zusman '81	Silbey '81	Schul '81	English '81	Dwyer '81	Brown (c) '81	Brown (b) '81	Brown (a) '81	Teas '80	
1. Bargaining		x																										
2. Conflict						x					x				x										x			
a. actual				x																								
b. potential				x		x																						
c. functional					x																							
d. dysfunctional																												
e. causes of						x																						
3. Cooperation							x																					
4. Power																												
a. sources																												
b. dependency																												
c. countervailing																												
d. control																												
5. Performance																												
6. Role																												
7. Satisfaction																												
8. Political-economy																												
9. Empirical Study																												
a. laboratory																												
b. field																												
c. channels																												
d. sample size																												
e. channel type																												
10. Model Development																												

Appendix 2 Some channel planning/design models found in the literature, and the steps proposed

	Stern et. al (1996)	Rosenbloom (1999)	Berman (1996)	Kotler (1996)
Review existing materials and research on channels		The role of distribution in overall objectives and strategies	Determining channel objectives	Analysis of production and services demanded by clients
Understand current distribution system		Role of distribution in marketing mix	Assessing channel width and depth and types of intermediary requirements	Establish objectives and restrictions from the channels
Conduct existing channel workshops/interviews		Designing marketing channels	Evaluating market, product, company, and intermediary factors that affect channel length	Identify the main channel options
Conduct competitor channel analysis		Selecting channel members	Allocating channel tasks among channel members	Evaluate the main channel options
Assess near term opportunities in existing channels		Managing the channel	Selection of specific channel re-sellers	
Develop a near term plan of attack		Evaluating channel member performance	Revising channel arrangements	

Source: Neves, Zaubier & Campmar (2001, p. 520)

Appendix 3 Empirical studies of conflict in vertical marketing system

Study	Operationalization of constructs							Empirical Results		
	Research design	Empirical testing	Sample size	Vertical conflict	Conflict causes	Conflict outcomes	Vertical conflict	Conflict vs. Causes	Conflict vs. Outcomes	Method analysis
Rosenberg & Stern (1971)	Field study (mail questionnaire & personal interviews)	Manufacturer-Distributor-Dealers (household durables) US	4 + 8 + 11 + 87 = 110 (3 sets of dyads)	Perceptual rating (32 issues) composite mean and mean differences	Perceptual rating (categorization of 32 issues) goals/domains /perceptions categorical means & mean differences	Perceptual rating performance (1 measure) systemic attributes (measures)	Low conflict (insignificant differences)	Two significant causes in each set of dyads goals/domains/ perceptions	Significant relationship between dissatisfaction and conflict in two dyads	T-tests correlation analysis
Lusch (1976)	Field studies (mail questionnaires)	Manufacturer-Dealers (automobiles) US	567 dealers	Perceptual rating frequency of disagreements (20 issues) ($\alpha=89$)	Perceptual rating non-coercive sources of power (16 assistances) coercive sources of power (6 punishments)	Medium to high conflict	Non-coercive R2 = 16 Coercive R2 = 21		Multiple regression analysis	

Source: Reve & Stern (1979, p. 410)

Appendix 3 Empirical studies of conflict in vertical marketing system (Cont'd)

Study	Research design	Empirical testing	Sample size	Operationalization of constructs				Empirical Results		
				Vertical conflict	Conflict causes	Conflict outcomes	Vertical conflict	Conflict vs. Causes	Conflict vs. Outcomes	Method of analysis
Eigar (1877b)	Field study (personal interviews)	Manufacturers-Dealers (furniture, automobiles, liquor, shoes, insurance, stereo)	138 dealers	Perceptual rating affective conflict (3 measures) objective indicators manifest conflict (3 measures)	Attitudinal and structural causes (48 issues) 9 factors	Attitudinal causes	Medium conflict	Attitudinal R2 = 50 Manifest R2 = 33	Attitudinal causes most important	Canonical co-relation analysis
Pearson & Monoky (1976)	Field study	Wholesalers-Retailers (grocery) US	54 dyads	Perceptual rating (15 conflictual statements) (15 cooperative statements)	Archival measures of service level of wholesalers and retailers	Archival measures of service level of wholesalers and retailers	Medium conflict	Lower conflict	Lower conflict, higher output	Discriminant analysis

Appendix 3 Empirical studies of conflict in vertical marketing system (Cont'd)

Study	Operationalization of constructs						Empirical Results			
	Research design	Empirical testing	Sample size	Vertical conflict	Conflict causes	Conflict outcomes	Vertical conflict	Conflict vs. Causes	Conflict vs. Outcomes	Method of analysis
Stern, Sternthal & Craig (1973a, 1973b, 1975)	Laboratory experiment	Simulated manufacturer -- wholesaler channels (students)	62 3-person groups (simulated organizations)	Experimental conditions (1) Low conflict treatment (2) High conflict treatment	Treatments conflict mgmt mechanisms (1) Super ordinate goals (2) Exchange of persons (3) No conflict mgmt	Conflict outcomes	Significant perceptual and behavioural evidence of conflict	Significant perceptual evidence of effectiveness management mechanisms Common goals little effective exchange of persons Somewhat effective in reducing conflict	Conflict vs. Outcomes	P-test analysis variance

**THE EFFECT OF CHANNEL CONFLICT ON OVERALL CHANNEL
PERFORMANCE – A PERSPECTIVE FROM A MALAYSIAN
FROZEN FOOD DISTRIBUTOR CHANNEL**

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**Submitted on this 20th of October in the year 2004 for the partial
requirements of the degree of**

**Doctor of Business Administration
International Graduate School of Management
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Abstract

The practical perspectives of conflict dilemma have received little attention in the academic agenda of channel studies. The effects of channel conflict on a distributor's trust, cooperation and commitment, as well as on a channel's performance and satisfaction were examined in this paper, using the channel conflict framework proposed by Magrath and Hardy (1989). The results indicated that medium level channel conflict adversely affected the trust and commitment of the distributor. In contrast, medium level channel conflict has no influence over cooperation, satisfaction and performance of the distributor. However, the distributor's trust, cooperation and performance were not the same at different levels of channel conflict. Results supported the long-held view that, to a certain extent, the distributor's trust and cooperation could affect satisfaction and performance of channel members.

Introduction

During the early 1970's and late 1980's, there was growing interest in the behavioural aspect of channel-related studies. Topics that touched on these channel issues include the role of conflict and cooperation in channel performance (Pearson & Monoky 1976), managing conflict in distribution channels (Stern, Schultz & Grabner 1973), evolution in channel domination (English, Lewison & Delozier 1981) and using retailers' perceptions of channel performance to detect potential conflict (Foster & Shuptrine 1973). Kelly and Peters (1977) introduced the theory of vertical conflict involving two channel members. A conceptual framework is proposed to analyse the relationship between a manufacturer and a distributor in the frozen foods industry. The literature review covers types and causes of conflict, the dysfunctional and functional role of conflict, the potential impact of conflict on trust, commitment and cooperation and the likely effect of conflict on performance and satisfaction.

The core framework suggested by Magrath and Hardy (1989) is also discussed in depth and their proposed measurement of conflict has been modified and used in this paper (methodology). There is however a lack of research done on the measurement unit for conflict (Kelly & Peters 1977; Magrath & Hardy 1989). In fact, many researchers have only mentioned about the effects of channel conflict on operational performance: vertical conflict (Schul, Lamb & Little 1981), vertical conflict of franchisee and distributors (Kelly & Peters 1977) and dysfunctional and functional effects of channel conflict on performance (Brown 1980). The aim of this paper is to set the study of channel relationship against a backdrop of conflict, cooperation, trust, commitment and performance. This paper will attempt to do just that, with a specific focus on the frozen food distributor channel in Malaysia, which is fast becoming an operational hub in South East Asia and the launching pad for many fast-moving consumer goods. The ultimate aim of this research is to improve the efficiency and effectiveness in managing the frozen food distribution channel in the region.

Literature review

According to Rosenbloom (1999), the channel manager faces three basic issues, namely, the level of relationship with the distributor, motivation of channel managers and optimizing cooperation and performance through marketing mix. The success of a channel strategy depends very much on how effective the relationship is managed in terms of trust, commitment, and cooperation of the distributor. These behavioural dimensions are encapsulated in the terminology of relationship level. The framework by Rosenbloom (1999) is used in order to guide how 'close' the relationship with the distributor should be.

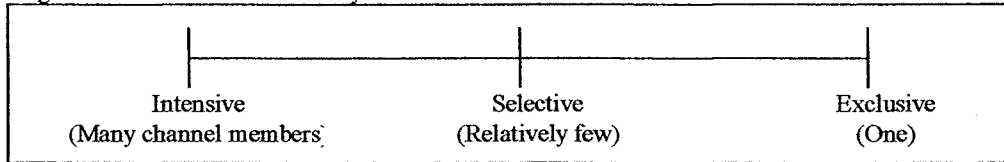
Figures 2.1, 2.2 and 2.3 show that the lower the distribution intensity (less distributors being appointed), the closer the relationship should be fostered, which implies there is a positive relationship between degree of closeness and distribution intensity (Rosenbloom 1999). Similarly, a common commodity distributed intensively in the market would render closer relationship ineffective. For instance, a frozen food sales representative in Malaysia usually would have a closer customer relationship with the distributor as compared to a breakfast cereal salesperson because the latter has to cover a more intensive distribution network. Rosenbloom (1999) commented that this is only true to a certain extent because other behavioural dynamics also play an important role in deciding the level of relationship between the manufacturer and channel members.

Figure 2.1 Continuum portraying degree of closeness of manufacturer with channel members

Degree of closeness continuum	Very close			Caterpillar, Saturn	Examples of firms
	Close				
	Medium			GM, Ford, Chrysler	
	Loose				
	Very loose			Bic pens	

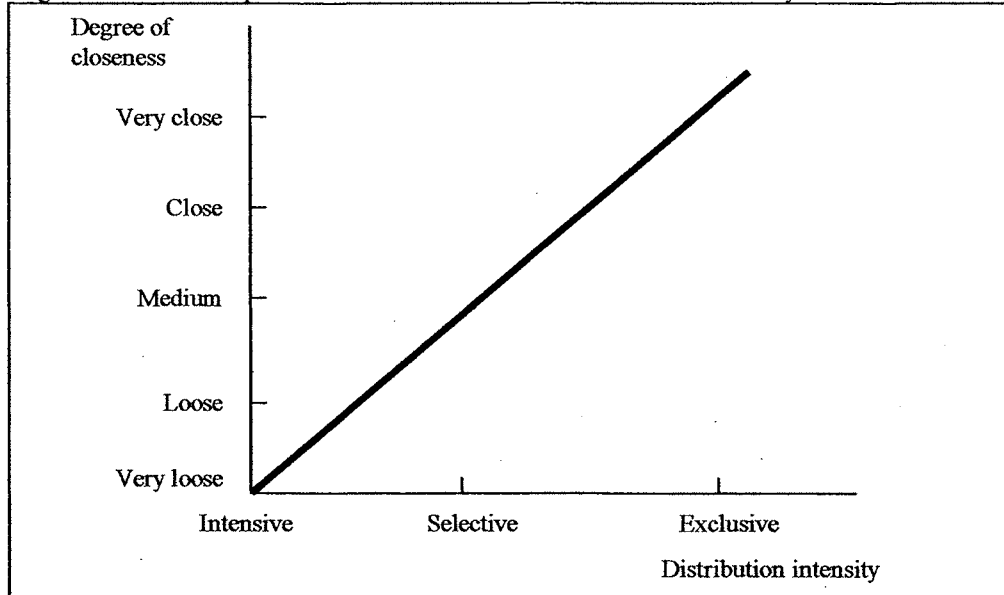
Source : Rosenbloom (1999, p. 185)

Figure 2.2 Continuum of intensity of distribution



Source : Rosenbloom (1999, p. 185)

Figure 2.3 Relationship between channel closeness and distribution intensity



Source : Rosenbloom (1999, p. 185)

As shown in Table 2.1, in order for a manufacturer to maintain good relationships with its channel members, the use of common channel tactics in motivating channel members are inevitable. These channel tactics are used to reinforce distributor trust, commitment, cooperation, performance and satisfaction of the distributor.

Table 2.1 Menu of common channel tactics for motivating channel members

1. Pay higher "slotting allowance" (payment for shelf space) than competitive manufacturers.
2. Offer higher trade discounts (margins) to channel members than competitors offer.
3. Attempt to reward with higher margins those channel members performing more distribution tasks.
4. Offer channel members price-protected products by refusing to deal with price-cutting middlemen.

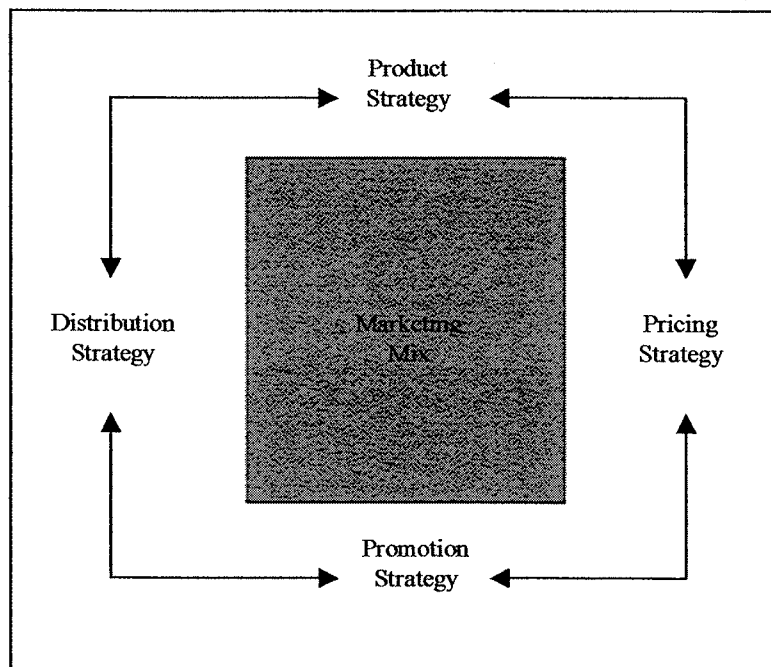
Table 2.1 Menu of common channel tactics for motivating channel members (Cont'd)

5. Provide strong advertising and promotional support to channel members.
6. Provide a wider array of promotional allowances to channel members than competitors provide.
7. Make available to channel members more special deals and merchandising campaigns than do competitors.
8. Make available higher levels of cooperative advertising dollars than do competitors.
9. Make use of missionary salespeople to support channel members' sales efforts.
10. Develop an ideal balance between push and pull promotional strategies.
11. Protect channel members' sales through highly selective distribution.
12. Develop sales quotas for channel members based on analyses of their market potential.
13. Offer channel members a "partnership" arrangement stressing mutual commitment and expectations.
14. Develop special licensing or franchising agreements to tighten the channel relationship.
15. Offer channel members an exclusive dealing arrangement.
16. Use dual distribution to foster inter-channel rivalries.
17. Employ tying arrangements (including full-line forcing) to limit channel members' selling of competitive products.
18. Provide channel members with protected territories.
19. Provide channel members with high-quality, innovative, or distinctive products.
20. Emphasize product life cycle management to assure channel members of timely new product additions or deletions.
21. Assure guaranteed sales and unrestricted returns to channel members.
22. Provide sales training for channel members' salespeople.
23. Offer financial assistance to channel members.
24. Offer management assistance and training to channel members.
25. Provide channel members with superior logistic support.
26. Provide sophisticated on-line computer ordering for channel members.
27. Offer technical assistance and support to channel members.
28. Provide channel members with market research on their target markets.
29. Generate customer leads and pass them on to channel members.
30. Set up distributors' councils to provide channel members with more input into channel decision-making.

Source : Rosenbloom (1999, p. 187)

The performance of a distributor is subject to whether it is motivated to cooperate in achieving the manufacturer's objective (high profit and operational excellence) in all the four strategic variables of the marketing mix (Figure 2.4). For instance, sellable and profitable products need an efficient and effective distribution network well supported by good promotion in order to maximize profit. Hence, effective and efficient distribution channel is part and parcel of any success business equation and equally as important as other marketing mix. According to Brown (1980), marketing mix is a potential source of conflict between the manufacturer and distributor, for example, the distributor's disagreement over the pricing policy of the manufacturer. In fact, Brown (1980, p. 106) stated that 'The marketing mixes of both channel members may be considered as elements of the actions and reactions to conflict'.

Figure 2.4 Interrelationships among the four strategic variables of the marketing mix



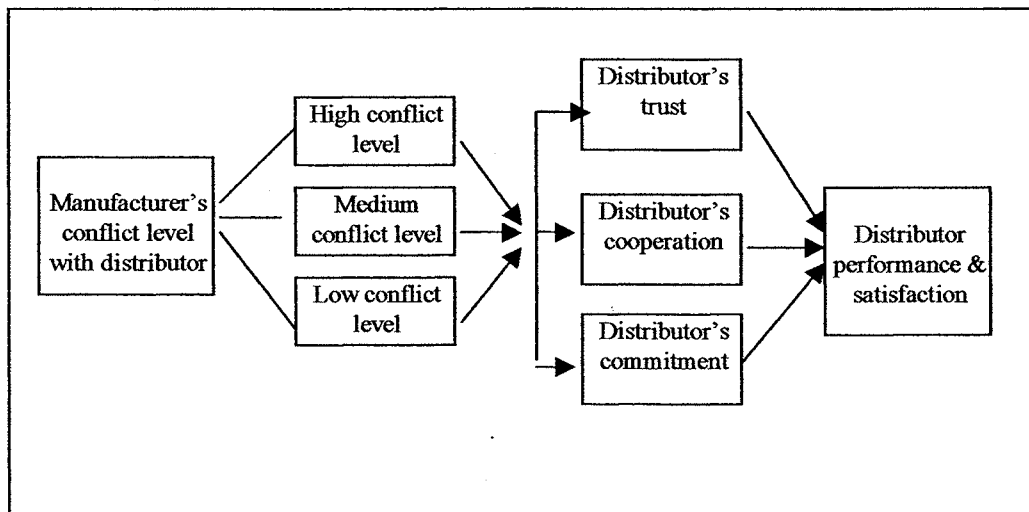
Source : Rosenbloom (1999, p. 190)

Channel conflict

The motive of a manufacturer to appoint another distributor or channel partner is to achieve more in terms of higher market share and profit (Brown 1980). This

relationship of interdependencies has inevitably led to channel conflict. As mentioned earlier, channel conflict is like ‘shield and sword’ – functional as well as dysfunctional. Eliminating conflict is not a direct solution for improved channel performance (Brown 1980). On the contrary, Jones, Wheeler and Young (1992) commented that by eliminating conflict, channel performance could be improved through frequency of communication and support. The overview of channel literature has shed light on the future path of this research paper. To recap the conclusion from Paper 1, the proposed research framework (Figure 2.5) is built based on the constructs derived from the theoretical and empirical research provided by Siguaw, Simpson and Baker (1998) and Metha, Larsen and Rosenbloom (1996).

Figure 2.5 Proposed research framework



Perceptual concept on conflict levels

Magrath and Hardy (1989) proposed a conceptual framework to measure potential conflict levels by evaluating the distributors reaction to the incongruence stemming from goal settings, account selections, channel designs and policies of the manufacturers.

The definition of channel conflict is:

‘The frequency multiplied by the intensity and importance of disagreements occurring between manufacturers and resellers, these three factors can be combined and classified into three levels of conflict’. (Magrath & Hardy 1989, p. 94)

This definition can be further elaborated as follows (Magrath & Hardy 1989): The intensity of conflict can be recognized in terms of insignificant disagreement that is from minor dispute to significant prolonged disagreement arbitrated by a third party. Kelly and Peters (1977) also used this method to measure conflict. The frequency of channel conflict varies from rare disputes and irregular disagreements to hostilities (Kelly & Peters 1977). As proposed by Magrath and Hardy (1989, p. 95), ‘The combined intensity (I) and frequency (F) provides a crude measurement of conflict level and which can be further divided as low, medium and high conflict’.

Conflict is a function of incongruence between manufacturer and distributor in terms of goal settings, account selections, channel designs and policies (Magrath & Hardy 1989). A summary of these elements affecting manufacturer-distributor conflict is summarized in Table 2.2.




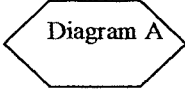
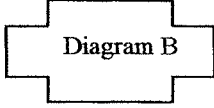
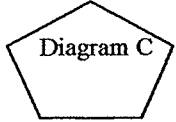
Table 2.2 (a) A conceptual framework for diagnosing manufacturer-distributor conflict

$\text{Conflict} = \text{Frequency (F)} \times \text{Intensity (I)} \times \text{Importance of disagreement (ID)}$
--

Source: Magrath & Hardy (1989, p. 96)

Table 2.2 (b) shows three common areas that are prone to conflict occurrence between manufacturers and distributors. These are goal incompatibility, contradicting channel designs (length, variety, density) and tough channel policies imposed by the manufacturer, which will increase channel conflict.

Table 2.2(b) A conceptual framework for diagnosing manufacturer-distributor conflict

Manufacturer -distributor conflict= (F x I x ID)	<u>Differences in key factors</u> 	<u>Manufacturer's channel design</u> 	<u>Manufacturer's channel policies</u> 
	Differences in goal	Channel length	Sales ordering
	Differences in desired target accounts	Channel variety	Support programs
	Differences in desired product lines	Channel density	Physical distribution
	Differences in interpersonal Relations	Channel autonomy	Communication programs
	 Diagram A	 Diagram B	 Diagram C

Source : Modified from Magrath & Hardy (1989, p. 96)

Table 2.2 (c) further elaborates on the incompatibility of a manufacturer's expectations as compared to a distributor's. For instance, the manufacturer is likely to disapprove of the distributor's high margin set for its product range since this will slowdown stock turnover. In addition, the distributor will resist the manufacturer's push for higher order quantities that might lead to low inventory turnover and high financing cost.

Table 2.2(c) A conceptual framework for diagnosing manufacturer-distributor conflict

	Manufacturer's expectation	Distributor's reaction to Manufacturer
Differences in goal	Low selling price (lower margin), high inventory	Keeping minimum inventory (high stock level, tied-up cash), higher profit via higher selling price
Differences in desired target account	Wider distribution network, volume and share	Other resellers competing for the same customer Avoid selling to high volume but unprofitable customer

Table 2.2 (c) A conceptual framework for diagnosing manufacturer-distributor conflict (Cont'd)

	Manufacturer's expectation	Vs	Distributor's reaction to Manufacturer
Differences in desired product lines	Demand exclusivity from distributor		Represent many product lines/ agency (increase assortment to improve profit and specialization)
Differences in inter-personal relations	Manufacturer's representative works closely with distributor		Dislike the manufacturer's representative (personality clash)

Source : Modified from Magrath & Hardy (1989, p. 96)

Table 2.2 (d) shows a diagnostic approach of predicting conflict levels based on a different type of channel design. For instance, a low channel length is said to generate a lower conflict level according to Magrath and Hardy (1989). A medium type of channel variety (e.g. with two distributors), however, is more likely to generate higher channel conflict. For example, two distributors each representing different product lines from the same manufacturer, such as premium versus mass labels, are competing for the same user or account that is likely to be constrained by limited budgets.

Table 2.2 (d) A conceptual framework for diagnosing manufacturer-distributor conflict

Manufacturer's Policy	Characteristic of Policy		
	<u>Low</u>	<u>Medium</u>	<u>High</u>
Channel length	Low conflict	-	High conflict
Channel variety	Low conflict	High conflict	Low conflict
Channel autonomy	<u>Corporate</u>	<u>Franchise</u>	<u>Independent</u>
	Low conflict	Low conflict	High conflict
Channel density	<u>Exclusive</u>	<u>Selective</u>	<u>Intensive</u>
	Low conflict	High conflict	Low conflict
Sales ordering	<u>Lenient</u>	<u>Average</u>	<u>Stringent</u>
	Low conflict	Medium conflict	High conflict
Support programs	Low conflict	Medium conflict	High conflict
Physical distribution	Low conflict	Medium conflict	High conflict
Communication programs	<u>Underdeveloped</u>	<u>Average</u>	<u>Developed</u>
	High conflict	-	Low conflict

Source : Magrath & Hardy (1989, p. 96)

Distributor trust

Siguaw, Simpson & Baker (1998, p. 101) highlighted that 'trust has been called a fundamental of relationship model building block and requires credibility and benevolence'. Siguaw, Simpson & Baker (1998) also defines credibility as the belief that a trading partner has the expertise and knowledge in his area of specialization. According to Morgan and Hunt (1994, p. 23), trust can also be defined as 'a generalized expectancy held by an individual that the word of another... can be relied on'. The level of trust in any inter-organizational relationship is influenced by the impact of culture – values and norms (Morgan & Hunt 1994). According to Williamson (1985), it is a difficult task to measure or to operationalize trust in research.

This is well supported by Porter, Lawler & Hackman (1975, p. 497):

'Trust... tends to be somewhat like a combination of the weather and motherhood; it is widely talked about, and it is widely assumed to be good for organisation. When comes to specifying just what it means in an organisational context, however, vagueness creeps in'.

Eliashberg and Michie (1984, p. 77) in reporting Pondy's (1967) and Thomas' (1976) studies, stated that:

'Much of the research on channel conflict has relied on the work done on the process model, which delineates four stages in the evolution of conflict episodes - frustration, conceptualization, behaviour and outcome'.

It stresses the process or episodes through which an individual begins to conceptualize conflict (how individuals think about and attach meaning to conflict) as a key determinant on channel member behaviour. Hence, the nature and the extent to which trust are related to the level of conflict perceived by each of the channel members, appear to be a valid research area. One of the objectives of this study is to examine the impact of different levels of channel conflict on distributor trust. According to McAllister (1995), trust is an important element influencing the effectiveness of organizational performance. His study of trust development shows

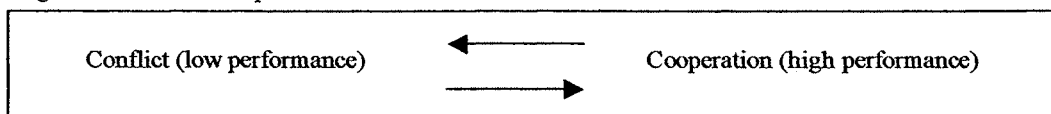
that trust plays an important role in moulding efficient working manager behaviour. Morgan and Hunt (1994) stated that trust would strengthen the relationship in the long run, refraining channel member from pursuing short-term gains at the expense of its partnership.

Channel network is a social relationship (Larson 1992; Granovetter 1985; McAllister 1995) motivated by a common economic motive, which can only function effectively if there is enough cooperation and trust among the channel members (Seabright, Levinthal & Fitchman 1992). According to Porter, Lawler and Hackman (1975), trust determines the risk orientation of the channel member and willingness (Morgan & Hunt 1994) to believe and rely on each other in the channel system.

Cooperation

Channel conflict affects cooperation. The effect of conflict reduces cooperation (Alderson 1965; Robicheaux & El- Ansary 1975) and would cause redundancies (Stern & Heskett 1969; Rosenbloom 1973). By combining the dysfunctional and functional effects of conflict, a threshold model could be mapped out (Brown 1980). It is shown in Figure 2.6 that channel performance can be optimized by promoting cooperation (at the right continuum) and avoiding low performance by minimising conflict (at the left continuum). This conflict-cooperation continuum implies that an organization can be manoeuvred to increase channel performance by inculcating a sense of cooperation (Pearson & Monoky 1976).

Figure 2.6 Conflict-cooperation continuum



Source: Modified from Pearson & Monoky (1976)

Cannon and Perreault (1999) commented on the cooperative norms construct where mutual parties must pursue the common business goal through cooperation. 'Cooperative norms are defined as the perception of the joint efforts of both the

supplier and the distributor to achieve mutual and individual goals successfully while refraining from opportunistic actions' (Siguaw, Simpson & Baker 1998, p. 102).

According to Barnard (1938), cooperation is a function of social factors and incentive alignment. He further commented that the limited nature of social factors or benefit of cooperation is reinforced by the motivating effect of incentives and rewards. There is, however, a difference between consummate and perfunctionary cooperation (Williamson 1975). According to Williamson (1975), both types of cooperation affect performance but the former is only at a minimum compliance level 'spelled out' by a formal agreement. The latter is considered the optimum level of performance shown by the contracting parties or channel members. The relationship between channel conflict and cooperative norms has not been studied in channel literature. By definition, channel conflict is an important intermediate construct on channel cooperation.

As quoted in the work of Stern and El-Ansary in 1977 (cited in Shoham, Rose & Kropp 1997, p.7):

'Channel conflict is a situation in which one channel member perceives another channel member to be engaged in behaviour that is preventing or impeding him from achieving his goals [uncooperative]'.

Similarly, Gaski's study in 1984 (as cited in Shoham, Rose & Kropp 1997, p. 7) also defined 'Channel conflict as the perception on the part of a channel member that its goal attainment is being impeded by another, with stress or tension the result'. These definitions implicitly indicate that the manifestation of conflict would produce negative satisfaction and uncooperative performance outcome.

Commitment

Anderson and Weitz (1992, p. 19) defined commitment as a 'desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain

relationship, and a confidence in the stability of the relationship'. The link between channel conflict and commitment has not been examined in detail in past studies. However, Stern and Heskett (1969) stated that commitment is positively associated with power. From the point of view of the academician and practitioner, lower levels of channel conflict should result in a greater commitment to maintain the channel relationship. There are a number of studies that found commitment to a relationship results in a higher performance level (Siguaw, Simpson & Baker 1998). Kumar, Hibbard and Stern (1994) mentioned that effective relationship and commitment with the channel members could produce better organizational performance. Similarly, commitment has a strong positive relationship with profitability as well as the sustainability of the channel system in terms of satisfaction and performance (Holm, Eriksson & Johanson's 1996; Siguaw, Simpson & Baker 1998).

As commented by Stern and Heskett (1969, p. 303):

'Commitment on the part of a channel member varies directly with the excess of rewards over contributions, however measured, which is perceived individually by the [channel] member'.

This quote indirectly shows that commitment is invariably a 'fluid' variable, which is not easy to measure and more often than not, very much dependent on the individual. According to Selnes (1998), commitment is the foundation of any business relationship, which requires mutual parties to fulfil in order for satisfaction to be achieved successfully.

Distributor performance and distributor satisfaction

Brown's (1980) assertion that conflict affects channel performance has been a long-held assumption. He has examined this relationship in particular and other researchers, namely, Stern and Heskett (1969), Assael (1969) and Rosenbloom (1973) have found that conflict could propel channel members to perform. Shoham, Rose and Kropp (1997), Dwyer (1980) and Wilkinson (1981) stated that channel conflict (cooperativeness) is an intermediate level of construct that influences both channel

member and manufacturer satisfaction. Robicheaux and El-ansary (1975) stated that channel satisfaction is strongly linked to performance and it is believed to be two-way influences based on correlated relationships. In short, better channel satisfaction would improve productivity and efficiency through the control of the manufacturer over its distributor (Robicheaux & El-ansary 1975). In fact channel satisfaction has been used as 'key behavioural outcome' by many researchers (Robicheaux & El-Ansary 1975; Rosenberg & Stern 1970). Past research works focused primarily on the sources of power and influence, and its relationship with conflict, satisfaction, and performance (Gaski 1984).

There is a strong relationship between trust and performance (Dion, Easterling & Miller 1995; Siguaw, Simpson & Baker 1998) whereas McAllister's study (1995) found that such relationship is not supported. The relationship between cooperative norms, commitment and performance has not been extensively researched in the past. One of the hypotheses used by Siguaw, Simpson and Baker (1998) is replicated in this study – the hypothesis that a distributor will place higher trust on its supplier if the distributor is satisfied with its performance. Most of these related researches originated from the West, concentrating on the domestic operations of North American companies. In short, channel conflict is an important intermediate construct that reduces both channel intermediary and manufacturer satisfaction and performance. Since little research has been done on the antecedents and consequences of channel conflict (Shoham, Rose & Kropp 1997), there is a need to bridge the information gap especially in South East Asia context.

In light of the literature discussed, there is a need to determine the effect relationship channel conflict has on all behavioural and relationship variables of the distributor in terms of trust, commitment, and cooperation. The relationship dependent variables and their effect on satisfaction and performance of the channel system (frozen foods distributors) will be explored. As pointed out by the literature review on the history of channel conflict, there is little research on channel conflict, in particular the analysis of

levels of conflict, after the 1990's. Moreover, research on channel conflict in the frozen food distribution network in South East Asia is severely limited.

The primary objective of this study was to determine the relational effect of channel conflict on all behavioural and other relevant variables of the distributor in terms of trust, commitment, and cooperation. The relationship dependent variables and their effect on satisfaction and performance of the channel system (frozen foods distributors) were explored.

The adopted methodology is based on the cross sectional approach. Important empirical evidence that supports the research objective is found in the work of Hussey and Hussey (1997) and Cooper and Schindler (1998):

- i. For instance, the cross sectional method as described in the work of Hussey and Hussey (1997) and Cooper and Schindler (1998) helps to concretise the research design of this paper. A case in point is that, channel conflict in terms of level and its relationship with trust, commitment and cooperation is found to be only meaningful if it is captured at a particular point in time
- ii. In order to ensure the framework/ method is measuring the relevant variables, extraneous factors have been held constant. For example, the power and interdependency factor which falls beyond the scope of this paper has been held constant by choosing suitable channel type – frozen foods distributor in Malaysia. This assumption is made based on the premise that frozen foods distributor has a fairly equal bargaining power with its supplier.
- iii. The work of Denzin (1970) as cited in Hussey and Hussey (1997) showed that different methods used by the researcher leading to the same findings could improve the validity and reliability of the past research methods found predominately in survey research. In this paper, survey research is the chosen method. If the result leads to the same finding, then, the validity of the past methodology is proven. For instance, the survey research method found in Metha, Larsen and Rosenbloom (1996) was modified for this paper showed

high level of convergent and discriminant validity (80.6% reported in factor analysis)

- iv. It is a timely and economical approach as no repeat trip/visitation to respondents is required. In addition, only one sample is required. Most importantly, it met the research design of this paper where a measurement of a particular point in time is required (cross sectional).

The research objective of this paper is to gauge the behavioural aspect in the frozen foods distribution channel as close as possible to natural state, which is best achieved by soliciting responses through questionnaires. In order to execute the research strategy, there are two options to choose from: either experimental or survey research design. The experimental design might be a good method to analyse the causal relationship and interrelationship of the various variables of small sample size. However, it was not chosen due to its artificial setting as well as the threat of extraneous influences (Gill & Johnson 1997). The survey research design was deemed to be more appropriate to adequately deal with the research requirements. For example, this research design was used by Siguaw, Simpson and Baker (1998) and proven to have high validity in the findings obtained. Moreover, one of the hypotheses used by Siguaw, Simpson and Baker (1998) was replicated in this study – the hypothesis that a distributor would place higher trust on its supplier if the distributor is satisfied with its performance.

The questionnaire used was structured to allow it to be analysed statistically. The sample units were the result of a careful stratified random selection process, which would further improve its inherent strength in validity and reliability (generalization to the universe) in findings (Gill & Johnson 1997), however, subjected to the presence of specific characteristic of the sample, namely, the setting and the nature of the business (frozen food segment). The survey research method is not without its flaws. It lacks naturalism (structured questionnaires or the so-called pre-fix research pro forma, and the 'constrained' respondents might be a source of bias due to obligation

or relationship with the interviewer). It does not provide freedom for the respondent to indicate their understanding pertaining to the constructs used in the study. As pointed out by Gill and Johnson (1997), it also lacks the ability to counteract competing hypotheses due to extraneous factors.

However, the validity of the research framework is as good as the criteria used in its sample selection. There is a concern over validity if the selected sample unit failed to represent the population of interest (Hussey & Hussey 1997). It is a valid question if someone questions the issue of injustice in generalizes the findings based on a relatively under-researched topic. The small sample size of 34 respondents would affect both validity and reliability. As suggested by Gill and Johnson (1997), these issues could be overcome by further study of the limited number of respondents, which the questionnaire design has addressed by providing exhaustive multiple questions relating to each of the dimensions reinforced by face-to-face discussion to unveil any feeling or emotion. The validity of the findings is further strengthened by the systematic approach in stratifying the representative sample unit from the population.

The extraneous variables, for example, power, might have an effect on the dependent variables. For example, Metha, Larsen and Rosenbloom (1996) have used the similar strategy to overcome the issue of imbalance power by choosing the respondents from the well define automobile distributor network (a validity of 80.6% reported in factor analysis). This can be overcome by using a fairly balanced sample units consisting of frozen food distributors that do not rely too much on their principal for their frozen food products which are not novel but widely made available elsewhere. In addition, this approach would also address a similar issue of interdependency, which could interfere the validity aspect of the research.

Analytical survey is used to determine the relationship of different variables. The stratified sampling has overcome the issue of selecting a sample well representing the

population. In this case, the stratified sampling has resolved the issue of over or under representation. However, this does not mean generalization (based on the small sample) could be made discriminately. As long as the mandatory pre-requisites such as (a) the business must be a frozen food related industry (b) the profile of the subject resembles of the said sample selected in this study, hence, the reliability of generalization is achieved to certain extent. This resembled the method used in Metha, Larsen and Rosenbloom (1996) where the research setting is being aligned to meet the research objectives.

The methodology used in selecting the sample from Malaysia has flaws, as it tends to neglect the difference in terms of the respondent profile. Nevertheless, in order to improve the validity of the method used, the following steps were adhered to:

- i. To ensure a representative sample had been selected, a stratified sampling plan was used
- ii. Respondents were selected based on each company's annual revenue
- iii. Due to the relatively small sample size, in order to make sure of a zero non response rate, all questionnaires were handed face to face to the respondents and returned within the same day
- iv. A pilot test was carried out in order to remove any ambiguities related to the questionnaire design
- v. Inter-item consistency has been used to test the consistency of the responses to all items as well as whether the items are independent measure of the concept – Cronbach's coefficient alpha suitable for multipoint scales items

Due to the fact that analytical survey and survey research uses statistical procedures to control extraneous variables, the causal relationship between the independent and dependent variables is compromised (Gill & Johnson 1997). Hence, 'causality' cannot be established with the data currently available, however, the directional relationship could be used instead to interpret the findings.

Despite the fact that the current research method differs from the past, it still suffers from the lack of methodological triangulation of a single method (Gill & Johnson 1997). The research could have combined with another a more qualitative method to give more insight of the subject under studied. It is also clear that data collected through the questionnaires would provide a pool of information which could be helpful in analysing and predicting the likely behavioural response as a consequence of the different channel conflict level. However, to what extent these findings fulfils the criteria of validity are clearly affected by the main issues highlighted beforehand.

In summary, channel conflict is a possible intermediate construct that would reduce both channel member satisfaction and performance. There is a need to determine the relationship between channel conflict and the all the pertinent behavioural variables of the distributor in terms of trust, commitment, and cooperation. Survey research would expect to best uncover the feeling and response of the subject that, in turn, would give an indicative on trust, commitment and cooperation.

Since little research has been done on the antecedents and consequences of channel conflict (Shoham, Rose & Kropp 1997), there is a need to bridge the information gap especially in the South East Asian context. Conflict is a function of incongruence between manufacturer and distributor in terms of goal settings, account selections, channel designs and policies (Magrath & Hardy 1989). The scoring chart used previously by Magrath and Hardy (1989) would deliver reliability since it was replicated in this study but under a different context – a distribution network in South East Asia. The responses pertinent to conflict assessment were elicited through survey research and the expected conflict level was then established.

The need for further research in this area is translated into ten hypotheses as follows:

Hypotheses

Hypothesis 1a is stated as:

‘There is no relationship between channel conflict and distributor trust, commitment, and cooperation’.

Hypothesis 1b is stated as:

‘There is no relationship between channel conflict and distributor satisfaction and performance’.

Hypothesis 2a is stated as:

‘There is no relationship between distributor trust and its satisfaction and performance’.

Hypothesis 2b is stated as:

‘There is no relationship between distributor cooperation and its satisfaction and performance’.

Hypothesis 2c is stated as:

‘There is no relationship between distributor commitment and its satisfaction and performance’.

Hypothesis 3 is stated as:

‘Distributor trust, commitment, cooperation, satisfaction and performance are the same for different levels of channel conflict’.

Hypothesis 4 is stated as:

‘Distributor trust, commitment, cooperation and channel conflict are not influenced by satisfaction and performance’.

Hypothesis 5 is stated as:

‘Channel conflict is not influenced by distributor trust and commitment’.

Hypothesis 6 is stated as:

‘Channel conflict is not influenced by distributor commitment and cooperation’.

Methodology

Population and sampling procedure

The population of this study consists of frozen food distributors in West and East Malaysia, as illustrated in Table 2.3 below. Currently, there are about 50 distributors with annual sales revenue up to RM160 million. Stratified sampling technique was used in selecting sampling units in order to ensure equal representation of the population of interest. Distributors with annual sales revenue of less than RM40 million are mainly wholesalers located in city centres in different states (city centres) in Malaysia.

Table 2.3 Sample vs. population

Annual Sales Revenue (Malaysian Ringgit)	No. of Distributor (Frozen food)	%	No. of Distributor (Frozen Food)	%
	Industry		Sample	
Less than 40 mil	15	30	10	29
More than 40 mil and < than 80 mil	20	40	16	47
More than 80 mil and < than 120 mil	9	18	6	18
More than 120 mil and < than 160 mil	6	12	2	6
Total	50	100	34	100

Source: McCain Foods Asia Pacific 2001

Note: Most frozen food distributors in Malaysia are family-owned, ranging from small to medium size in a very fragmented market segment. Only a few in general make it to the top bracket. There is currently no direct involvement of multi-national frozen food distributors in South East Asia.

The sampling frame of this study is based on the entire frozen food contact list in Malaysia with sales revenue of up to RM160 million per annum. The final selected sample size consists of 34 frozen food importers. Prior to participation in the survey, all of the respondents were briefed on the research, that is, the objective of the study and how they would contribute to the better understanding of the research topic. Consent prior to participation was obtained. A survey questionnaire was used to collect the data. Questions about the respondent's perception on conflict, their sense

of trust, commitment and cooperation, as well as overall distributor assessment about their own performance and satisfaction were solicited. The instruments used in this research was adopted and modified from past research. For instance, the questions and scale used under channel conflict were based on the recommendations of Magrath and Hardy (1989). A structured multi-item questionnaire with close-ended questions was used throughout the survey (refer to Appendix 13). The questionnaire was divided into the following categories:

Part A – Channel conflict	}	Paper 2
Part B – Trust, cooperation and commitment		
Part C – Distributor satisfaction		
Part D – Distributor operating performance		
Part E – Cultural distance (Philippines and Malaysia)	}	Paper 3
Part F – Distribution system quality (Respondents from Philippines and Malaysia)		

- Note: Data required for Paper 2 and Paper 3 were both collected at the same time (Malaysia only)

Survey research is a systematic gathering of information from respondents. For the purpose of understanding behaviour or predicting some aspects of the behaviour of the population of interest (Tull & Hawkins 1993), the 5-point Likert scale is used to measure the perception of trust, commitment and cooperation, and thus is preferred in Parts B, C and D. More often than not, this scale is being treated as an interval scale despite the ‘unequal’ intervals between the items since the ‘results of most standard statistical techniques are not affected greatly by small deviations from the interval requirement’ (Tull & Hawkins 1993, p. 308). The 3-point Ordinal scale is used in the measurement of channel conflict in Part A.

Part A – Channel conflict: Ordinal scale (3 points) is used to obtain preference measurement

Part B – Trust, cooperation and commitment	}	5-point Likert scale is used
Part C – Distributor satisfaction		
Part D – Distributor operating performance		

Part A: Channel conflict

The ideas used in this Part A are based on the work of Magrath and Hardy (1989). They both proposed a valid conceptual framework of a scoring chart for key differences, channel design and channel policy to identify total potential manufacturer-reseller conflict (Magrath & Hardy 1989). Past research has never attempted to measure conflict level empirically by dividing them into low, medium and high levels. Evidence of how conflict was measured in different ways in the past include “after-the-fact” measure by Assael (1969), measurement of differences in perception in terms of goal and domain by Rosenberg and Stern (1971), and measurement of conflict as the disagreement against the domain of performance by Foster and Shuptrine (1973).

The instrument used was a 3-point ordinal response, namely, from small, medium and large; or lenient, average and stringent. Firstly, the respondents were asked to rank their opinions on goal and account compatibility between the distributor and supplier, whether both existing and desired product lines given by the manufacturer met the distributor’s expectation. Similar questions were also asked on the service level and the relationship between the supplier and distributor. Secondly, the respondents were asked to rank on channel length, product variety, existing channel coverage, and the supplier’s influence on the distributor’s operation. Thirdly, questions on existing channel practices were asked on policies, support programs, physical distribution and communication programs provided by the manufacturer. Questions asked in Part A were intended to determine conflict levels. The reliability test (refer to Appendix 1) showed an Alpha value of 0.5613.

Part B: Trust, cooperation and commitment (distributor)

The multi-item scale in this part was drawn from Sigauw, Simpson and Baker (1998), who had used a 5-point Likert response to measure trust, cooperation and commitment of a distributor. Respondents were asked to rate from ‘Strongly disagree’ (1) to ‘Strongly agree’ (5) the dimensions of trust and commitment. For

cooperative norms, respondents had 5 choices ranging from 'Very inaccurate description' (1) to 'Very accurate description' (5). Questions asked in Part B were intended to find out the trust, cooperation and commitment of the same group of respondents that had answered questions related to conflict in Part A. The reliability test (refer to Appendix 2, 3, 4) showed an Alpha value of 0.8289 (trust), 0.6440 (commitment), and 0.7499 (cooperation).

Part C: Distributor satisfaction

The items for Part C were used on the same scale used by Shoham, Rose and Kropp (1997). Respondents were asked to rate from 'Much worse than expected (1) to 'Much better than expected' (5) on three items, namely, the overall import performance, expectation and service level rendered by the manufacturers. According to Shoham, Rose and Kropp (1997), these are reliable items and have been used by other researchers (Galbraith & Schendel 1983; Dess & Davis 1984). The Alpha score was 0.6258 (refer to reliability test in Appendix 5).

Part D: Operating performance

A subjective approach was used to solicit information related to the operating performance of the respondents. The objective way of measuring financial performance by asking questions such as 'Please circle the sales dollar range that represent your company's total annum sales revenue' is error-prone, i.e. respondents tend to falsify information. Respondents were asked to rate from 'Strongly dissatisfied' (1) to 'Strongly satisfied' (5) on performance-related items, such as cash flow, return on shareholder equity, gross profit margin, net profit from operations, profit-to-sales ratio, return on investment and ability to fund business growth from profits. According to Sigauw, Simpson and Baker (1998, p. 105), 'This scale provides the capability to measure the true multi-attribute nature of organizational performance rather than relying on a single measure'. The reliability test (refer to Appendix 6) showed high scores on all items (alpha value was 0.9550).

Reliability of the instrument

Interitem consistency was used to test the consistency of responses to all items, as well as whether the items were independent measures of the concept – Cronbach's coefficient alpha suitable for multipoint-scaled items (Sekaran 2000). The higher the value of Cronbach's alpha, the better the instrument is in measuring the concept studied. The questionnaire is 6 pages long and includes 7 multi-part questions. All the scales used in previous research studies were being modified and used in this study in order to replicate the reliability and validity of the scales. This aspect of the research was well emphasized by Gaski (1984). A pilot test was conducted on a small sample size that reflected the characteristics of the actual sample in terms of sales revenue. During the pilot test, respondents were asked to comment on the questionnaire. It was discovered these respondents had difficulty understanding certain terminology and phrases, for example, length of channel, channel coverage, etc. Certain questions were skipped or refused during this pilot test, especially questions on the variety of product line. The main reason was due to a lack of understanding of the meaning of 'variety'. The common response was that they knew they were selling different lines of product but were not sure about the answer. Later, changes such as "If you are a single distributor (low) and multiple distributor (high)" were incorporated into the final questionnaire. All unclear words and phrases were removed from the final version of the questionnaire. Questionnaires were then distributed to the respondents by e-mail or fax. The questions or queries raised by respondents were handled face-to face.

A total of three call-backs were made for each company. This step was necessary for two reasons:

- i. It enabled the researcher to identify and send the questionnaire to the key informant. To qualify as an informant, the candidate must hold a senior management position such as managing director, executive director, general manager, or purchasing manager; or at the very least, a key decision-maker in importing frozen foods from overseas manufacturers. A similar methodology was used in the validation study of distribution channels by Gaski (1996).

- ii. By personally contacting the managers and explaining the importance of the study, it was hoped that the response rate would increase and non-response errors would decrease.

In all, questionnaires were mailed to 34 managers from the frozen food industry in West and East Malaysia.

Each questionnaire consisted of 48 items. Statistical Package for the Social Sciences (SPSS) was used to analyze the data (refer to Appendix 7). The approach of analysis is described as follows:

First phase: Descriptive analysis using frequency with visual aids.

Second phase: In order to convert the ordinal data into interval data, the technique of scale standardization as proposed by Terrell (2000) was used. This technique requires that all items related to items with ordinal type be transformed into intervals with scores ranging from 0 – 100:

Transformed Score = $[(\text{actual raw score} - \text{lowest possible raw score}) / \text{possible raw score range}] \times 100$

This transformation is a pre-requisite prior to using Pearson correlation (interval scale) to test for Hypotheses 1a, 1b, 2a, 2b & 2c.

2nd Phase: ANOVAs (One-way) will be used to analyse Hypotheses 3

3rd Phase: ANOVAs (Two-way) will be used to analyse Hypotheses 4, 5 & 6

Note:

Channel conflict will be classified as low, medium or high based on the result of the data collected. P-value of 0.05 will be used as a yardstick for either rejecting or accepting the null hypothesis. If p-value is less than 0.05, the null hypothesis will be rejected. While p-value is greater than 0.05, the null hypothesis will not be rejected. Terrell's method is used to standardize the Likert-scale responses, which will make the change from ordinal to interval scale i.e. from ranking to countable scale.

Findings

The findings of this study are based on descriptive, bivariate and multivariate analyses, and are presented in this section.

Descriptive analysis

Basic descriptive statistical analysis, namely histogram and frequency table, are shown in Figure 2.7 as follows:

Figure 2.7 Percentage distribution of respondents by educational background

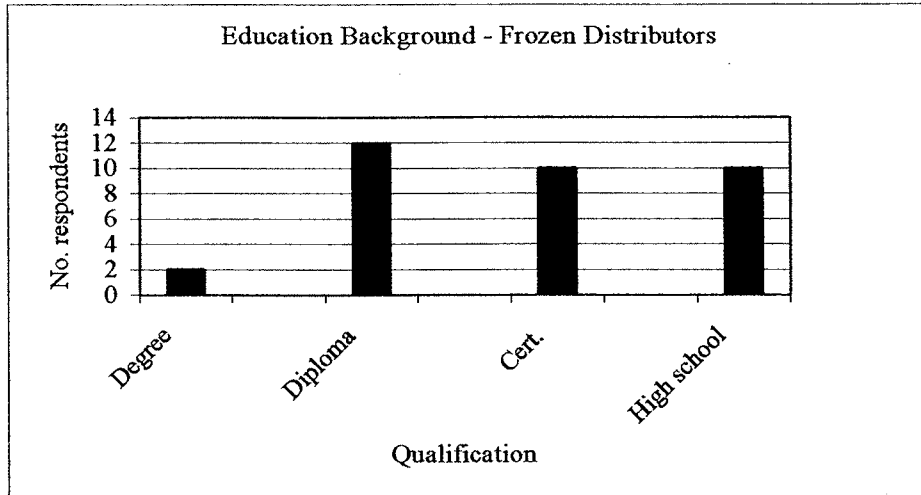


Table 2.4 shows the distribution of respondents by annual sales revenue. The distribution indicates there are 10 respondents with annual sales value of less than RM40 million (29%), 16 respondents (47%) fall in the range of between RM40 million and RM80 million per year, and 6 respondents (18%) with more than RM80 million but less than RM120 million per year. The remaining 2 respondents (6%) are distributors with annual sales of greater than RM120 million but less than RM160 million.

Table 2.4 Percentage distribution of respondents by annual sales revenue

Annual Sales Revenue (Malaysian Ringgit)	No of Distributor (Frozen Food) Sample	%
Less than 40 mil	10	29
More than 40 mil and < than 80 mil	16	47
More than 80 mil and < than 120 mil	6	18
More than 120 mil and < than 160 mil	2	6
Total	34	100

The distribution of mean of channel conflict based on 'key difference'

On a scale of *1 = Compatible to 3 = Not Compatible* for item 1, scale of *1 = Excellence to 3 = Inferior* for items 2, 3(b), 4(a) and 4(b), scale of *1 = Meeting Expectation to 3 = Not Meeting Expectation* for item 3(a). Item 3(a), 'Do you think your targeted or existing accounts meet the expectation of your supplier?', scored the highest mean of 1.79, which indicates that the product lines supplied by the manufacturer are somewhat meeting the expectations of the distributor.

Meanwhile, item 4(a), 'How do you best describe the interpersonal relationship between you and your supplier?', gave the lowest mean score of 1.35, which indicates that the relationship between the manufacturer and distributor is generally good. (Refer to Table 1, Appendix 8)

The distribution of mean of channel conflict based on 'channel design'

On a scale of *1 = Short to 3 = Long* for item 1, scale of *1 = Low to 3 = Medium* for items 2(a) and 2(b), scale of *1 = Exclusive to 3 = Selective* for item 3, scale of *1 = Owned to 3 = Independent* for item 4. Item 4, 'What do you feel about the level of influences that the supplier has on your operation?', scored the highest mean of 2.53, which shows a manufacturer has no influence over its distributor. Item 1, 'How do you best describe the current length of the channels?', gave the lowest mean score of 1.85, indicating a medium channel length. (Refer to Table 2, Appendix 8)

The distribution of mean of channel conflict based on 'channel policy'

On a scale of *1 = Lenient to 3 = Stringent* for items 1, 2 and 3, scale of *1 = Developed to 3 = Underdeveloped* for item 4. Item 1, 'How do you rate the supplier's overall policy?', scored the highest mean of 1.88. Item 3, 'How do you rate the reliability of the supplier's physical distribution?', also scored 1.88. Both scores somewhat implies the flexibility of the channel policy and average reliability of the manufacturer's physical distribution. Item 4, 'How would you rate the current communication program provided by the supplier?', gave the lowest mean score of

1.65, showing that somewhat average communication programs are in place (Refer to Table 3, Appendix 8)

The distribution of mean of trust (credibility)

On a scale of 1 = *Strongly Disagree* to 5 = *Strongly Agree*. Item 3, 'This supplier is knowledgeable regarding his product?', scored the highest mean of 4.29, showing that the manufacturer has high product knowledge. Item 4, 'The supplier has problem in understanding our position?', gave the lowest mean score of 2.91, implying that the distributor neither agreed nor disagreed that the manufacturer is either considerate or unemphatic. (Refer to Table 4, Appendix 8)

The distribution of mean of trust (benevolence)

On a scale of 1 = *Strongly Disagree* to 5 = *Strongly Agree*. Item 2, 'The supplier cares for us?', scored the highest mean of 3.74. Item 1, 'This supplier has made scarifies for us in the past?', scored the lowest mean of 3.18. (Refer to Table 5, Appendix 8)

The distribution of mean of commitment to relationship

On a scale of 1 = *Strongly Disagree* to 5 = *Strongly Agree*. Item 5, 'We are willing to dedicate whatever people and resources it takes to grow sales for this supplier', scored the highest mean of 3.76, while item 2, 'We are continually on the lookout for another supplier to replace or add to our current supplier', gave the lowest mean score of 2.91. The score shows that the distributor is committed to its existing supplier. (Refer to Table 6, Appendix 8)

The distribution of mean of cooperation

On a scale of 1 = *Very Inaccurate Description* to 5 = *Very Accurate Description*. Item 5, 'We must work together to be successful', scored the highest mean of 4.41, while item 3, 'One party will not take advantage of a strong bargaining position?', gave the lowest mean score of 3.62. (Refer Table 7, Appendix 8)

The distribution of mean of distributor satisfaction

On a scale of 1 = *Much Worse Than Expected* to 5 = *Much Better Than Expected*. Item 1, 'How close did actual distributor performance meet expectations?', scored the highest mean of 3.79, while item 3, 'Concerning about problem faced by distributor in importing over the past 1-3 years', gave the lowest mean score of 3.35. The score implies that the distributors are fairly happy because the overall import business has been better than expected. (Refer to Table 8, Appendix 8)

The distribution of mean of distributor operating performance

On a scale of 1 = *Strongly Dissatisfied* to 5 = *Strongly Satisfied*. Item 7, 'How would you rate your ability to fund business growth from profits in the past 3 years?', scored the highest mean of 3.71, while item 5, 'How would you rate your profit-to-sales ratio in the past 3 years?', gave the lowest mean score of 3.47. (Refer Table 9, Appendix 8). The score implies that the distributors are fairly satisfied with their past performance.

Bivariate analysis

The data collected was in the Likert-scale format or ordinal data. The ordinal data was transformed into an interval scale using Terrell's transformation technique in order to facilitate bivariate and multivariate analyses.

Correlation

Pearson correlation analysis was used to test the null hypotheses and the results are shown in Table 2.5.

Hypothesis 1a: There is no relationship between channel conflict, distributor trust, commitment, and cooperation

Table 2.5 shows the correlation between channel conflict (dependent variable) and trust, commitment and cooperation (independent variables). Firstly, trust was found to have significant relationship with channel conflict. Secondly, commitment was also

found to have significant relationship with channel conflict. However, cooperation was found to have insignificant relationship with channel conflict.

Hypothesis 1b: There is no relationship between channel conflict and distributor satisfaction and performance

According to Table 2.5, both satisfaction and performance were found to have insignificant relationship with channel conflict.

Hypothesis 2a: There is no relationship between distributor trust and its satisfaction and performance

Table 2.5 shows the correlation between trust (dependent variable) and satisfaction & performance (independent variables). Trust was found to have significant relationship with satisfaction and performance.

Hypothesis 2b: There is no relationship between distributor cooperation and its satisfaction and performance

According to Table 2.5, cooperation was found to have insignificant relationship with satisfaction. However, cooperation was found to have significant relationship with performance.

Hypothesis 2c: There is no relationship between distributor commitment and its satisfaction and performance

According to Table 2.5, commitment was found to have insignificant relationship with satisfaction and performance.

Table 2.5 Results of Pearson correlation analysis

Correlation between		Pearson correlation	Sig. (2-tailed)	N
Channel conflict &	Trust	-.541	.001**	34
	Commitment	-.375	.029**	34
	Cooperation	-.302	.082	34
	Satisfaction	-.249	.156	34

Table 2.5 Results of Pearson correlation analysis (Cont'd)

Correlation between		Pearson correlation	Sig. (2-tailed)	N
Channel conflict &	Performance	-.171	.333	34
Distributor trust &	Satisfaction	.389	.023**	34
	Performance	.538	.001**	34
Distributor cooperation &	Satisfaction	.186	.292	34
	Performance	.400	.019**	34
Distributor commitment &	Satisfaction	.258	.141	34
	Performance	.248	.157	34

Note: n = 34 ** P Value < .05

One-way ANOVA

One-Way ANOVAs are used to test hypotheses 3. The results are shown in Table 2.6.

Hypothesis 3: Distributor trust, commitment, cooperation, satisfaction and performance are the same for different levels of channel conflict.

Table 2.6 shows the outcome of the test for distributor trust, commitment, cooperation, satisfaction and performance among different channel conflict levels. It is evident that levels of distributor trust, cooperation and performance are different for all levels of channel conflict. There is, however, insufficient evidence to show that levels of distributor commitment and satisfaction are different for all levels of channel conflict.

Table 2.6 Results of the one-way Anova test – channel conflict

		Sum of squares	df	Mean square	F	Sig.
Trust	Channel Conflict	3295.679	8	411.960	4.510	.002**
Commitment	Channel Conflict	2579.007	8	322.376	2.310	.052
Cooperation	Channel Conflict	3120.549	8	390.069	4.100	.003**
Satisfaction	Channel Conflict	1681.577	8	210.197	1.591	.178
Performance	Channel Conflict	6976.134	8	872.017	2.998	.017**

Note: n = 34 ** P Value < .05

Multivariate analysis

There are six hypotheses that could be tested by using two-way ANOVA analysis and the results are shown in Table 2.7.

Hypothesis 4: Distributor trust, commitment, cooperation and channel conflict are not influenced by satisfaction and performance.

Table 2.7 shows the outcome of the test for the influence of both satisfaction and performance on distributor trust, commitment, cooperation and channel conflict. There is sufficient evidence to show that distributor trust and cooperation are influenced by both satisfaction and performance. However, there is insufficient evidence to show that distributor commitment and channel conflict are influenced by both satisfaction and performance.

Hypothesis 5: Channel conflict is not influenced by distributor trust and commitment

Table 2.7 shows the outcome of the test for the influence of both trust and commitment on channel conflict. Overall, there is insufficient evidence to show that channel conflict is influenced by both trust and commitment.

Hypothesis 6: Channel conflict is not influenced by distributor commitment and cooperation

Table 2.7 shows the outcome of the test for the influence of both commitment and cooperation on channel conflict. There is insufficient evidence to show that channel conflict is influenced by both cooperation and commitment.

Table 2.7 Results of the two way ANOVA test – tests of between-subjects effects

Dependant variables	Type III Sum of squares	df	Mean square	F	Sig.
Trust Satisfaction & Performance	1180.987	2	590.494	19.958	.000**

Table 2.7 Results of the two way ANOVA test – tests of between (Cont'd)

Dependant variables		Type III Sum of squares	df	Mean square	F	Sig.
Commitment	Satisfaction & Performance	747.964	2	373.982	2.275	.142
Cooperation	Satisfaction & Performance	1062.464	2	531.232	9.258	.003**
Channel conflict	Satisfaction & Performance	247.526	2	123.763	1.611	.237
Channel conflict	Trust & Commitment	2.444	2	1.222	.051	.951
Channel conflict	Commitment & Cooperation	654.823	8	81.853	1.777	.217

Note: n = 34 ** P Value < .05

Reliability analysis

Reliability analysis was used to measure for variable errors and ensure consistency in responses for all the items in the questionnaire. The Cronbach's Coefficient Alpha obtained is presented accordingly.

Table 2.8 Results of the reliability analysis

Items	Reliability Coefficients		
	Alpha	N of cases	N of items
Channel Conflict	.5613	34	7
Trust	.8289	34	12
Commitment	.6440	34	5
Cooperation	.7499	34	6
Satisfaction	.6258	34	3
Performance	.9550	34	7

The Cronbach's Coefficient Alpha for items relating to the variables, such as channel conflict, trust, commitment, cooperation, satisfaction and performance, are consistent.

Some of the observations inferred from Table 2.9 are shows as follows:

Areas that are somewhat compatible between the manufacturer and distributor are in goal setting and product lines offered. In fact, the distributors are quite satisfied with the existing product lines where 58.8% rated them as average and 41.2% as excellent. Overall, the respondents rated the service level provided by the supplier favourably. The areas of concern are interpersonal relationship as well as the suitability of customer accounts selected by the distributor. For example, only 79.4% of the respondents think that their selected accounts met the distributor's expectation averagely. In addition, only 67.6% of the respondents rated their relationship with the supplier as excellent. In short, the respondents perceived the relationship between the distributor and the supplier fairly healthy. For the following, please refer to Appendix 9. 55.9% of the respondents viewed channel length as medium. 52.9% of the respondents believed there is medium level of product variety (food service). 61.8% of the respondents rated existing channel coverage as intensive. Lastly, the supplier has least control as majority of the distributors/ respondents are independent owned (64.7%). Most of the respondents perceived the support and communication programs as well as the channel policies as 'average'. The reported findings have a strong influence over the channel conflict level.

Table 2.9 Channel conflict questions

		Frequency	Percent	Valid Percent	Cumulative Percent
Goal compatibility	Compatible	9	26.5	26.5	26.5
	Somewhat compatible	24	70.6	70.6	97.1
	Not compatible	1	2.9	2.9	100.0
	Total	34	100.0	100.0	
Meeting supplier expectations	Excellent	7	20.6	20.6	20.6
	Average	27	79.4	79.4	100.0
	Total	34	100.0	100.0	
Expectation on product lines	Meeting	17	50.0	50.0	50.0
	Somewhat meeting	15	44.1	44.1	94.1
	Not meeting	2	5.9	5.9	100.0
	Total	34	100.0	100.0	

Table 2.9 Channel conflict questions (cont'd)

		Frequency	Percent	Valid Percent	Cumulative Percent
Product lines	Excellent	14	41.2	41.2	41.2
meeting customer	Average	20	58.8	58.8	100.0
expectations	Total	34	100.0	100.0	
Interpersonal	Excellent	23	67.6	67.6	67.6
relationship with	Average	10	29.4	29.4	97.1
supplier	Inferior	1	2.9	2.9	100.0
	Total	34	100.0	100.0	
Supplier's service	Excellent	15	44.1	44.1	44.1
Level	Average	19	55.9	55.9	100.0
	Total	34	100.0	100.0	

Based on the tabulation of response frequencies as illustrated in Figure 2.8 (a) and (b), conflict level is defined as 'medium'.

Figure 2.8 (a) Channel conflict continuum – defining conflict

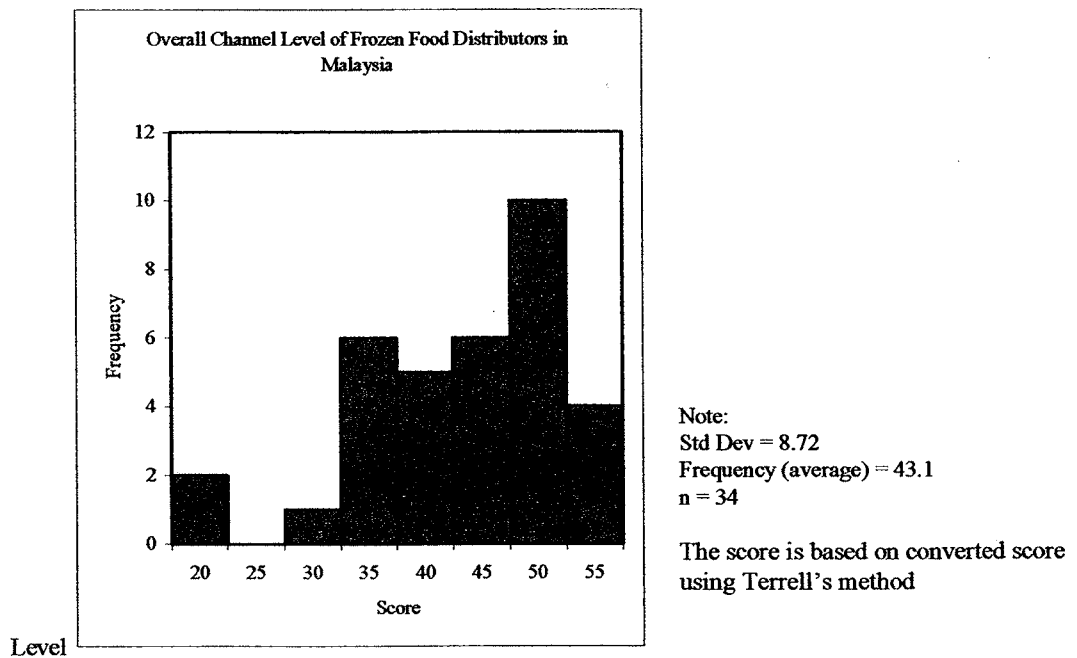
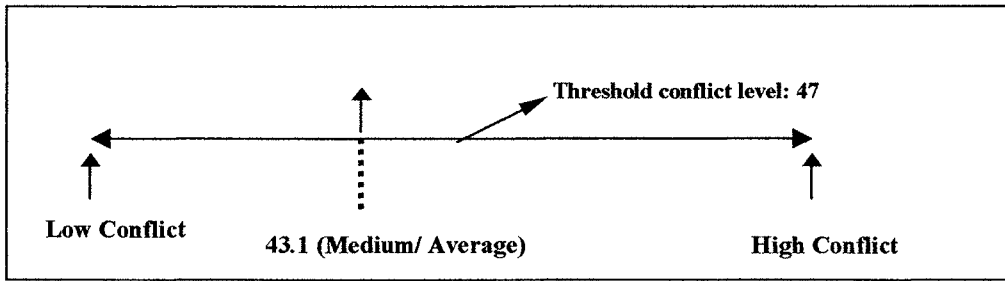


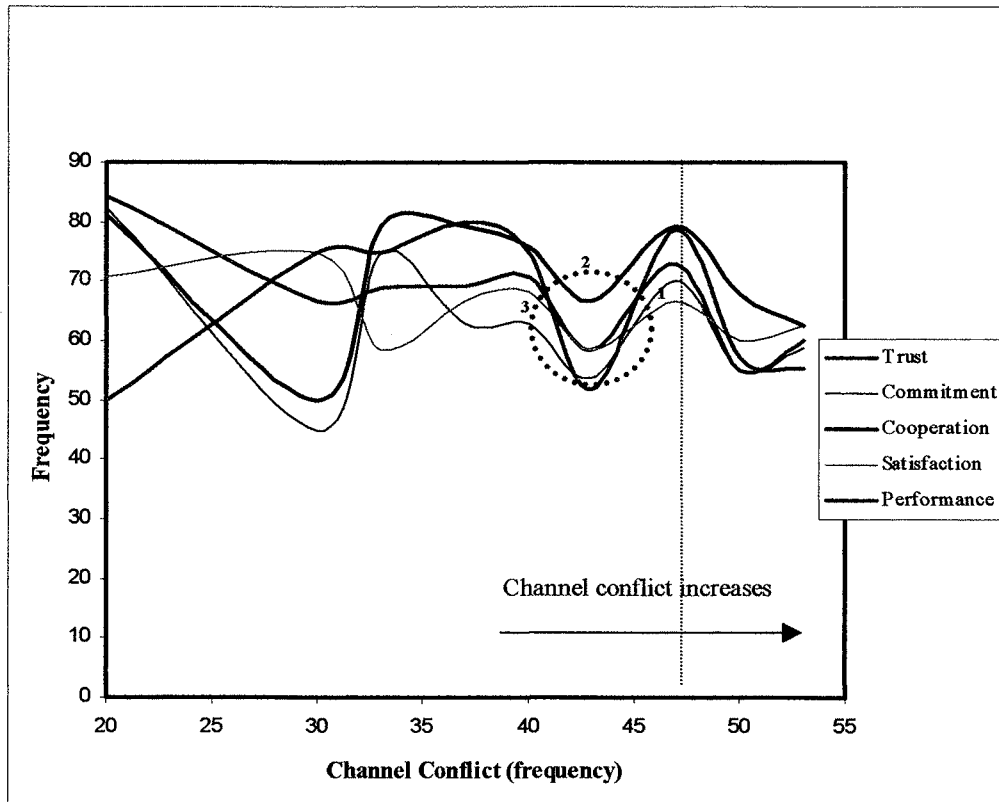
Figure 2.8 (b) Channel conflict continuum – defining conflict level (based on frequency)



Interpretation

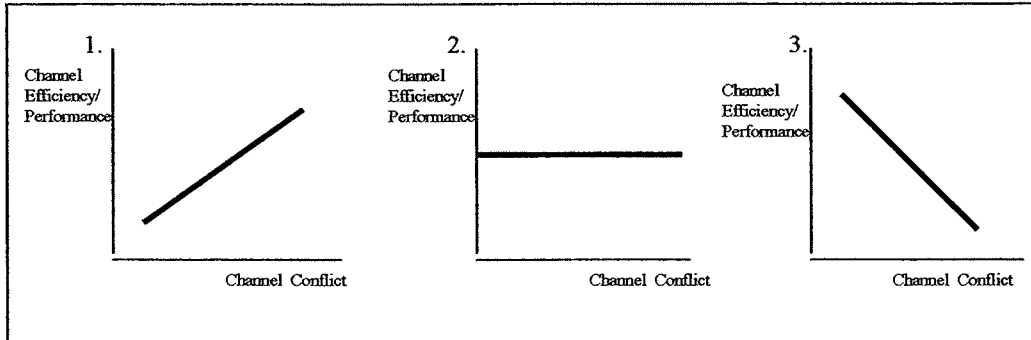
In Figure 2.9(a), point 1, 2 and 3 could be explained by the effect of performance affect conflict. The ‘∩ shape’ is formed when conflict is tabulated against all behavioural dimensions especially on performance.

Figure 2.9 (a) Frequency comparison – channel conflict vs. trust, commitment, cooperation, satisfaction and performance



In Figure 2.9 (b), point 1, 2 and 3 are further divided into three diagrams. Each diagram depicts the relationship between channel performance and channel conflict. Similarly, the same explanation applies when a bell shape curve ‘∩ shape’ (Performance affects Conflict) is found in Figure 2.9 (a).

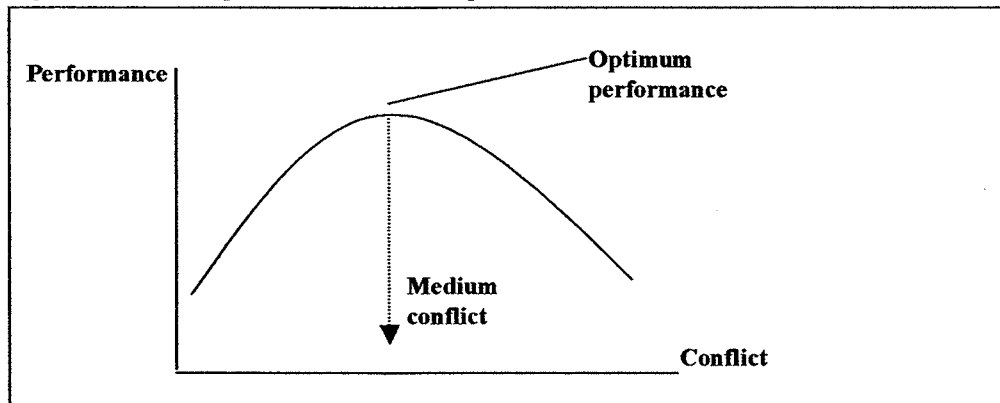
Figure 2.9 (b) Frequency comparison – channel conflict vs. trust, commitment, cooperation, satisfaction and performance



Source: Rosenbloom (1973, p. 29)

The Figure 2.9 (a) as proposed by Brown (1980), commented that both ‘∩ shape’ (Performance affects Conflict) and ‘∪ shape’ (Conflict affects Performance) are co-existing. The former argued that performance decreases as conflict increases. After the point of threshold or point of realization is reached, the performance will improve. The ‘∩ shape’ concept is similar to Figure 2.10.

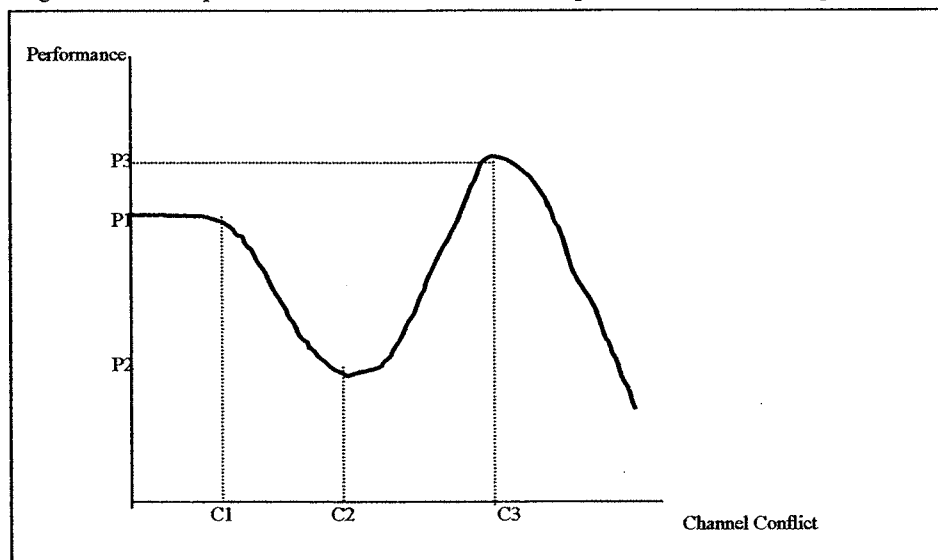
Figure 2.10 Conflict performance relationship



Source : Lusch (1976, p. 6)

To elaborate further on Figure 2.11, when conflict level is at C1, the performance is constant at P1. After C1, the performance declined until it reaches a threshold (point of realization) at C2 where channel members usually decide unanimously to improve their poor performance. After C2, performance will increase until it peaked at P3. In comparison, the above 'Expanded View of channel Conflict-Performance Relationship' proposed by Brown (1980) is partially reflected in Figure 2.9(a) (refer to performance line in red). It is only true to claim '∪ shape' (Performance affects Conflict) because the questionnaires asked are based on past performance.

Figure 2.11 An expanded view of the channel conflict-performance relationship



Source : Brown (1980, p. 106)

Note: According to Brown, the location of C1, C2, C3, P1, P2 and P3 are dependent on the conflict development

Discussion

Table 2.10(b) shows that the frozen food distribution network in Malaysia, in this case the network for frozen French fries has a medium characteristic across channel length (55.9%) and product variety (52.9%). In terms of channel density, 61.8% is intensive, formed by 64.7% independent distributors. The summary (shown in Table 2.10(a) and 2.10 (b)) would help to determine the conflict level (Magrath & Hardy 1989). Overall, in terms of frequency of the responses obtained, there are two conflict dimensions rated as high, nine conflict dimensions as medium and three conflict dimensions as

low. Assuming all dimensions have equal weight, we could crudely conclude that the final conflict level is medium. This is supported by the frequency analysis in Figure 2.8 (a) and (b). In the frozen food industry (frozen French fries), with a moderate trade barrier and a few product substitutions, the relationship between a manufacturer and a distributor is usually participative. It is no surprise then to see medium levels of channel conflict in this case. However, when distributors have ample options of supply (less dependency), there is an inclination for conflict to occur (Foster & Shuptrine 1973). The effectiveness of the leadership style (participative or directive) is also dependent on the brand or product, financial strength of the manufacturer, capability of its channel member and control option offered by the agency agreement (Wilemon 1972).

When a manufacturer or principal has more power over its channel members because of its well-known brand and financial strength, the importance of consultation and participative leadership is ignored. Yavas (1998) stated that the greater the power the manufacturer gains, the higher the tendency of the manufacturer to be coercive. This source of channel conflict and poor performance, however, is not available in this research.

Assael (1969) stated that exclusive and selective distributions have the highest potential conflict due to the 'closeness' of relationship (interdependence) between the manufacturer and distributors. On the contrary, Magrath and Hardy (1989) argued that selective distribution designs produce highest conflict as compared relatively to intensive and exclusive distribution designs. In the case of frozen French fries, it is common to find selective designs more conflict-prone. For instance, two appointed distributors are very likely to give rise to operational complexities and complications such as constant in-fighting over pricing, product range/ positioning, territory overlaps/ exclusivity, refusal to share information, and disputes over marketing fund allocation.¹ These are all counter-productive and have a negative impact on the

¹ Based on writer's past work experience in Kellogg's, Coca-Cola and McCain in Malaysia

efficiency of distributor performance. Exclusive distribution will cause less conflicting issues as a principal is diverting most of its resource commitment to one single distributor. As for intensive designs, the sharing of resources and overlapping of territorial issues provide a higher threshold level for conflict because conflict is perceived as a norm in intensive distribution (Magrath & Hardy 1989).

Table 2.10(a) Conceptual framework for diagnosing manufacturer-distributor conflict (summary)

	Manufacturer's expectation	Vs	Distributor's reaction to Manufacturer
Differences in goal	Somewhat compatible (70.6%) - (L)		
Differences in desired target account	Meeting the expectations of the supplier is rated as average (79.4%) - (M)		
Differences in desired product lines	Meeting expectations (50%) - (M) Meeting customer requirements is rated as average (58.8%) - (M)		
Differences in inter personal relations	Interpersonal relationship is excellent (67.7%) - (L) Service level is viewed as average (55.9%) - (M)		

Source : Adapted from Magrath & Hardy (1989, p. 96)

Table 2.10(b) Conceptual framework for diagnosing manufacturer-distributor conflict (summary)

Manufacturer's Policy	Characteristic of Policy		
	<u>Low</u>	<u>Medium</u>	<u>High</u>
Channel length	29.4% (L)	55.9% (M)	14.7% (H)
Channel variety (retail)	17.6% (L)	38.3% (H)	44.1% (L)
Channel variety (food service)	11.8% (L)	52.9% (H)	35.3% (L)
Channel autonomy	<u>Corporate</u>	<u>Franchise</u>	<u>Independent</u>
	11.8% (L)	23.5% (L)	64.7% (H)
Channel density	<u>Exclusive</u>	<u>Selective</u>	<u>Intensive</u>
	14.7% (L)	23.5% (H)	61.8% (L)
Sales ordering	<u>Lenient</u>	<u>Average</u>	<u>Stringent</u>
	26.5% (L)	58.8% (M)	14.7% (H)
Support programs	23.5% (L)	67.7% (M)	8.8% (H)
Physical distribution	23.5% (L)	64.7% (M)	11.8% (H)
Communication programs	<u>Underdeveloped</u>	<u>Average</u>	<u>Developed</u>
	2.9% (H)	58.8% (M)	38.2% (L)

Source: Adapted from Magrath & Hardy (1989, p. 96)

Note: L = Low conflict, M = Medium conflict, H = High conflict

For ease of comparison, percentage similar to or more than 50% will be calculated

Shipley and Egan (1992) advocated that the main responsibility of the channel leader to minimize channel conflict is by piggybacking on channel member strengths and compensating for their weaknesses. This can be achieved via judicious use of power, for example, power abuses breed conflict and vice-versa. The channel leader must not be selfish in delegating power to its channel member - policing and scrutinizing a channel member's sales operation constitutes a violation of the norms in a distribution system (Assael 1969).

With reference to Table 2.5, channel conflict has significant negative correlation with the independent variables of trust and commitment. However, it has insignificant correlation with cooperation, satisfaction and performance. The finding of Webb and Hogan (2002) that channel conflict affects channel performance and satisfaction is not proven in this study. Rylander, Strutton and Pelton (1997) also commented that commitment has a positive relationship with channel performance but this is also not evident in this study.

The highest coefficient of negative correlation (-0.541) is between channel conflict and trust, while the lowest coefficient of negative correlation (-0.375) is between channel conflict and commitment. A distributor's trust towards a manufacturer is positively related to satisfaction and performance.

The highest coefficient of positive correlation (0.538) is between distributor trust and performance, while the lowest coefficient of positive correlation (0.389) is between distributor trust and satisfaction. Cooperation of a distributor is related positively to performance (coefficient of correlation = 0.400).

The manufacturers should refrain from using (external) threats or penalties to optimize business performance of the channel members (Stern, Schultz & Grabner 1973; Stern & Heskett 1969). In other words, trust and cooperation are seen as the critical elements conducive to positive relationship building. According to Robicheaux

(1976), the fast-food franchise system is an interdependent network that could function effectively if there is sufficient cooperation within it.

The effects of the combination of satisfaction and performance were found to be significant on distributor trust and cooperation. The result showed that only distributor trust is capable of influencing both satisfaction and performance. Appendix 10 shows that conflict does not directly affect satisfaction and performance, as opposed to findings in historical literature that does support the relationship between conflict, performance and satisfaction. In fact, trust plays a more important role in cultivating satisfaction and performance than conflict. As pointed by Magrath and Hardy (1987), bypassing the distributor or practising double standard policies would dampen distributor trust significantly. As suggested by Hibbard, Kumar and Stern (2001), building trust and commitment with channel members can be used as a contingency plan “goodwill” when a damaging event occurs. Relationship marketing is used as a systematic approach to build, maintain and reinforce business network relationship through trust and cooperation (Harvey & Novicevic 2002). The high opportunity costs associated with trust and cooperation shall force manufacturers and distributors to exercise caution when selecting their relationship partners or when terminating any existing relationships. Lastly, cooperation could improve efficiency and performance (Pearson & Monoky 1976), especially if a channel system receives expert leadership and guidance.

Distributor trust, cooperation and performance vary depending on the level of channel conflict. (Refer to Appendix 11) By comparing the frequency for each of the dependent variables, cooperation is the highest at medium channel conflict level (frequency = 43), followed by trust, despite the fact it was reported that there is no significant relationship between channel conflict and cooperation in terms of association (directional). The entire behavioural dimension is at threshold when channel conflict level reached a frequency of 47.

Overall, a distributor's commitment is not influenced by variables such as satisfaction and performance. In other words, a satisfied distributor may not necessarily mean it is very committed. A classic example will be a distributor who is fairly satisfied with its performance but still 'cheats' the supplier or principal by selling a competitor's label that yields higher margins (Hardy & Magrath 1989).

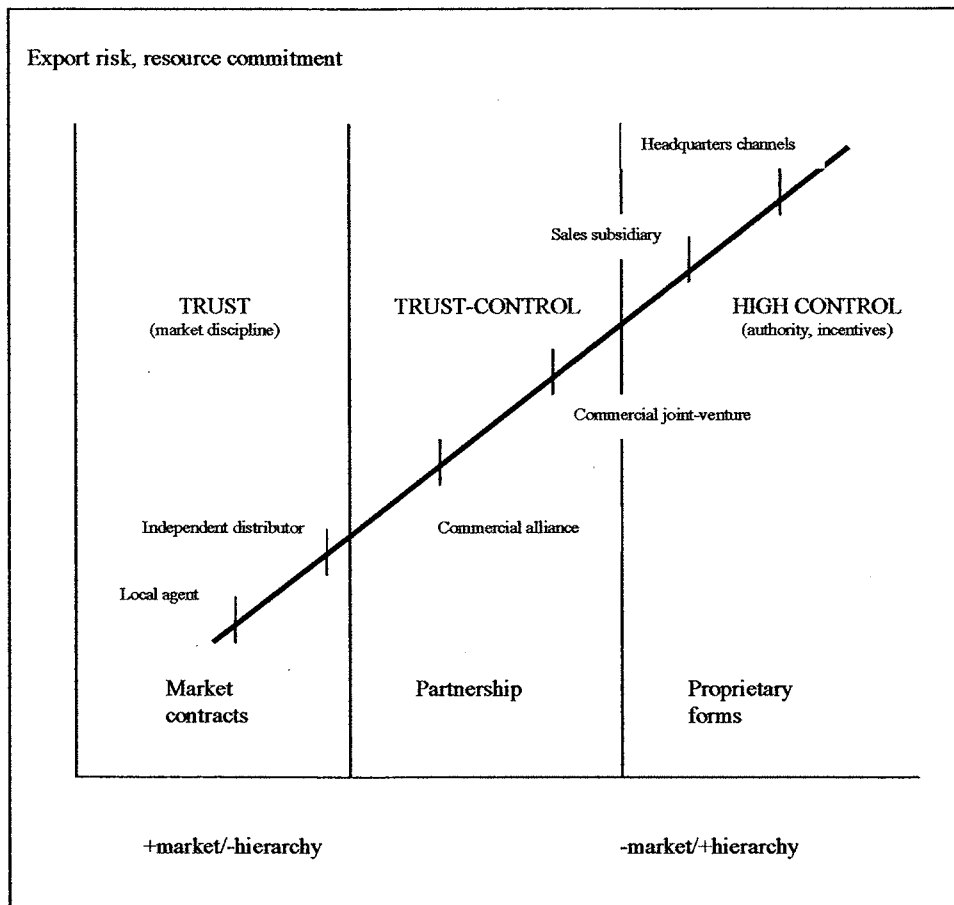
In a similar vein, research results from this paper also proves that there is little relationship between the combined effects of satisfaction and performance, trust and commitment, and commitment and cooperation, with channel conflict. Hence, a satisfied, well-performing and committed distributor who is willing to cooperate with its supplier or principal would not necessarily mean that conflict does not exist, and vice versa. This finding supports the commonly held view that conflict is everywhere in a channel distribution (Robicheaux & El Ansary 1975; Rosenberg & Stern 1971). Hence, there is a need for the manufacturer to be 'conflict-alert' within its channel system. As shown in Table 2.6, the commitment and satisfaction of a distributor has not been proven to be different regardless of the level of channel conflict.

Overall, the element of trust is the critical pre-requisite, which must exist prior to establishing any long-term channel relationship. Trust of a distributor would 'reinforce' the satisfaction as well as performance of the total channel network. In other words, high levels of trust achieved through delegation by the manufacturer to its distributors would lead to lower levels of conflict and increased efficiency and performance of each of the channel members (McAllister 1995).

Rialp, Axinn and Thach (2002) stated that when distributors are independent, high levels of trust between these distributors and their principals is a pre-requisite to success (Figure 2.12). This paper reported that 64.7% (Appendix 9) of distributors is independent, and principals are said to have least control or influence over independent distributors. Rialp, Axinn and Thach (2002) also commented that a principal has to decide whether to forward integrate or to own an internalized

distribution system when the risk and resource commitment becomes too high. These offer solutions to non-compliance and control issues associated with independent distributors. The Transactional Theory discussed in Paper 1 (p. 15) supports this view. As long as economic costs are low, market governance (using independent distributors) is the best option. However, a principal should consider switching to an internal distribution organization when the advantages of market governance are no longer there (Rindfleisch & Heide 1997).

Figure 2.12 Continuum of structural arrangements for conducting direct exports into foreign markets

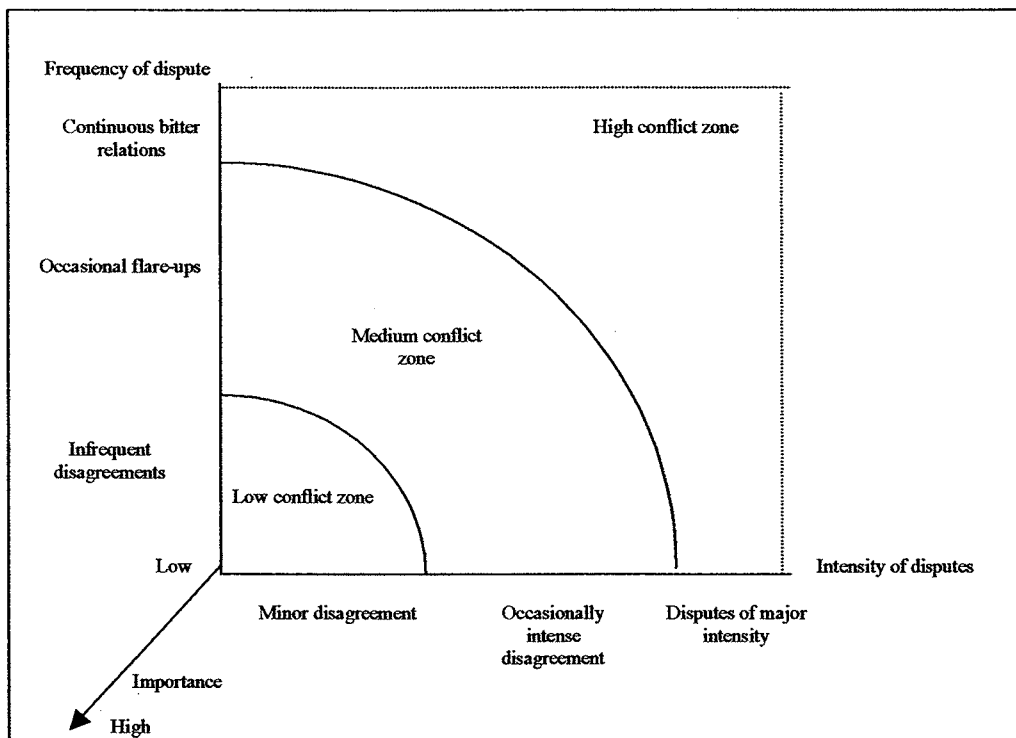


Source : Rialp, Axinn & Thach (2002, p. 136)

Transaction costs analysis suggests that the objective of cost minimization would determine the structure of distribution. Basically, transactional costs comprise the costs associated with a market's failure to ensure the contract is executed which

entails costs of performance compliance of the distributors (monitoring and enforcing performance) (Kim 1998). Tables 2.10(a) and 2.10(b) show three common areas that will increase economic costs and conflict occurrence between a manufacturer and its distributors - goal incompatibility, contradicting channel designs (length, variety, and density) and tough channel policies imposed by the manufacturer (Magrath & Hardy 1989). When conflict is likely to fall in the high conflict zone as shown in Figure 2.13 and a principal fails to improve or control the performance of a distributor, departure from this particular market governing channel system is inevitable. Under this situation, a manufacturer will have to decide if it should continue to 'buy' (searching for another replacement) or 'make' (establishing its own sales force).

Figure 2.13 Modeling levels of conflict between manufacturer and resellers



Source : Magrath & Hardy (1989, p. 95)

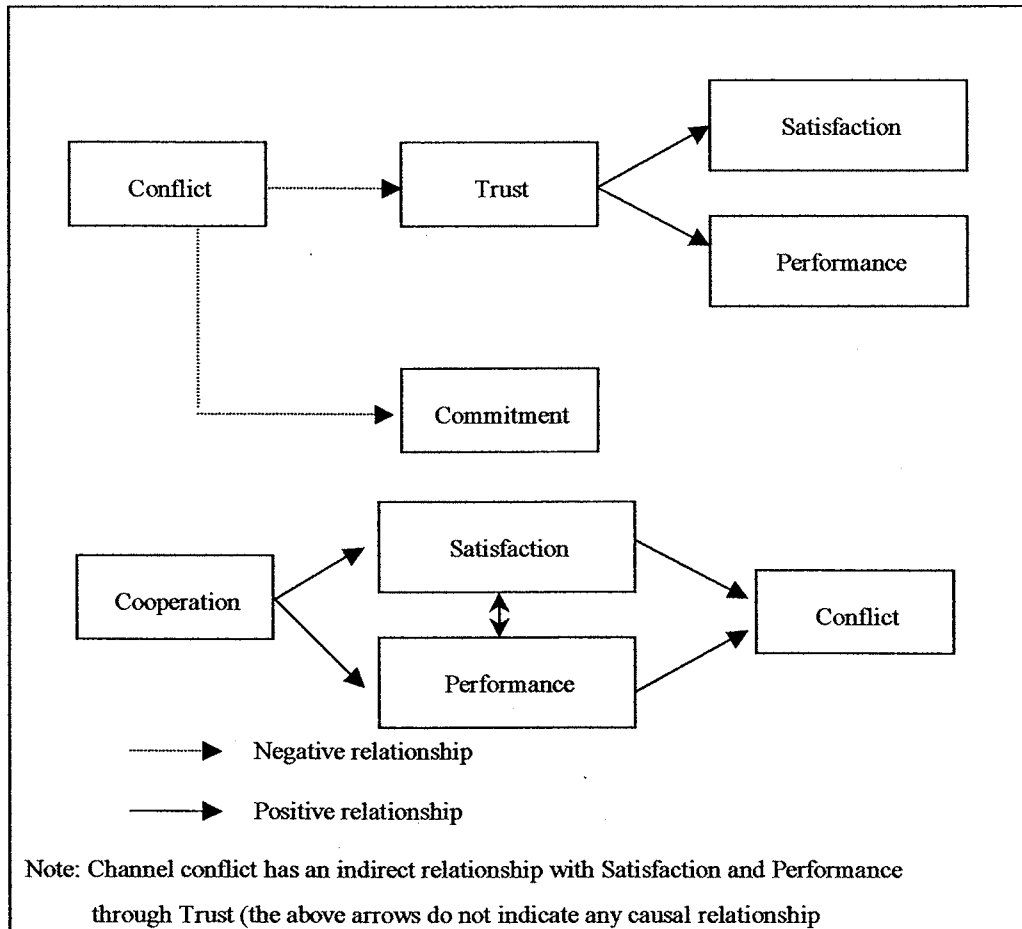
Failure to determine the exact conflict levels that constitutes significant hidden costs to the channel system and 'leap frog' to terminate the distributor is counterproductive. To further elaborate the importance of the understanding of channel conflict and its

related behavioural dimensions: Kellogg's Malaysia decided to terminate its agent, Britannia, in 1997 and to replace it with its own internal sales force because the benefits of internal organization outweighed the advantages offered by market governance. In this instance, the principal had failed to resolve the goal incompatibility (source of conflict) and it became too expensive and ineffective for the principal to continuously verify the actions of its agent (Eisenhardt 1989). Under the parameter of Agency Theory, the decision was well-supported as there was control failure in both behaviour and outcome. Notwithstanding, a few years later Kellogg's abolished its corporate sales team and resorted to EAC, an independent agent. Had Kellogg's studied the conflict situation levels carefully and considered all the pertinent behavioural aspects such as trust, commitment, corporation, satisfaction and performance, the mistake of switching back to market governance (by selecting another independent distributor and dismissing its own sales team) could arguably have been avoided. Under such circumstances, the possible linkage between the distributor and its customer and consumer is usually lost during the switching of ownership or agency.

Hence, the overemphasis on cost, by both the Transactional Cost Analysis and Agency Theory, without considering other 'soft' elements, is an obvious flaw. In Kellogg's case, overall cost did not decrease but had escalated significantly.

A summary of key findings is shown in Figure 2.14, which highlights the key relationship between conflict and trust. Trust and cooperation are found to have positive relationship with satisfaction and performance.

Figure 2.14 Summary of key findings



Findings in this paper did not support past channel literature, which holds the causal relationship of conflict affects performance (Stern & Heskett 1969; Rosenbloom 1973). However, it supports the conflict-performance relationship proposed by Rosenberg and Stern (1970) and Rosenbloom (1973), where there is a positive relationship between conflict and performance prior to a certain threshold, and a negative effect after the threshold is breached. Rosenbloom (1973) also stated that there is an optimum level of conflict that optimizes channel efficiency or performance at the threshold. It also concurred with the findings of Lusch (1976) in his empirical investigation of the relationship between channel conflict and retailer operating performance. The assumption of efficiency is driven by the concept of

interdependency, which gives rise to conflict and cooperation. If the latter is greater, the result will be increased efficiency and vice-versa (Assael 1968). Low levels of channel conflict may have little impact on channel efficiency while moderate levels may actually increase efficiency, and high levels may be counter-productive to channel efficiency (Assael 1968). This concept is 'based on the notion that channel members have a tolerance zone for conflict and react negatively to conflict when it exceeds their tolerance threshold' (Berman 1995, p. 572). Rosenberg (1974) concluded that conflict reduces efficiency, but it also triggers off an early alarm to management to change or adjust their channel strategy according to the competitive environment. The observation supported the hypotheses that channel conflict is negatively related with trust, which, in turn related positively with satisfaction and performance.

Limitations of the study

This study is not an end but a mean to achieve greater understanding of the behavioural dimensions in relation to channel conflict. In fact, future research in the same field should consider these limitations. Firstly, financial results were used as a measure for performance. As suggested by Brown (1980), behavioural measures in terms of how channel members react, that is, disagreement on the 'marketing mix' (Figure 2.4) proposed by a principal is said to be more accurate in studying channel-performance relationship. Secondly, since interdependency or power structure (Wilkinson 1996) has a strong bearing on channel conflict, different industries have different structures and hence, different levels of interdependency. The conflict being studied here may be peculiar to the frozen foods industry and therefore its application may be limited. Thirdly, the findings failed to prove a direct relationship between conflict and performance but merely connective relationships that warrant further research (Rosenberg & Stern 1971). The results indicate only an aggregate of medium level conflict but other levels are absent. It is suggested that further research should be carried out using a multi-disciplinary sample, for example, frozen foods, grocery products and beverages, in order to represent or obtain different conflict and performance levels. The issue of interdependency is overlooked in this paper. As

suggested by Keith, Jackson and Crosby (1990), the level of dependency of channel members is associated with the profit gained from the relationship. The sample units used in this study consist of high and low interdependent channels. This study has also not taken into account the membership or duration of channel relationships, which have a strong bearing on channel conflict levels (Rosenberg & Stern 1971).

Implications and conclusion

Channel managers must focus on inculcating trust among their distributors by maintaining moderate levels of conflict, which, in turn, should lead to improved satisfaction and performance of the whole channel system. The channel managers should also not concentrate on nurturing distributor commitment because it is an ineffective approach in influencing the overall satisfaction and performance of the channel system. In this context, channel conflict is one of the key factors that affect distributor trust. Since distributor trust has a positive relationship with satisfaction and performance, one must focus primarily on it in order to improve channel performance. Alternatively, one could also find ways to promote cooperation among channel members, which would ultimately lead to increased satisfaction and performance.

When channel conflict is reported at threshold levels (refer to Appendix 11) the trust and cooperation from a distributor are high. This is very important because by creating a relationship on trust, one can minimize potential conflict that might impede performance. A distributor's trust and cooperation are positively related to its satisfaction and performance. Hence, high levels of trust and cooperation between the principal and distributor are deemed to be conducive to improved performance and satisfaction. Here, satisfaction is seen as an interactive element, that is, it has a two-way effect on the channel conflict process.

The next further research questions now are how can trust and cooperation among distributors be created and instilled, and how can conflict be kept at a healthy level so that channel members are motivated to improve their performance? In addition, what

strategy to use is subject to a channel manager's perception of the relationship between channel conflict and performance (Pearson & Monoky 1976). A manufacturer or principal should review its channel development program in order to ensure higher levels of trust and cooperation among its distributors.

The distributor performance and satisfaction levels need to be monitored periodically so that any potential conflict, which is destructive in nature, can be avoided. As commented by Brown (1980), channel conflict is not always bad and needs to be eliminated at all times. However, it must be maintained at reasonable levels so that performance can be optimized.

Stern and Heskett (1969, p. 293) stated that, 'Since economic and social conflict should not be viewed as inherently evil, the appropriate stance toward conflict is not its abolition but its management'. In relationship building processes, only through safety, credibility and security can channel members experience sense of security where subsequently trust is formed (Selnes 1998). The importance of building trust and cooperation within the channel system has led to a possible management solution - Channel Development Program (Zikmund & Catalanello 1976).

Zikmund and Catalanello (1976) agreed that a channel development program must have system goals and standard operating procedures to handle the relationship with its channel members, which are capable of minimizing conflict, reducing uncertainties and maximizing trust and cooperation. The objective of a channel development program is to reinforce good distributor practices and increase the productivity of the whole channel system so that long trusting relationships could be forged between suppliers and distributors within the channel system. A good channel development program must incorporate the following elements, which are deemed to be important (Magrath & Hardy 1989). Firstly, there must be role definition. Assael (1969) stated that the functions and roles must be changed according to the requirements and needs of the total channel system in order to promote equal distribution of resources and

power. Secondly, a manufacturer's policy must meet the expectations for channel member relationship (intra and inter relationship). Thirdly, there must be continuous updates of a channel member's accountability and responsibility in order to reflect the most current state of affairs. Fourthly, the yardstick for performance must be defined in order to minimize differences in goal - measuring against standards in order to ensure that evaluation by a manufacturer is objective. Any performance gaps must be addressed by training or other skills to improve distributor skills. Guidelines must be set for acceptable business practices of the distributor. Fifthly, a manufacturer must promote knowledge transfer to their distributors. Channel coordination is related to knowledge transfer between firms and overall channel performance between manufacturer, distributor or retailer (Burkink 2002). Sixthly, a manufacturer must provide informational and constructive feedback to channel members. As stated by Merton (1969), effective communication is deemed important in view of the different backgrounds of the channel members (with different value systems) and differing expectations. Good communication is crucial in resolving conflict (Etgar 1979; Assael 1969). And lastly, there should be joint participation of a manufacturer's sales team with the distributor in the channel development program in order to reconcile differences in beliefs and values between the manufacturer and distributor (Assael 1969). Metha, Larsen and Rosenbloom (1996) stated that there is a relationship between the leadership style and cooperation as well as overall performance of the channel member.

There must be a clear understanding of what is expected of a distributor from the supplier/manufacturer. More often than not, poor communication, expectations and perception between distributors and manufacturers are the major causes of conflict (Etgar 1979). This should be followed by action steps to improve variances in order to prevent channel management based on past practices or irrelevant goals. Lastly, there must be an equitable reward system that rewards objectively, and more importantly, it must commensurate with performance. Reve and Stern (1979, p. 411) suggested that, 'It was found that conflict is lowest when referent and expert power

are used and highest when reward and coercive power are used'. Hence, an ineffective reward system breeds mistrust and dissatisfaction.

The consistent flow of information and feedback on performance is required to build trust among channel members, and interdependencies within the system. As commented by Hunt (1995), the way information is being processed by channel members could influence the type of conflict episode, which is either viewed as functional or dysfunctional. Trust and cooperation will help to integrate the dependent activities between distributors.

As indicated by findings in this paper, a distributor's trust will not only influence conflict levels but will also affect performance and satisfaction of the channel members. Hence, a manufacturer must periodically prioritize trust-building among its distributors through 'genuine and sincere' programs, for example, food-shows, sales training and workshops, and joint market visits. Paswan and Young (1999, p. 445) commented, 'The current degree of trust and long-term relational perspective are positively associated with more strategic and marketing related support mechanism offered to channel members'.

In summary, if all the above discussed conflict resolution techniques could be standardised it will not only minimize conflict but also bring consistency and stability to the channel system (Assael 1969). The study of channel conflict and other channel-related performance factors such as trust and cooperation have presented some interesting concepts for the frozen food industry. It is hoped that this will encourage more research in channel behaviour – particularly from an Asian management perspective, where cultural influences could be an important factor.

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Appendices

- Appendix 1 Results of reliability for the item of channel conflict
- Appendix 2 Results of reliability for the item of trust
- Appendix 3 Results of reliability for the item of commitment
- Appendix 4 Results of reliability for the item of cooperative norms
- Appendix 5 Results of reliability for the item of distributor satisfaction
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Appendix 1 Results of reliability for the item of channel conflict

```

***** Method 1 (space saver) will be used for this analysis *****
RELIABILITY ANALYSIS - SCALE (ALPHA)

              Mean           Std Dev           Cases
1.      CCA1           1.7647           .4960           34.0
2.      CCA2           1.7647           .4306           34.0
3.      CCA3B         1.6471           .5440           34.0
4.      CCA4A         1.2941           .4625           34.0
5.      CCA4B         1.5588           .5040           34.0
6.      CCB2A         2.2059           .7294           34.0
7.      CCB2B         2.3529           .6912           34.0

Statistics for              Mean      Variance      Std Dev      N of
SCALE                   12.5882      4.2496      2.0614      Variables
                                                7

Item-total Statistics

              Scale           Scale           Corrected           Alpha
              Mean           Variance           Item-              if Item
              if Item           if Item           Total              Deleted
              Deleted           Deleted           Correlation

CCA1           10.8235           3.5437           .2463           .5366
CCA2           10.8235           3.4225           .4028           .4919
CCA3B          10.9412           3.3298           .3143           .5120
CCA4A          11.2941           3.4260           .3561           .5026
CCA4B          11.0294           3.3627           .3423           .5038
CCB2A          10.3824           3.2736           .1682           .5868
CCB2B          10.2353           3.0945           .2786           .5302

Reliability Coefficients

N of Cases =      34.0              N of Items = 7

Alpha =      .5613
    
```

Appendix 2 Results of reliability for the item of trust

***** Method 1 (space saver) will be used for this analysis *****

RELIABILITY ANALYSIS - SCALE (ALPHA)

1.	COCTC1	Supplier frank in dealings
2.	COCTC2	Promises made by suppliers reliable
3.	COCTC3	Supplier knowledge regarding his prod
4.	COCTC4	Supplier has problem understanding our p
5.	COCTC5	Supplier making false claim
6.	COCTC6	Supplier not open in dealings
7.	COCTC7	Supplier has problem answering questions
8.	COCTB1	Supplier made sacrifices
9.	COCTB2	Supplier cares for us
10.	COCTB3	Suppliers gone out on limb in times of p
11.	COCTB4	Supplier like a friend
12.	COCTB5	Supplier on our side

Statistics for	Mean	Variance	Std Dev	N of Variables
SCALE	42.6765	38.9528	6.2412	12

Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Alpha if Item Deleted
COCTC1	39.0882	30.8708	.7716	.7929
COCTC2	38.6765	35.0134	.5011	.8176
COCTC3	38.3824	36.1827	.3137	.8277
COCTC4	39.7647	31.7611	.4757	.8188
COCTC5	39.0588	37.3298	.0769	.8476
COCTC6	39.5000	32.4394	.4011	.8269
COCTC7	39.0000	32.3636	.5824	.8083
COCTB1	39.5000	34.6212	.3495	.8268
COCTB2	38.9412	31.8146	.6909	.8003
COCTB3	39.2941	32.3957	.4595	.8195
COCTB4	38.9412	31.2692	.7558	.7951
COCTB5	39.2941	32.8200	.6596	.8048

Reliability Coefficients

N of Cases = 34.0 N of Items = 12

Alpha = .8289

Appendix 3 Results of reliability for the item of commitment

***** Method 1 (space saver) will be used for this analysis *****

RELIABILITY ANALYSIS - SCALE (ALPHA)

		Mean	Std Dev	Cases
1.	COCCR1	3.7059	.7190	34.0
2.	COCCR2	2.9118	.9331	34.0
3.	COCCR3	3.1176	1.0664	34.0
4.	COCCR4	3.5882	.7434	34.0
5.	COCCR5	3.7647	.6989	34.0

Statistics for	Mean	Variance	Std Dev	N of Variables
SCALE	17.0882	7.3556	2.7121	5

Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Alpha if Item Deleted
COCCR1	13.3824	5.4554	.4118	.5881
COCCR2	14.1765	4.1497	.6142	.4674
COCCR3	13.9706	4.5143	.3760	.6160
COCCR4	13.5000	6.4394	.0964	.7094
COCCR5	13.3235	5.0740	.5696	.5246

Reliability Coefficients

N of Cases = 34.0 N of Items = 5

Alpha = .6440

Appendix 4 Results of reliability for the item of cooperative norms

***** Method 1 (space saver) will be used for this analysis *****

RELIABILITY ANALYSIS - SCALE (ALPHA)

		Mean	Std Dev	Cases
1.	COCCN1	3.7941	.8083	34.0
2.	COCCN2	3.7647	.8896	34.0
3.	COCCN3	3.6176	.7392	34.0
4.	COCCN4	3.7941	.7294	34.0
5.	COCCN5	4.4118	.6089	34.0
6.	COCCN6	3.7647	.6541	34.0

Statistics for	Mean	Variance	Std Dev	N of Variables
SCALE	23.1471	8.8565	2.9760	6

Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Alpha if Item Deleted
COCCN1	19.3529	7.5686	.1427	.8093
COCCN2	19.3824	4.9100	.8003	.6058
COCCN3	19.5294	6.0749	.6135	.6789
COCCN4	19.3529	5.9929	.6528	.6681
COCCN5	18.7353	7.0490	.4444	.7267
COCCN6	19.3824	7.1524	.3648	.7442

Reliability Coefficients

N of Cases = 34.0 N of Items = 6

Alpha = .7499

Appendix 5 Results of reliability for the item of distributor satisfaction

```

***** Method 1 (space saver) will be used for this analysis *****

R E L I A B I L I T Y   A N A L Y S I S   -   S C A L E ( A L P H A )

1.      DS1             How close to expectations
2.      DS2             Benefits of importing to your organisati
3.      DS3             Problems with importing services over pa

Statistics for          Mean      Variance   Std Dev    N of
SCALE                 10.6471   2.1747    1.4747     3

Item-total Statistics

                Scale      Scale      Corrected      Alpha
                Mean      Variance   Item-          if Item
                if Item   if Item    Total         if Item
                Deleted   Deleted   Correlation   Deleted

DS1              6.8529     1.3414     .2845         .7229
DS2              7.1471     .9171     .6444         .1944
DS3              7.2941     1.1836     .4084         .5633

Reliability Coefficients

N of Cases =      34.0                N of Items = 3

Alpha =          .6258
    
```


Appendix 6 Results of reliability for the item of operating performance

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***** Method 1 (space saver) will be used for this analysis *****
RELIABILITY ANALYSIS - SCALE (ALPHA)

Statistics for          Mean      Variance      Std Dev      N of
SCALE                 24.9706      33.8476      5.8179      Variables
                                                7

Item-total Statistics

                Scale      Scale      Corrected      Alpha
                Mean      Variance      Item-          if Item
                if Item      if Item      Total          Deleted
                Deleted      Deleted      Correlation

DOP1           21.2941      26.8200      .7639          .9543
DOP2           21.4412      23.6480      .9210          .9413
DOP3           21.3824      24.3645      .9066          .9426
DOP4           21.4706      24.2567      .9534          .9389
DOP5           21.5000      23.8939      .9249          .9410
DOP6           21.4706      24.1355      .9303          .9406
DOP7           21.2647      28.2611      .5210          .9715

Reliability Coefficients

N of Cases =      34.0                N of Items = 7

Alpha =      .9550

```

Appendix 7 Statistical tools utilised for the study (summary)

Hypotheses	Variables	Type of Data	Analysis Technique
What are the rankings of the distributors on key difference, channel design and existing channel policy in relation to the supplier's	Goals, target account, desired product line, interpersonal relationship, service level, channel length, product variety, coverage density, supplier influence, supplier's overall policy, support program, reliability of supplier physical distribution and communication program	Ordinal	Descriptive Mean analysis Using Frequency analysis to draw out the 'conflict continuum' for this study
The relationship between conflict level (low/medium/ high) and distributor trust, commitment & cooperation, satisfaction and performance (Test for Hypotheses 1a, 1b, 2a, 2b, 2c)	Trust, commitment, cooperation performance, satisfaction	- Interval (transformed from Ordinal using Terrell's method) - Ordinal (ranking)	Pearson correlation
Distributor trust, commitment, cooperation and performance is the same for different levels of channel conflict (Test for Hypotheses 3)	Trust, commitment to relationship, cooperation, performance and satisfaction	Interval (transformed from Ordinal using Terrell's method)	One-way ANOVA
* Conflict levels depend on the actual score/ location on the conflict continuum	* Conflict level (low/medium/ high)	Ordinal (ranking)	
Distributor trust, commitment and cooperation is not influenced by satisfaction and performance (Test for Hypotheses 4)	Trust, commitment, cooperation Satisfaction and operating performance	Interval (transformed from Ordinal using Terrell's method) Ordinal	Two-way ANOVA

Appendix 7 Statistical tools utilised for the study (summary) (Cont'd)

Hypotheses	Variables	Type of Data	Analysis Technique
Channel conflict is not influenced by trust, commitment and cooperation (Test for Hypotheses 5 &6)	Conflict level (low/medium/high)	Ordinal	

Appendix 8 Descriptive statistics

Table 1: Distribution of mean of channel conflict – key difference

	N	Minimum	Maximum	Mean	Std. Deviation
Are your and your suppliers' goals compatible	34	1	3	1.76	.496
Targeted/existing accounts meet suppliers' expectations	34	1	2	1.79	.410
Suppliers' desired product lines differ from expectations	34	1	3	1.56	.613
Current product lines meeting customer requirements	34	1	2	1.59	.500
Describe interpersonal relationship with supplier	34	1	3	1.35	.544
How is suppliers' service level	34	1	2	1.56	.504
Valid N (listwise)	34				

Table 2: Distribution of mean of channel conflict – channel design

	N	Minimum	Maximum	Mean	Std. Deviation
Describe current length of channel	34	1	3	1.85	.657
Comment on variety of a given product line - Retail	34	1	3	2.21	.729
Comment on variety of a given product line - Foodservice	34	1	3	2.41	.701
Density of existing channel coverage	34	1	3	2.09	.621
Suppliers' influence level over operation	34	1	3	2.53	.706
Valid N (listwise)	34				

Table 3: Distribution of mean of channel conflict – channel policy

	N	Minimum	Maximum	Mean	Std. Deviation
Suppliers' overall policy	34	1	3	1.88	.640
Rate suppliers' current support program	34	1	3	1.85	.558
Rate reliability of suppliers' physical distribution	34	1	3	1.88	.591
Rate suppliers' current communication program	34	1	3	1.65	.544
Valid N (listwise)	34				

Table 4: Distribution of mean of trust – credibility

	N	Minimum	Maximum	Mean	Std. Deviation
Suppliers' frankness in dealings	34	2	5	3.59	.857
Promises made by suppliers' reliability	34	2	5	4.00	.603
Supplier knowledgeable regarding products	34	2	5	4.29	.629
Supplier has problems understanding our position	34	1	5	2.91	1.111
Supplier making false claims	34	1	5	3.62	.888
Supplier not open in dealings	34	1	5	3.18	1.141
Supplier has problems answering questions	34	2	5	3.68	.878
Valid N (listwise)	34				

Table 5: Distribution of mean of trust – benevolence

	N	Minimum	Maximum	Mean	Std. Deviation
Supplier made sacrifices	34	2	5	3.18	.869
Supplier cares for us	34	2	5	3.74	.828
Supplier gone out on limb in times of product shortages	34	1	5	3.38	1.045
Supplier like a friend	34	2	5	3.74	.828
Supplier on our side	34	2	4	3.38	.739
Valid N (listwise)	34				

Table 6: Distribution of mean of commitment to relationship

	N	Minimum	Maximum	Mean	Std. Deviation
Defend supplier during criticism	34	2	5	3.71	.719
On lookout to replace or add current supplier	34	1	4	2.91	.933
Dropping of current supplier for new one	34	1	5	3.12	1.066
Patience with supplier	34	2	5	3.59	.743
Willingness to dedicate people and resources to help supplier	34	2	5	3.76	.699
Valid N (listwise)	34				

Table 7: Distribution of mean of cooperative norms

	N	Minimum	Maximum	Mean	Std. Deviation
Joint responsibility on problems	34	2	5	3.79	.808
Concerned about each other's profitability	34	2	5	3.76	.890
No party takes advantage of a strong bargaining position	34	2	5	3.62	.739
Willingness on cooperative changes	34	2	5	3.79	.729
Work together to be successful	34	3	5	4.41	.609
Do not mind owing favours	34	2	5	3.76	.654
Valid N (listwise)	34				

Table 8: Distribution of mean of distributor satisfaction

	N	Minimum	Maximum	Mean	Std. Deviation
How close to expectations	34	2	5	3.79	.641
Benefits of importing to your satisfaction	34	2	5	3.50	.663
Problems with importing services over past 1-3 years	34	2	5	3.35	.646
Valid N (listwise)	34				

Table 9: Distribution of mean of distributor operating performance

	N	Minimum	Maximum	Mean	Std. Deviation
Performance of cash flow	34	2	5	3.68	.806
Return on shareholder equity	34	1	5	3.53	1.022
Gross profit margin	34	1	5	3.59	.957
Net profit from operations	34	1	5	3.50	.929
Profit-to-sales ratio	34	1	5	3.47	.992
Rate of return on investment	34	1	5	3.50	.961
Ability to fund business growth from profit	34	2	5	3.71	.871
Valid N (listwise)	34				

Appendix 9 Channel conflict questions

		Frequency	Percent	Valid Percent	Cumulative Percent
Current Channel	Short	10	29.4	29.4	29.4
Length	Medium	19	55.9	55.9	85.3
	Long	5	14.7	14.7	100.0
	Total	34	100.0	100.0	
Variety of Product	Low	6	17.6	17.6	17.6
Line - Retail	High	15	44.1	44.1	61.8
	Medium	13	38.2	38.2	100.0
	Total	34	100.0	100.0	
Variety of Product	Low	4	11.8	11.8	11.8
Line -- Foodservice	High	12	35.3	35.3	47.1
	Medium	18	52.9	52.9	100.0
	Total	34	100.0	100.0	
Density of Existing Channel Coverage	Exclusive	5	14.7	14.7	14.7
	Intensive	21	61.8	61.8	76.5
	Selective	8	23.5	23.5	100.0
	Total	34	100.0	100.0	
Suppliers'	Owned	4	11.8	11.8	11.8
Influence Level	Franchised	8	23.5	23.5	23.5
Over Operation	Independent	22	64.7	64.7	100.0
	Total	34	100.0	100.0	
Suppliers'	Lenient	9	26.5	26.5	26.5
Overall Policy	Average	20	58.8	58.8	85.3
	Stringent	5	14.7	14.7	100.0
	Total	34	100.0	100.0	
Suppliers'	Lenient	8	23.5	23.5	23.5
Current Support Program	Average	23	67.6	67.6	91.2
	Stringent	3	8.8	8.8	100.0
	Total	34	100.0	100.0	

Appendix 9 Channel conflict questions (Cont'd)

		Frequency	Percent	Valid Percent	Cumulative Percent
Suppliers'	Lenient	8	23.5	23.5	23.5
Reliability of	Average	22	64.7	64.7	88.2
Physical	Stringent	4	11.8	11.8	100.0
Distribution	Total	34	100.0	100.0	
Suppliers'	Compatible	13	38.2	38.2	38.2
Current	Somewhat compatible	20	58.8	58.8	97.1
Communication	Not compatible	1	2.9	2.9	100.0
Program	Total	34	100.0	100.0	

Appendix 10 Summary of findings

Analysis	Variables	Significant	Not significant	Relationship	
Pearson correlation	Channel conflict	Trust	X	<p>A dotted oval containing the text 'Channel Conflict' on the left. Two arrows point from 'Channel Conflict' to 'Trust' and 'Commitment' on the right.</p>	
	Channel conflict	Commitment	X		
	Channel conflict	Cooperation			X
	Channel conflict	Satisfaction			X
	Channel conflict	Performance			X
		Trust	Satisfaction	X	<p>A dotted oval containing the text 'Trust' on the left. Two arrows point from 'Trust' to 'Satisfaction' and 'Performance' on the right.</p>
		Trust	Performance	X	
		Cooperation	Satisfaction		X
		Cooperation	Performance	X	<p>A dotted oval containing the text 'Cooperation' on the left and 'Performance' on the right. A single arrow points from 'Cooperation' to 'Performance'.</p>
		Commitment	Satisfaction		
	Commitment	Performance		X	
One Way ANOVA	Channel Conflict	Trust	X	Trust is different at different channel conflict levels	
	Channel Conflict	Commitment		X	
	Channel Conflict	Cooperation	X	Cooperation is different at different channel conflict levels	
	Channel Conflict	Satisfaction		X	
	Channel Conflict	Performance	X	Performance is different at different channel conflict levels	

Appendix 10 Summary of findings (Cont'd)

Analysis	Variables	Significant		Relationship
		Significant	Not significant	
Two Way ANOVA	Satisfaction & Performance	Trust	X	
	Satisfaction & Performance	Commitment		
	Satisfaction & Performance	Cooperation	X	
	Satisfaction & Performance	Channel conflict		
	Trust & Commitment	Channel conflict		X
	Commitment & Cooperation	Channel conflict		X

Appendix 11 Comparison of frequency of channel conflict against trust, commitment, cooperation, satisfaction and performance

Channel Conflict		Trust	Commitment	Cooperation	Satisfaction	Performance	
Frequency	20	Frequency	84.38	82.5	81.25	70.83	50.00
	n		2	2	2	2	2
Frequency	30	Frequency	66.67	45.00	50.00	75.00	75.00
	n		1	1	1	1	1
Frequency	33	Frequency	68.75	75.00	79.17	58.33	75.00
	n		1	1	1	1	1
Frequency	37	Frequency	69.17	63.00	79.17	66.67	80.00
	n		5	5	5	5	5
Frequency	40	Frequency	70.83	63.00	75.83	68.33	75.00
	n		5	5	5	5	5
Frequency	43	Frequency	58.33	53.75	66.67	58.33	51.79
	n		4	4	4	4	4
Frequency	47*	Frequency	72.92	70.00	79.17	66.67	78.57
	n		2	2	2	2	2
Frequency	50	Frequency	55.00	55.00	67.92	60.00	57.14
	n		10	10	10	10	10
Frequency	53	Frequency	59.90	58.75	62.50	62.50	55.36
	n		4	4	4	4	4
		Frequency	63.91	60.44	71.20	63.73	64.18
Total	n		34	34	34	34	34

* Threshold

Appendix 12 Demographic questions

Demographics

Information on demographics was not included in the questionnaire due to oversight. However, three basic questions were asked when respondents returned their questionnaires to the researcher:

- i. What is your position in the company?
- ii. How long have you been serving the company?
- iii. What is your highest education received?

COCTC5 5. This supplier does not make false claims ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCTC6 6. This supplier is not open in dealing with us ?

1	2	3	4	5
Strongly agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly disagree

COCTC7 7. This supplier has problems answering our questions?

1	2	3	4	5
Strongly agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly disagree

Trust: Benevolence

COCTB1 1. This supplier has made scarifies for us in the past ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCTB2 2. This supplier cares for us ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCTB3 3. In times of product shortages, this supplier has gone out on a limb for us ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCTB4 4. This supplier is like a friend ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCTB5 5. We feel this supplier has been on our side ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

Commitment to Relationship

COCCR1 1. We defend this supplier when outsiders criticize the company ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCCR2 2. Wer are continually on the lookout for another supplier to replace or add to our current supplier ?

1	2	3	4	5
Strongly agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly disagree

COCCR3 3. If another supplier offered us better coverage, we would most certainly take them on, even if it meant dropping this supplier ?

1	2	3	4	5
Strongly agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly disagree

COCCR4 4. We are patient with this supplier when they make mistakes that cause us trouble ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCCR5 5. We are willing to dedicate whatever people and resources it takes to grow sales for this supplier ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

Cooperative Norms

COCCN1 1. No matter who is at fault, problems are joint responsibility ?

1	2	3	4	5
Very inaccurate description	Inaccurate description	Neither Accurate Nor Inaccurate	Accurate description	Very accurate description

COCCN2 2. Both sides are concerned about the other's profitability ?

1	2	3	4	5
Very inaccurate description	Inaccurate description	Neither Accurate Nor Inaccurate	Accurate description	Very accurate description

COCCN3 3. One party will not take advantage of a strong bargaining ?

1	2	3	4	5
Very inaccurate description	Inaccurate description	Neither Accurate Nor Inaccurate	Accurate description	Very accurate description

COCCN4 4. Both sides are willing to make co-operative changes ?

1	2	3	4	5
Very inaccurate description	Inaccurate description	Neither Accurate Nor Inaccurate	Accurate description	Very accurate description

COCCN5 5. We must work together to be successful ?

1	2	3	4	5
Very inaccurate description	Inaccurate description	Neither Accurate Nor Inaccurate	Accurate description	Very accurate description

COCCN6 6. We do not mind owing each other favours ?

1	2	3	4	5
Very inaccurate description	Inaccurate description	Neither Accurate Nor Inaccurate	Accurate description	Very accurate description

Distributor Satisfaction - Part C

Now thinking about your firm's overall import performance over the past 1-3 years:

DS1 1. How close did it come to what you expected?

1	2	3	4	5
Much worse than expected	Worse than expected	Neither worse Nor better	Better than expected	Much better than expected

DS2 2. Thinking about the benefits of importing to your organization, would you say they were:

1	2	3	4	5
Much worse than expected	Worse than expected	Neither worse Nor better	Better than expected	Much better than expected

DS3 3. Concerning any problem you had with importing services over the past 1-3 years. Would you say they were:

1	2	3	4	5
Much worse than expected	Worse than expected	Neither worse Nor better	Better than expected	Much better than expected

DOP1	1. How would you rate your performance on cash flows in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied
DOP2	2. How would you rate your return on shareholder equity in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied
DOP3	3. How would you rate your gross profit margin in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied
DOP4	4. How would you rate your net profit from operation in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied
DOP5	5. How would you rate your profit to sales ratio in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied
DOP6	6. How would you rate your return on investment in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied
DOP7	7. How would rate your ability to fund business growth from profit in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied

Cultural Distance - Part E (I) : Malaysian respondents

A key issues that affects export performance (as pointed out by distributor), relates to the extent of cultural differences between Malaysia and your target markets.

Please indicate, on the scales below, how different is Malaysia from your target market i.e. Philippines
(Pls answer Q1. - Q4. If you ever have exported to Philippines in the past 5 years)

Pls kindly indicate, on the scales below , how different is Malaysia from Philippines in terms of the following criteria:

CDM1	1. How do you describe the overall cultural distance/ profile of Philippines ?				
	1	2	3	4	5
	Completely different market	Different market	Neither different nor identical	Almost identical	Identical market
CDM2	2. How do you describe the differences in the context of values ?				
	1	2	3	4	5
	Completely different market	Different market	Neither different nor identical	Almost identical	Identical market
CDM3	3. How do you describe the differences in the context of traditions ?				
	1	2	3	4	5
	Completely different market	Different market	Neither different nor identical	Almost identical	Identical market
CDM4	4. How do you describe the differences in daily life ?				
	1	2	3	4	5
	Completely different market	Different market	Neither different nor identical	Almost identical	Identical market

A key issues that affects export performance relates to the extent of cultural differences between Philippines and your target markets.

Please indicate, on the scales below, how different is Philippines from your target market i.e. Malaysia
(Pls answer Q1. - Q4. If you ever have exported to Malaysia in the past 5 years)

Pls kindly indicate, on the scales below , how different is Philippines from Malaysia in terms of the following criteria:

CDP1 1. How do you describe the overall cultural distance/ profile of Malaysia ?

1	2	3	4	5
Completely different market	Different market	Neither different nor identical	Almost identical	Identical market

CDP2 2. How do you describe the differences in the context of values ?

1	2	3	4	5
Completely different market	Different market	Neither different nor identical	Almost identical	Identical market

CDP3 3. How do you describe the differences in the context of traditions ?

1	2	3	4	5
Completely different market	Different market	Neither different nor identical	Almost identical	Identical market

CDP4 4. How do you describe the differences in daily life ?

1	2	3	4	5
Completely different market	Different market	Neither different nor identical	Almost identical	Identical market

Please indicate on the scale below, the extent that the following marketing strategies are used by your supplier in its exporting:

DSQ1 1. Does your supplier carry out frequent market visits to your market ?

1	2	3	4	5
Never use this strategy	Almost never use use this strategy	No idea	Use this strategy	Use this strategy often

DSQ2 2. Does your supplier use of high-quality representative to service you ?

1	2	3	4	5
Never use this strategy	Almost never use use this strategy	No idea	Use this strategy	Use this strategy often

DSQ3 3. Does your supplier use of highly trained salespeople to advise you on all aspects of related business ?

1	2	3	4	5
Never use this strategy	Almost never use use this strategy	No idea	Use this strategy	Use this strategy often

**THE EFFECTS OF CULTURE AND DISTRIBUTION SYSTEMS ON
CHANNEL CONFLICT:
A COMPARISON BETWEEN FROZEN FOOD DISTRIBUTORS IN
MALAYSIA AND THE PHILIPPINES**

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**Submitted on this 20th of October in the year 2004 for the partial
requirements of the degree of
Doctor of Business Administration
International Graduate School of Management
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Abstract

This research aimed to approach channel conflict in the context of international business. A survey of frozen food distributors in Philippines was conducted and responses were analyzed and compared with Malaysian respondents in terms of behavioural aspects. Two new perceived influencing factors of channel conflict were introduced – cultural distance and distribution system. It attempted to look at channel conflict within a cross-cultural background of Malaysia and Philippines. This study also sought to show how the differences in responses by these two groups of distributors, in terms of their trust, commitment and cooperation, were likely to be associated with the differences in cultural distance and quality distribution system. The key findings opened a new perspective on how cultural and distribution elements could affect channel conflict. Under this view, the comparison of two countries in terms of different values, norms and working attitude has established the framework for studying channel conflict in the context of international markets. It recognized that the survival of one company depends on cross-cultural sensitivities in today's competitive global business environment.

Introduction

Channel conflict is one of the major difficulties commonly faced by channel managers. This paper intends to bring channel conflict across-the-border to Philippines. Channel conflict is defined as 'A process that begins when one party perceives that another party has negatively affected, or is about to negatively affect, something the first party cares about' (Robbins 1996, p. 505). The previous paper highlighted that trust and cooperation, which has a reverse relationship with channel conflict, are critical in determining performance and satisfaction of the total channel network in Malaysia. There are few studies that explore cross-cultural issues in marketing channels (Metha et. al. 2001). The next step would be to determine if this finding would hold in a different environment, that is, in a different country. In this case, Philippines have been chosen as the comparative test. Malaysia and Philippines are the two largest markets for frozen French fries in South East Asia.

The study of Metha et. al. (2001) investigated the impact of cultural differences on channel members as well as channel strategies across three distinct national cultures. Their finding showed that a common leadership style would not produce the same level of cooperation among channel members across the countries. The impact of distribution systems on channel conflict is also examined in this paper.

In summary, this paper reports on the influence of culture and distribution systems on channel conflict in an international context and examines the relationship between culture and channel behavioural dimensions. It also intends to determine the difference between Malaysia and Philippines in terms of channel conflict levels, trust, commitment and cooperation. Attempts will also be made to draw meaningful management implications.

Channel conflict

Past reviews on channel related literature from the 1970's to 1990's show 'theoretical poverty' and a lack of unifying theoretical framework on channel conflict, which led to conceptual and operational fragmentations as indicated in the Paper 2. Similar to the study of cross-national cultures, channel study has been associated with "looking at the different

parts of the elephant” by researchers in the areas of channel power, relationship, roles, conflict, commitment, trust, cooperation, satisfaction and performance. Scholars are using different concepts and terminologies to define the field without consistent or coherent discourse. This has inevitably led to theoretical fragmentation as well as inconsistency in operational measurement. There is a reason to believe that defining channel conflict within the limited sphere of one or two theoretical angles will cause oversight of possible factors or influences on channel, namely cultural influence. As reported by Wang (1998), two incidences of conflict are likely to happen when you have the influences of two different cultures- inter-cultural conflict, for example, when a Malaysian channel manager is exposed to channel management in the Philippines.

Every conflict situation has two distinguishable features – the question of ‘substance’ and ‘process’ (Fisher, Kopelman & Schneider 1996). For instance, a distributor and a principal must firstly cooperate to maximize sales volume (substance). Secondly, they must handle their differences effectively and efficiently (process). The principal must be purposeful in its forward-looking act. For example, the distributor may decide to go against the wishes of its principal, reinforced by a desire to demonstrate its independence in the face of the principal’s pressure. For instance, a distributor of McCain (Malaysia) had insisted on promoting its own brand against its agency’s similar product line to the extent that it was likely to bring negative repercussions to the relationship. What happens if the principal (McCain) decides to withdraw the agency and award it to another distributor? However, the relationship agreement was not well designed to achieve that conclusion. The underlying issue is a lack of security, an uncertainty about future performance, as well as a lack of self-confidence on the part of the distributor. A possible solution is to instill confidence and a sense of security in the distributor by means of increased commitment from the principal, for example, increased funding, addition on new product lines, and increased involvement of the distributor in the principal’s market expansion plans. In fact, the principal must avoid falling into the trap of reacting to issues that are unpleasant by “insult to injury” and avoid involvement in emotional matters. For example, by threatening to terminate the distributor’s house brand. Instead of defining an objective that is

dependent on the principal's ability to influence or suppress the distributor from promoting their private label, the principal should have had a strategy that would have led to the distributor's inability to sustain selling their house brand any longer. For example, the house brand becomes no longer profitable and it is more rewarding to focus on selling the agency's line of products. In other words, leadership style does have an important bearing on channel conflict levels. As shown by Schul, Pride and Little (1983), participative and supportive leaderships are very effective in minimizing intra-channel conflict in a franchise distribution channel.

There has been an increasing amount of research done in the area of measuring conflict and channel efficiency. Rosenbloom (1999) pointed out the common methods used to measure conflict:

- i. Measuring the intensity of conflict between producers and distributors of building products (Pruden 1969).
- ii. Measuring the intensity of channel conflict associated with four different causes in household durable goods (Rosenberg & Stern 1971).
- iii. Measuring the intensity of channel conflict in grocery products and measuring it against channel performance (Pearson 1973).
- iv. Measuring channel conflict in terms of frequency of disagreements between manufacturers and dealers and compare with performance (Lusch 1976).
- v. The measuring components – intensity and frequency of conflict are used in Brown and Day (1981) on automobiles.

Recently, Laskey, Nicholls and Roslow (1992) designed a set of conflict indices for the boat industry comprising five perceptual and five behavioural elements. The conflict measurement used in this paper is based on two components – intensity and frequency of conflict.

Culture

Culture is the predisposition of attitudes and common perceptions held by an integrated value system encapsulate the way of life of any society (Robbins 1996; Andres & Andres 2004). In South East Asia, the way of life seems to be intertwined by the clear pattern of relationships and paradoxical values which are fundamental to organizational culture – collectivity, reciprocity and sensitivity. This paper aims to compare the influence of culture on channel conflict in the frozen food industries in Malaysia and Philippines. According to Child (2002, p. 33), ‘The comparative study of organization across cultural boundaries employing concepts and equivalent operational measures derived from only one culture becomes hazardous in terms of validity criteria’. In other words, there is a need to determine the validity of results obtained in Paper 2. These two countries are selected because of their significant consumption of frozen products. Gannon (1994) and Child (2002) recommended this approach where a nation or country can be used as a measurement unit in cultural analysis: Malaysian culture versus Filipino culture.

Cross-cultural studies have questioned whether the business approach should either be standardized or customized to individual country requirements. Should the international channel manager pay more attention to the specific cultural factors in developing his channel strategy? Is one country different from another? Could the knowledge and know-how gained in managing the business in one country be transferred to another country? Are the channel-related behaviours of two countries similar so that a common channel strategy is justified? Under this cross-cultural context, countries per se are different. The question is whether the difference is great enough to justify a different business policy or channel strategy. In essence, should a channel approach be implemented regardless of country borders in South East Asia? In a broader context, there are reported similarities in business practices of multi-corporations in Europe, America and Japan (Calori & De Woot 1994; Child 2002).

Convergence is the trend of today as countries are getting as ‘close’ as it could be, propelled by technology and communication advancement which promote similarity

through cultural assimilation, for example, McDonald's fast foods, Levi's jeans and Hip-hop culture spreading rapidly and globally. Overall, the cultural differences have been outweighed by commonality (Pugh & Hickson 2002; Kerr, Harbison & Meyers 1960). According to Pugh and Hickson (2002), there are three elements that have led to convergence: the speed of telecommunication, the success of capitalism or market approach in governing the economy of the country, and the sharing of best management practices by the regional management team.

Channel strategies vary depending on cross-cultural transferability. Indeed, one may argue that cultural extension of channel strategies to other countries is difficult due to the disparity between the East and West. Notwithstanding, this transferability remains a 'grey area' in South East Asia, including between Malaysia and Philippines. As highlighted by Metha et. al. (2001), culture has a strong bearing on channel behaviour, and this is well supported by past channel studies. As commented in Child's study (2002), cross-national organizational studies entail comparative study of companies from different countries as well as the study of overseas companies. There are two different schools of thought relating to cross-national organization studies - low and high context perspectives (Child 2002). The former argues that all organizations are similar regardless of context or nationality due to economic and technological impetus. According to Child (2002, p. 28):

'An increasing convergence between modes of organization as countries develop industrial and post-industrial economies with similar political systems and personal lifestyles, a convergence that is seen to have accelerated under the impetus of late twentieth-century globalization'.

In contrast, the latter argues that organizations are different from one country to another due to cultural influences. In this context, by virtue of the country characteristic of the culture, organization remain as different entity despite changes propelled by globalization (Child 2002).

There are three components that underlie the concept of 'low context' perspective (Child 2002), which basically supports the view of "all countries are the same" due to the following reasons. Firstly, economic universalism that supports a free market concept. All organizations regardless of origin are inescapable from it. For example, organizational structure and inter-firm relationships are associated with transactional cost, cost and risk of maintaining and enforcing the business contract (Williamson 1985; Child 2002). Secondly, the same technology tends to have the same influence on an organization in terms of business approach or social relationship at work regardless of country of origin (Child 1981). Lastly, as stated by Jocano (2001a), psychological universalism argues that various motivational theories, namely, Maslow's (1943) hierarchy of needs model, Herzberg, Mausner and Snyderman's (1959) two-factor theory, and Porter & Lawler's (1968) expectancy theory, assume human beings have similar needs and are motivated by common needs and equitable rewards (Child 2002).

Under the 'high context' perspective, Child (2002) argued that cultural influence has a strong bearing on the business approach adopted. The concept of 'high context' perspective (Child 2002) is supported by cultural theory, cultural information theory and institutional theory. Firstly, cultural theory recognizes culture as a solution to challenging issues encountered at workplaces in the international context (Roberts 1970). For instance, why does a Malaysian worker react so differently compared with his Filipino counterpart under the same scenario? Hence, culture becomes handy whenever the manager fails to comprehend the 'soft' issues encountered when dealing with people from different countries. Secondly, cultural information theory suggests that people in different countries have different ways of processing information, for example, a capitalist versus a communist society. For instance, culture influences leadership style and how business decisions are derived (Child 2002). Lastly, institutional theory states that different countries have different institutional backgrounds or settings – the state, the legal system, the financial system and the family, which, in turn, moulds the social organization of the country (Orru, Biggart & Hamilton 1997). For example, Confucius teachings have deep

rooted influence on Chinese culture, demonstrated by strong social obligation to a higher authority or community, as opposed to a generally individualistic culture in America.

Culture is seen as a collection of ideas, interpretations, flow of thought of a particular group of people (Goffman 1974; Van & Laurent 1992; Goodall 2002). Goffman (1974) rebuts Hofstede's (1991) theory of 'programmed' behaviour, which uses culture to predict and control behaviour. Nonetheless, many writers have referred to culture as 'behaviour programming' where it could predict the possible behavioural outcome (Jocano 2001).

Cultural distance

Cultural distance has been identified as an important measure of outcome in a turbulent environment (Shoham, Rose & Kropp 1997). Cultural distance is defined as '...the perceived importance of cultural [dis] similarity in different dimensions such as language, business habits, cultural environment, legal environment, etc...' (Shoham, Rose & Kropp 1997, p. 7). Cultural distance is part and parcel of the export development process (Hallen & Wiedersheim-Paul 1989; Johanson & Vahlne 1977; Johanson & Wiedersheim-Paul 1975). According to Reid (1986), cultural distance could be used to explain why export trade has predisposition towards foreign markets when it is perceived as similar to the domestic market. 'Cultural distance is regarded as a summary construct representing dissimilarity that decision-makers perceive between foreign markets and their domestic markets' (Reid 1986, p. 23). In addition, Reid (1986) also commented that cultural distance is used to interpret, explain and differentiate foreign markets (cognitive process), which is seen as an inexpensive approach to understanding foreign markets. In short, cultural distance complicates export activities as different cultural value is likely to cause misinterpretation of the situational dimension (Shoham, Rose & Kropp 1997).

In addition, Shoham, Rose and Albaum (1995), highlighted that cultural distance between two countries may give rise to conflict and reduce performance. Managing conflict where there is more than one culture involved remains very difficult as foreign management practices are not readily assimilated and appreciated by local managers of the business joint

ventures (Child & Yan 2001; Wang 1998). Given the importance of cultural distance, the first hypothesis is as follow - Hypothesis 1: There is no relationship between cultural distance and channel conflict, satisfaction and performance.

(Note: The larger the cultural distance between the home and target export markets, the higher the perceived channel conflict)

Overall, cultural distance as highlighted in the study of Shoham, Rose and Kropp (1997) is a source of conflict, dissatisfaction and mediocre performance in the development of export activities.

Philippines – culture and management

According to Selmer and Leon (2003, p. 157), ‘The complex Filipino culture is more easily grasped if it is seen as the amalgamation of four disparate cultures: indigenous Filipino, Chinese, Hispanic and American’. Similar to the Chinese culture, the Filipinos have a strong urge for social acceptance and collectivism. They have highlighted the essential values of this culture. The core value of ‘amor propio’ or self-esteem protects Filipinos from loss of social acceptance (Jocano 2001; Andres 2000; Andres & Andres 2004). There is also the value of ‘hiya’, which dictates the right type of socially accepted behaviour which leads to a deep sense of shame when the group norm is not being complied to (Jocano 2001; Andres 2000; Andres & Andres 2004). Then there is ‘utang-na-loob’ or “debt of gratitude” that nurtures and strengthens the relationship through mutual reciprocity in the community (Jocano 2001; Andres 2000; Andres & Andres 2004). Furthermore, ‘Pakikisama’ or ‘going along’ places utmost priority on the importance of the community as well as strong emphasis on cooperation, or ‘pagtutulungan’, within the community (Andres & Andres 2004, Andres 2000).

Overall, the above-mentioned core values are strongly embraced in the culture of the Philippines – a collective identity through informal social networks through kinship groups, such as inaanak (godchild) adopted by ninong/ ninang (godfather/ godmother), whose relationship will be drawn closer to the parents of the child (Selmer & Leon 2003). This spread of kinship network has a significant implication on the community. As

commented by Selmer and Leon (2003, p. 157), 'the group-conscious Filipinos expect trustworthiness from all with whom they have relationships and tend towards distrust of all others'. In addition, Jocano (1997) and Engholm (1991) both emphasized the two core values of today's Filipino – social and group acceptance, especially in business dealings by using family connections and informal business networking (paternalism). This type of informal group formation is a potential source of conflict (intra-group and inter-group) against company goals, for example, resisting a supervisor in the group (Andres 2000). Sometimes, the orders of the superior are ignored because of the influence of reference group pressure (Engholm 1991). In other words, the strong sense of interdependency and cooperation within the collectivist culture has reinforced the integrity of the group consciousness (Zhang & Neelankavil 1997).

Selmer and Leon (2003) cited the work of Andres (2000) on the two counter-productive features of Filipino culture. Firstly, there is 'pagwawalang-bahala', which means an over-dependent on others for its future, and lacking in self initiative and resisting to change for the betterment (Andres 2000). Secondly, 'ningas-cogon' describes a Filipino as one who usually lacks persistency. He or she would prefer to listen and act upon a superior's directive (Andres 2000). As quoted by Selmer and Leon (2003, p. 159), '... Filipino to entrust outcomes to the whimsy of destiny, the corporate culture provides equal justification for inefficiency as well as for productivity, and for failure as well as success'. In short, Filipino usually thinks himself as unimportant to make positive contribution to a company's progress.

Some of the interesting findings of Filipino cultural values by Selmer and Leon (2003) include the objective evaluation and comment given by a superior to a subordinate could cause a Filipino to lose face and embarrassed; and the conflict-avoidance nature of Filipinos where 'yes' might sometimes mean 'no'. It is sometimes difficult to demarcate between formal and informal and, more significantly, personal interest is sometimes achieved at the expense of a company's performance (Selmer & Leon 2003; Andres 2000).

Overall, the working relationship in the Philippines comprises a strong sense of cooperation, harmony and an urge for social fulfillment. In fact, among all the countries in South East Asia, the Philippines scored the highest in social needs (Olttramare 1986). As suggested by Selmer and Leon (2003), the personal consideration is a crucial element of most work situations. Managers are expected to maintain reciprocity with their subordinates based on the exchange of personal loyalties and mutual obligations. In other words, the spirit of cooperation within the interdependent social relationship (collective identity or consensus) is the key to efficiency and productivity.

Some of the key findings of Selmer and Leon (2003) have important management implications. Firstly, face value ('hiya') is valued highly in the Filipino culture. Any incidence of loss of face inflicted on one party would lead to a 'deadlock' in negotiation. As commented by Andres & Andres (2004, p. 145), when the Filipino is humiliated or placed in an embarrassing situation, he will resort to revenge:

'When undue embarrassment is caused ... this becomes detrimental to harmonious working and productivity. Furthermore, when intense conflict is induced, there might even be sabotage of each other's performance - back-talking or physical injury'.

Secondly, Filipinos prefer 'status quo' rather than change. They avoid conflict and perceive it as a disastrous symptom rather than embracing it with a positive mindset (Jocano 2001). Thirdly, they see things as uncontrollable when governed by external forces. Hence, it is not surprising to see low efficiency level in the Filipino economy (Selmer & Leon 2003). Lastly, Filipinos use kinship to inculcate commitment, which focuses on teamwork and family group orientation (Andres 2000).

Malaysia – culture and management

As commented by Smith (2003), Malaysia is the only country in South East Asia that provides a distinct richness in cultural diversity with three main races - Malays, Malaysian Chinese and Malaysian Indians, which is a typical 'melting pot' of Islamic belief and Confucian values. Traditionally, Malaysian Chinese have had a preference for self-

employment opportunities. As mentioned by Smith (2003, p. 118), 'Chinese wage earners with sufficient savings also turned to trade because it presented opportunities for self-employment and upward mobility'. The Malaysian frozen food distribution profile is dominated by Chinese family businesses where the founder or owner retains overall power and seldom hires external talent for important positions. Similarly, the studies of Chinese management practices in Hong Kong confirmed the owner's personal and informal control, and lack of trust on outsiders for key positions (King & Leung 1975; Whitley 1992).

According to Child and Warner (2003), family-based collectivism is prevalent in Chinese family businesses where there is strong conformity and compliance to authority and seniority, and where an incentive system that merits individual performance never works. Also, as stated by Jocano (2001a), kinship loyalty in Malaysia is perceived as nepotism or corruption by the West. The influence of strong group orientation, as well as greater importance placed on social egalitarian, makes meritocracy invalid. According to Zhang & Neelankavil (1997), a collectivist society or culture tends to de-emphasize competition among the interdependent group members and places higher emphasis on cooperation, a common characteristic across many cultures in Asia.

In general, the Malaysian Chinese business is built on a three-legged concept (Smith, 2003; Child & Warner 2003). Firstly 'guanxi', which means networking and interpersonal relationship within the business community, leads ultimately to a higher level of cooperation. This includes other essential elements such as 'mianzi' (face) and 'renqing' (obligation) that are part and parcel of good informal business relationships (principal and agency), which is not based upon a standard merit system (Child & Warner 2003). This relationship is also extended to employer and employee where employee loyalty is prioritized over productivity and efficiency (Chen 1995). The study of Selmer and Leon (2003) on culture and management in Hong Kong endorsed that local managers are likely to prioritize the importance of personal relationships over and above organizational objectives.

Secondly, 'xinyong' which means trustworthiness and creditworthiness in business dealings where both the seller and buyer are keen on building trust and commitment in their relationship (Smith 2003). As quoted by Child and Warner (2003, p. 36):

'The Chinese cultural preference for an implicit and moral basis for business dealing rather than a more formal footing is very characteristic of private firms. The viability of their business dealings rests heavily upon trust between transacting parties'.

Lastly, they prefer quick turnaround times in business decision-making, particularly in response to business opportunities. They tend not to rely on formal contractual agreements in new business ventures (Child & Warner 2003).

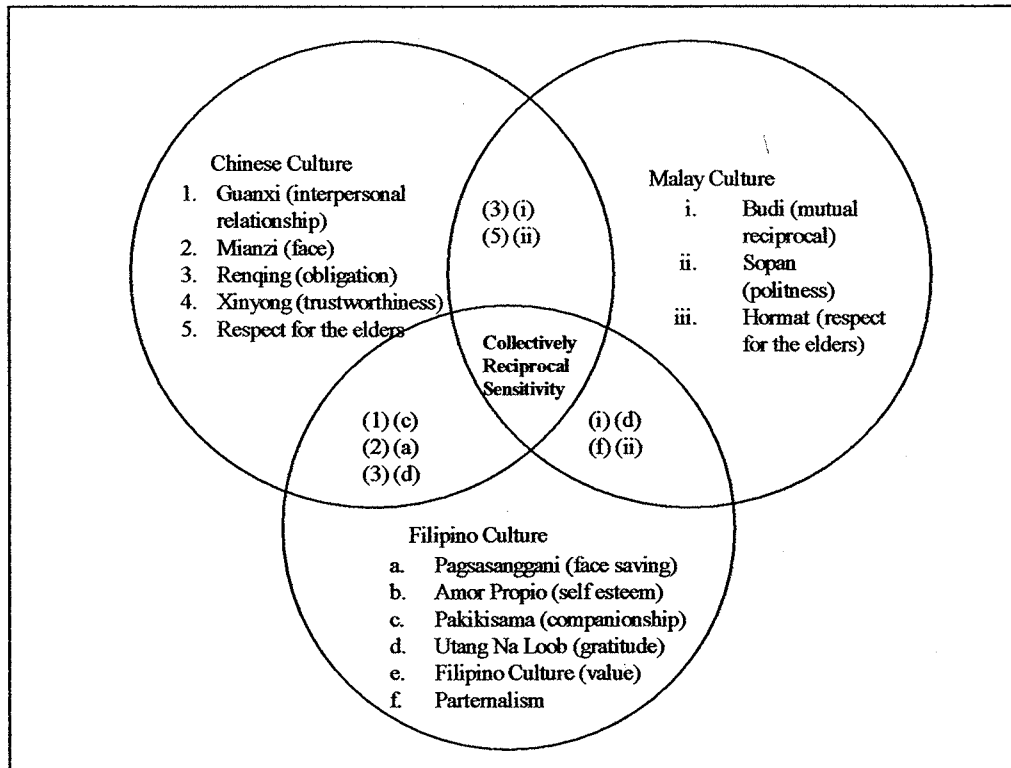
Incidentally, the Malays have a somewhat similar relationship 'culture' with the Chinese. According to Smith (2003), patron-clientage is the essence underlying the relationship among the Malay community. In other words, a harmonious atmosphere is developed through a 'you scratch my back and I will scratch yours' relationship or so-called 'budi' – a mutual reciprocal of returning favors to each other. Basically, as highlighted by Asma (2001), the two major ethnic groups in Malaysia share the same beliefs and values, namely, both the Malays and Chinese share the same value system in terms of face 'politeness', tending to be harmonious rather than confrontational, having respect for the elders and relatives, as well as being religious and superstitious.

The Filipinos are very much the same compared to the Chinese and Malays. As commented by Andres and Andres (2004, p. 11), 'The Filipino is predominately of Malayan ancestry with Chinese culture as base'. As stated by Andres (2000, p. 2), 'The Filipino traditional culture moreover is a synthesis of three mainstreams – the Malays which itself is a hybrid, the Chinese mind and the Indian art'.

According to Andres (2000), most of Filipino values and beliefs are the same as Chinese. They emphasize on family loyalty, amor propio (self respect), hiya (sense of shame) and

utang-na-loob (reciprocity). It is no surprise then that findings from this study shows Malaysia and Philippines to be highly similar because Malaysian Chinese and Filipinos essentially share the same core value system. As far as business practice is concerned, the difference is marginal (refer to Figure 3.1).

Figure 3.1 Cultural integration for minimizing conflict



Source: Modified from Andres & Andres (2004, p. 54) and Jocano (2001a, p. 64)

The key questions to be asked following this short review of culture and management in Malaysia and Philippines are: Can we change the perception of the Chinese family-owned business which views commitment and trust in terms of personal relationship and social networks? Can we change their mindset to one of working with foreign partners (principal) as a way to improve their skills, as well as to explore opportunities for embracing innovation and technology?

Quality of distribution system

The quality of the distribution system is an accurate reflection of a company's globalization efforts and the degree of involvement in exporting business where a mechanics is in place to cope with conflicts (Shoham, Rose & Kropp 1997). In other words, a high quality distribution system is a predisposition taken by a manufacturer to cope with conflict or bringing it to a minimum level. In this conceptualization, Shoham, Rose and Kropp (1997, p. 8) defined distribution system quality as,

'Distribution system quality has been consistently linked to international performance in a number of studies which includes a number of strategic determinants such as visits to overseas markets, intensity of contacts with foreign customers, channel support and channel quality'.

A good quality distribution system, which is 'harmonious' with the marketing mix and strategies of the company, will help to achieve the company's distribution objective efficiently (Rosenbloom 1999). As commented by Rosenbloom (1999, p. 282), 'The administration of existing channels to secure the cooperation of channel members in achieving the firm's distribution objectives'. This implies that cooperation among channel members does not come easily and must be managed as a key strategic variable in the marketing mix.

High quality of sales supports and regular overseas market visits have strong correlation with international market performance (Cunningham & Spigel 1971; Tookey 1964; Cavusgil & Zou 1994). According to Shoham, Rose and Kropp (1997), a high quality distribution system, which is well supported by good customer relationship, is capable of improving export performance by minimizing channel conflict. Given the importance of a quality distribution system, a second hypothesis is stated as follows:

Hypothesis 2: There is no relationship between a distribution system and perceived channel conflict, satisfaction and performance.

(Note: The better the quality of the distribution system, the lower the perceived conflict)

Behavioural dimensions – trust, cooperation, commitment, performance and satisfaction

Channel conflict is a very important construct that affects the performance and satisfaction of the overall distribution system. However, there has not been enough research conducted on the outcome of conflict (Shoham, Rose & Kropp 1997). This notion is extended to other behavioural aspects, namely, trust, cooperation and commitment. According to McAllister (1995), trust is an important element influencing the effectiveness of organizational performance. The level of trust in any inter-organizational relationship is influenced by the impact of culture – values and norms (Morgan & Hunt 1994; Williamson 1985). Trust is associated with “general expectancy” of future behaviour of channel members (Morgan & Hunt 1994) and is found to be very cultural bound and influenced by past experience (Sabel 1993). According to Selnes (1998), relying on trust is a cost effective way of conducting business when there is a lack of information or when contractual agreement is not possible or too difficult to execute. According to Williamson (1985, p. 406), ‘Operationalising trust has proved inordinately difficult’ in research. Cannon and Perreault (1999) commented on the cooperative norms construct where mutual parties must pursue the common business goal through cooperation. ‘Cooperative norms are defined as the perception of the joint efforts of both the supplier and the distributor to achieve mutual and individual goals successfully while refraining from opportunistic actions’ (Siguaw, Simpson & Baker 1998, p. 102). Anderson and Weitz (1992, p. 19) defined commitment as ‘desire to develop a stable relationship, willingness to make short-term sacrifices to maintain relationship, and a confidence in the stability of the relationship’.

Svensson (2002b, p. 740) in reporting Alderson’s study in 1965 claimed that the survivorship of channel depends more on cooperation than commitment:

‘The marketing channel exists but it would be stretching the point to call it an organized behaviour system with a tendency to persist over a long period of time. At best it is a pseudo-system in which there is fair amount of cooperation over a short interval but with no commitments over longer run...’

There are a number of studies that have found commitment to a relationship results in a higher performance level (Siguaw, Simpson & Baker 1998). Kumar, Hibbard and Stern (1994) mentioned that effective relationship and commitment could produce better organizational performance. Dwyer (1980) and Wilkinson (1981) stated that channel conflict is an important component that influences both channel member and manufacturer satisfaction.

The relationship of channel conflict and the five behavioural dimensions were empirically tested in different environments – in Malaysia and the Philippines. In light of the literature discussed, there is a need to determine the effect of cultural distance and distribution systems on channel conflict, satisfaction and performance. Can the observed behaviour be interpreted in light of Filipino and Malaysian values? It is important to establish whether the cultural distance and quality of distribution systems in Malaysia and the Philippines are similar. It will also be interesting to understand how different channel conflict is against the behavioural dimensions of trust, cooperation, commitment, satisfaction and performance, when comparing Malaysia to the Philippines. The relationship between these behavioural dimensions with satisfaction and performance of the channel system (frozen foods distributors) will be explored too. As pointed out by literature review of the history of channel conflict, there is a lack of research in channel-related studies in South East Asia. There is even less existing research on channel conflict in the frozen food distribution network in the region.

The primary objective of this study was to determine the relational effect of channel conflict on all behavioural and other relevant variables of the distributor in terms of trust, commitment, and cooperation in the Philippines. The relationship dependent variables and their effect on satisfaction and performance of the channel system (frozen foods distributors) were also explored. The obtained findings from the Philippines is then compared with Malaysia. The detailed objectives are listed as follows:

- i. To compare the relationship effect of channel conflict on all behavioural and other relevant variables in Malaysia and the Philippines

- ii. To determine the effect of cultural distance and distribution systems on channel conflict, satisfaction and performance in the Philippines
- iii. To compare the cultural distance and quality of distribution systems in Malaysia and the Philippines.

The adopted methodology was also based on the cross sectional approach used in Paper 2. Important empirical evidence that supports the research objective is found in the work of Hussey and Hussey (1997) and Cooper and Schindler (1998):

- i. Channel conflict in terms of level and its relationship with trust, commitment and cooperation was captured at a particular point in time involving two countries. It facilitates the comparison on a point-to-point basis for all the behavioural dimensions of concern. However, the results obtained were possible artifacts of the period of analysis because the sample size is only drawn from the frozen food industry, hence the results cannot be generalized without any presuppositions. In short, one could not possibly claim that findings obtained in frozen food industry were of good use to other industry of similar nature (chilled product) without any supportive assumption. The insight obtainable from this paper is meaningful as long as it is being applied into the same industry.
- ii. In order to ensure the framework/ method is measuring the relevant variables, extraneous factors have been held constant, namely power and interdependency. In other words, the relationship of cultural distance and distribution system could be isolated to certain extent for comparison between the frozen food distributors in Malaysia and Philippines. However, the construct of channel conflict, cultural distance, and quality distribution systems has limited sample (items) from the domain. When too much emphasis on channel members (distributors) is a potential bias because the behaviour of channel leaders (manufacturers) is equally important (Mintu-Wimsatt & Gassenheimer 1996). As highlighted by Reid (1986), cultural distance and its associated constructs (cognitive, affective and conative) are rather situational and only relevant to a particular setting.

- iii. It is timely and economical approach as no repeat trip/ visitation to respondents was required. In addition, only one sample size from the Philippines was required. This newly obtained sample information was then compared to the one received in Malaysia (Paper 2). A common set of questionnaires was used for both countries. The same sampling technique was also deployed in recruiting the respondents in Malaysia and the Philippines. This method has ensured consistency as well as simplicity in soliciting the responses from two physically distanced countries.

The survey research design is sufficient to meet the all research requirements and its objective effectively. The same set questionnaires was structured to allow it to be analysed statistically in comparison for two different countries. The sample units were the result of a careful stratified random selection process, which would further improve its inherent strength in validity and reliability (generalization to the universe) in findings (Gill & Johnson 1997). However, survey research method was not without its flaws. It lacks naturalism and it does not provide freedom for the respondent to view their understanding pertaining to the constructs used in the study.

Despite that stratified sampling has resolved the issue of over or under representation, this does not mean generalization (based on the small sample) could be made discriminately. As long as the mandatory pre-requisites such as (a) the business must be a frozen food related industry (b) the profile of the subject resembles of the said sample selected in this study, hence, the reliability of generalization is achieved to certain extent.

Due to the fact that analytical survey and survey research uses statistical procedure to control extraneous variables, the causal relationship between the independent and dependent variables was compromised (Gill & Johnson 1997). Hence, the 'causality' would not exist in the current findings. Therefore the findings of the level of conflict may be beneficial to companies that shared the same characteristics of cultural setting and sampling technique. The ability to extrapolate about cultures in relation to the behavioural dimension was limited because of the non-existence of causal relationship. Generalization

on this aspect would inevitably lead to bias and stereotype result. Hence, the objective of interpreting the observed behaviour in light of Filipino and Malaysian values should be treated with caution. The prerequisite in terms of similar cultural setting as well as sampling technique must exist in order to make any attempt of generalization worthwhile. It was justifiable that the validity of the findings was limited to the small number of respondents who participated in this survey. However, the peculiarity of the frozen foods industry, particularly in frozen French fries, the size of the business is still at its infancy in South East Asian. In reality, the number of frozen food players is indeed limited and rather small in nature compared relatively to other type of consumer goods. Hence, the 'purposive' sampling (stratified) used in this study was a close mirror of the actual situation prevalent in the frozen foods industry in South East Asian. This would make generalization to the similar type of food industry (prepared frozen meals) worthwhile especially on strategy implication.

By bringing the study of conflict into a different context (Philippines), one could find out whether conflict level would change as a result of the impending different cultural setting. The cultural context was being simplified by translating it into cultural distance (Shoham, Rose & Kropp 1977) in order to interpret the foreign setting in terms of business conduct, value and tradition. This would answer the question of whether cultural distance between two countries would give rise to conflict and subsequently reduce their performance. The only potential bias that would occur here was 'hallo effect' of the respondent, a perception or predisposition towards a particularly country which is difficult to avoid. Hence, a pilot test (rewording and rephrasing the questionnaire) was deemed to be necessary to remove the 'semantic' that would mislead the respondent.

Quality distribution system is a concept pioneered by Shoham, Rose and Kropp (1977) and it was use to gauge the predisposition of manufacturer in coping with channel conflict. In other words, a high quality distribution system comprises of sales supports and regular overseas market visits is capable of minimizing conflict and improve overall channel performance. This method of measuring quality distribution system as recommended in the

study of Shoham, Rose and Kropp (1977) was used in this study. One may argued that the validity aspect was somehow being compromised because the concept 'quality' was merely defined in terms of visit frequency, sales support and professional sales representative received by the distributor. However, this method was relevant to the scope of the study and it reflected the real situation of the frozen food industry in South East Asia.

The need for further research in this area is translated into ten hypotheses as follows:

Hypotheses

Hypothesis 1 is stated as:

'There is no relationship between cultural distance and channel conflict, satisfaction and performance'.

Hypothesis 2 is stated as:

'There is no relationship between distribution system and channel conflict, satisfaction and performance'.

Hypothesis 3 is stated as:

'The perceived cultural distance of both countries are the same'.

Hypothesis 4 is stated as:

'The perceived distribution systems of both countries are the same'.

Hypothesis 5 is stated as:

'Channel conflict in Malaysia is no different compared with the Philippines'.

Hypothesis 6 is stated as:

'Distributor trust, cooperation, commitment, satisfaction and performance in Malaysia are no different compared with the Philippines'.

Hypothesis 7 is stated as:

'Distributor trust, commitment, cooperation and channel conflict are not influenced by satisfaction and performance (Philippines)'.

Hypothesis 8 is stated as:

'Channel conflict is not influenced by distributor trust and commitment (Philippines)'.

Hypothesis 9 is stated as:

‘Channel conflict is not influenced by distributor commitment and cooperation (Philippines)’

Hypothesis 10 is stated as:

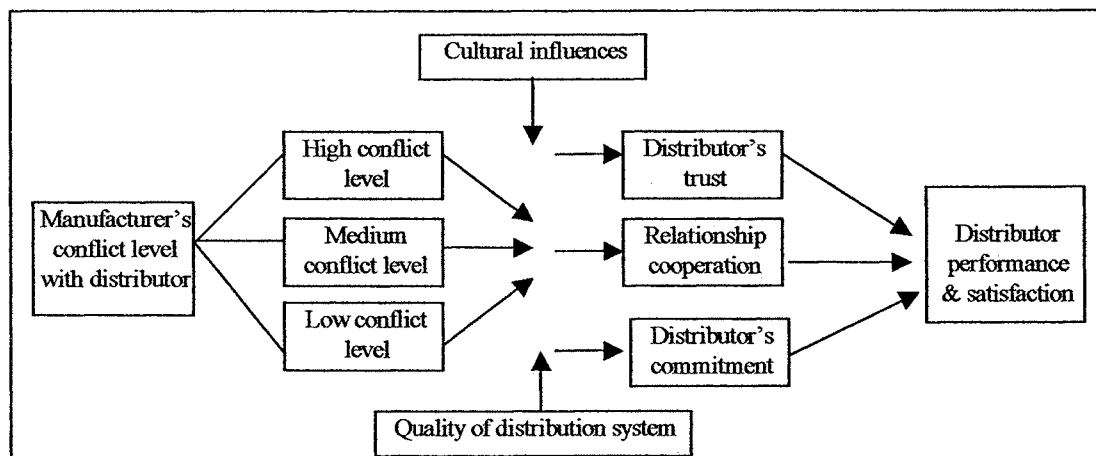
‘Channel conflict is not influenced by distributor trust, commitment and cooperation (Philippines)’.

Methodology

Relationship Variables: Hypothesized Model

The review on past literature has shed light on future research. The author’s research framework (Figure 3.2) is built based on the constructs derived from past theoretical and empirical research works (Siguaw, Simpson & Baker 1998; Metha, Larsen & Rosenbloom 1996; Shoham, Rose & Kropp 1997).

Figure 3.2 Proposed research framework



Population and sampling procedure

The population of the study consists of frozen food distributors in the Philippines and Malaysia as illustrated in Table 3.1(a) & 3.1(b). Currently, there are about 60 distributors with annual sales up to RM160 million in the Philippines. Stratified sampling technique was used in sampling unit selection in order to ensure equal representation of the population of interest.

Table 3.1(a) Sample vs. population - **Philippines**

Annual Sales Revenue (Malaysian Ringgit)*	No. of Distributor (Frozen food) Industry	%	No. of Distributor (Frozen Food) Sample	%
Less than 40 mil	20	33	10	29
More than 40 mil and < than 80 mil	15	25	9	27
More than 80 mil and < than 120 mil	15	25	14	41
More than 120 mil and < than 160 mil	10	17	1	3
Total	60	100	34	100

Source: Secondary source of McCain Foods Asia Pacific 2001

Note: Most of the frozen distributors in Philippines are family-owned, ranging from small to medium size in a very fragmented market segment. Only a few in general make it to the top bracket. There is currently no direct involvement of multi-national frozen food distributors in South East Asia.

*Converted from Peso to RM for ease of comparison

Table 3.1 (b) Sample vs. population - **Malaysia**

Annual Sales Revenue (Malaysian Ringgit)	No. of Distributor (Frozen food) Industry	%	No. of Distributor (Frozen Food) Sample	%
Less than 40 mil	15	30	10	29
More than 40 mil and < than 80 mil	20	40	16	47
More than 80 mil and < than 120 mil	9	18	6	18
More than 120 mil and < than 160 mil	6	12	2	6
Total	50	100	34	100

Source: Secondary source of McCain Foods Asia Pacific 2001

Note: Most of the frozen distributors in Malaysia are family-owned, ranging from small to medium size in a very fragmented market segment. Only a few in general make it to the top bracket. There is currently no direct involvement of multi-national frozen food distributors in South East Asia.

The sampling frame of this study was based on the entire frozen food contact list in the Philippines with sales revenue of up to RM160 million per annum. The final selected sample size consisted of 34 frozen food importers. Prior to participation in the survey, all of the respondents were briefed on the research, for example, the objective of the study

and how they would contribute to the better understanding of the research topic. Consent prior to participation was obtained. A survey questionnaire was used to collect the data. Questions about the respondent's perception on conflict, their sense of trust, commitment and cooperation, as well as overall distributor assessment about their own performance and satisfaction were solicited. The instruments used in this research was adopted and modified from past research. For instance, the questions and scale used under channel conflict were based on the recommendations by Magrath and Hardy (1989). A structured multi-item questionnaire with close-ended questions was used throughout the survey (refer to Appendix 4). The questionnaire was divided into the following categories:

Part A – Channel conflict

Part B – Trust, cooperation and commitment

Part C – Distributor satisfaction

Part D – Distributor operating performance

Part E – Cultural distance (Respondents from Malaysia and Philippines)

Part F – Distribution system quality (Respondents from Malaysia and Philippines)

* Note: Data required for Paper 3 are collected in Paper 2 for Malaysian respondents

Survey research is the systematic gathering of information from respondents. For the purpose of understanding behaviour or predicting some aspects of the behaviour of the population of interest (Tull & Hawkins 1993), 5-point Likert scale is used to measure the perception of the respondents in terms of trust, commitment and cooperation, and thus is preferred in Parts B, C and D. More often than not, this scale is being treated as interval scale despite the 'unequal' intervals between the items since the 'results of most standard statistical techniques are not affected greatly by small deviations from the interval requirement' (Tull & Hawkins 1993, p. 308).

Part A – Channel conflict: Ordinal scale (3 points) is used to obtain preference measurement

Part B – Trust, cooperation and commitment	} 5-point Likert scale is used
Part C – Distributor satisfaction	
Part D – Distributor operating performance	
Part E – Cultural distance	
Part F – Distribution Quality System	

A total of three callbacks were made for each firm. This step was necessary for two reasons:

- i. It enabled the researcher to identify and send the questionnaire to the key informant. To qualify as an informant, the candidate must hold a senior management position such as managing director, executive director, general manager, or purchasing manager; or at the very least, a key decision-maker in importing frozen foods from overseas manufacturers.
- ii. By personally contacting the managers and explaining the importance of the study, it was hoped that the response rate would increase and non-response errors would decrease.

In all, questionnaires were mailed to 34 managers from the frozen food industry in the Philippines.

Each questionnaire consisted of 59 items. Statistical Package for the Social Sciences (SPSS) was used to analyze the data. The approach of analysis is described as follows:

1st Phase: Descriptive analysis using frequency with visual aids.

2nd Phase: In order to convert the ordinal data into interval data, the technique of scale standardization as proposed by Terrell (2000) was used. This technique requires that all items related to items with ordinal type be transformed into intervals with scores ranging from 0 – 100:

Transformed Score = [(actual raw score-lowest possible raw score)/possible raw score range] x100

2nd Phase: ANOVAs will be used to analyse Hypotheses 1, 2, 3, 7, 8 and 9

3rd Phase: Regression will be used to analyse Hypotheses 4, 5, 6 and 10

Note: P-value of 0.05 will be used as a yardstick for either rejecting or accepting the null hypothesis. If p-value is less than 0.05, the null hypothesis will be rejected. Terrell's method needs to be used to standardize the Likert-scale response, which will make changes from ordinal to interval scale, i.e. from ranking to countable scale.

Findings

Hypothesis 1: Cultural distance will not affect channel conflict, satisfaction, performance

Table 3.2 shows that cultural distance has no significant relationship with channel conflict, satisfaction and performance in both markets. However, the obtained responses show that the distributors from Malaysia and the Philippines perceived both markets as culturally similar to each other (skewed towards identical market).

Table 3.2 Results of one-way Anova test – cultural distance

	Malaysia				Philippines			
	df	Mean square	F	Sig.	df	Mean square	F	Sig.
Channel conflict	10	59.166	.805	.626	12	49.263	.530	.871
Satisfaction	10	207.928	.782	.646	12	103.577	.581	.833
Performance	10	581.924	1.235	.322	12	235.017	.432	.932

Note: n = 34 ** P Value < .05

Hypothesis 2: Distribution system will not affect channel conflict, satisfaction, performance

Table 3.3 shows that a quality distribution system has no significant relationship with channel conflict, satisfaction and performance in both markets. The obtained responses show that the distributors from Malaysia and the Philippines agreed that their suppliers normally send qualified sales representatives and use frequent market visits as part of their marketing strategy.

Table 3.3 Results of one-way Anova test – quality distribution system

	Malaysia				Philippines			
	df	Mean square	F	Sig.	df	Mean square	F	Sig.
Channel conflict	7	55.906	.675	.691	9	91.003	1.492	.207
Satisfaction	7	196.905	1.420	.240	9	329.702	1.513	.200
Performance	7	613.102	1.601	.179	9	775.703	1.924	.097

Note: n = 34 ** P Value < .05

Hypothesis 3 : The perceived cultural distance of both countries are the same

Hypothesis 4 : The perceived distribution systems of both countries are the same

Table 3.4 and Table 3.5 infer that the perceived cultural distances of both countries are the same, that is, the Philippines is culturally similar to Malaysia (values, traditions and norms) and vice versa. Hypotheses 3 and 4 cannot be rejected. In fact, there was a higher percentage of Malaysian respondents who believed they were not much different from the Filipinos (skewed towards identical market). The perceived distribution systems of both countries are the same as well. Respondents from both countries agreed that their suppliers commonly practise marketing strategies such as frequent market visits and the use of qualified sales representative.

Table 3.4 Results of Pearson correlation analysis

	Correlation between cultural distance (Malaysia) & cultural distance (Philippines)	Correlation between quality distribution system (Malaysia) & quality distribution system (Philippines)
Pearson correlation	.176	.105
Sig. (2-tailed)	.320	.554
N	34	34

Note: n = 34 ** P Value < .05

Table 3.5 Distribution of mean - Philippines

	Philippines				Malaysia			
	Min	Max	Mean	Std. Deviation	Min	Max	Mean	Std. Deviation
Channel Conflict	37	73	48.92	8.317	20	57	43.24	8.780
Trust	40	100	70.16	14.809	33	96	63.91	13.003
Commitment	25	100	62.06	18.794	40	85	60.44	13.561
Cooperative Norms	50	100	72.30	12.600	42	96	71.45	12.400
Distributor Satisfaction	25	92	61.52	15.760	42	92	63.73	12.289
Operating Performance	7	96	60.71	22.468	7	96	64.18	20.778
Cultural Distance	0	94	68.38	18.715	19	100	64.15	19.602
Quality Distribution System	8	100	72.79	20.852	25	100	71.32	15.378

Note: n = 34 ** P Value < .05

Hypothesis 5 : Channel conflict in Malaysia is no different compared with the Philippines.

Hypothesis 6 : Distributor trust, cooperation, commitment, satisfaction and performance in Malaysia are no different compared with the Philippines.

Based on the results shown in Table 3.6, Table 3.7, and Table 3.8, the following are the inferences made. Conflict level in Malaysia is significantly different than in the Philippines. Thus, Hypothesis 5 is rejected. However, the outcome of high conflict levels in the Philippines did not generate better satisfaction and performance as compared with Malaysia. In Malaysia, lower conflict levels has led to better satisfaction and operating performance despite reported lower mean in trust, commitment and cooperation as compared with distributors in the Philippines.

Distributor trust, cooperation, commitment, satisfaction and performance in Malaysia is no different compared with the Philippines.

Table 3.6 Mean analysis

	Mean		Std. Deviation		Std. Error Mean	
	Malaysia	Philippines	Malaysia	Philippines	Malaysia	Philippines
Channel Conflict	43.24	48.92	8.780	8.317	1.506	1.426
Trust	63.91	70.16	13.003	14.809	2.230	2.540
Commitment	60.44	62.06	13.561	18.794	2.326	3.223
Cooperation	71.45	72.30	12.400	12.600	2.127	2.161
Satisfaction	63.73	61.52	12.289	15.760	2.108	2.703
Performance	64.18	60.71	20.778	22.468	3.563	3.853

Note: n = 34 ** P Value < .05

Table 3.7 Correlations analysis

	Correlation	Sig.
Channel Conflict (Malaysia) & Channel Conflict (Philippines)	-.324	.061
Trust (Malaysia) & Trust (Philippines)	-.115	.517
Commitment (Malaysia) & Commitment (Philippines)	-.105	.556
Cooperation (Malaysia) & Cooperation (Philippines)	.021	.906
Satisfaction (Malaysia) & Satisfaction (Philippines)	-.015	.931
Performance (Malaysia) & Satisfaction (Philippines)	.076	.669

Note: n = 34 ** P Value < .05

Table 3.8 T-test

	Paired Differences							
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Lower	Upper			
Channel Conflict (Malaysia) - Channel Conflict (Philippines)	-5.69	13.915	2.386	-10.54	-.83	-2.383	33	.023**
Trust (Malaysia) - Trust (Philippines)	-6.25	20.802	3.567	-13.51	1.01	-1.752	33	.089

Table 3.8 T- test (Cont'd)

	Paired Differences							
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Lower	Upper			
Commitment (Malaysia) - Commitment (Philippines)	-1.62	24.300	4.167	-10.10	6.86	-.388	33	.700
Cooperation (Malaysia) - Cooperation (Philippines)	-.86	17.492	3.000	-6.96	5.25	-.286	33	.777
Satisfaction (Malaysia) - Satisfaction (Philippines)	2.21	20.133	3.454	-4.82	9.23	.639	33	.527
Performance (Malaysia) - Performance (Philippines)	3.47	29.418	5.045	-6.80	13.73	.687	33	.497

Note: n = 34 ** P Value < .05

Table 3.9 shows that channel conflict has an inverse relationship with trust, cooperation and satisfaction. In addition, distributor trust and cooperation have positive relationship with satisfaction and performance. It also shows that distributor commitment is positively related to satisfaction.

Table 3.9 Results of Pearson correlation analysis (Philippines)

Correlation between		Pearson correlation	Sig. (2-tailed)	N
Channel conflict &	Trust	-.483	.004**	34
	Commitment	-.273	.118	34
	Cooperation	-.354	.040**	34
	Satisfaction	-.345	.045**	34
	Performance	-.237	.176	34

Table 3.9 Results of Pearson correlation analysis (Philippines) (Cont'd)

Correlation between		Pearson correlation	Sig. (2-tailed)	N
Distributor trust &	Satisfaction	.672	.000**	34
	Performance	.445	.008**	34
Distributor cooperation &	Satisfaction	.633	.000**	34
	Performance	.580	.000**	34
Distributor commitment &	Satisfaction	.646	.000**	34
	Performance	.215	.221	34

Note: n = 34 ** P Value < .05

Hypothesis 7: Distributor trust, commitment, cooperation and channel conflict are not influenced by satisfaction and performance (Philippines)

Hypothesis 8: Channel conflict is not influenced by distributor trust and commitment (Philippines)

Hypothesis 9: Channel conflict is not influenced by distributor commitment and cooperation (Philippines)

Table 3.10 shows that channel conflict is influenced by both distributor commitment and cooperation, and is the only significant result found.

Table 3.10 Results of the two-way ANOVA test – tests of between-subjects effects

Dependant variables		Type III Sum of squares	df	Mean square	F	Sig.
Trust	Satisfaction & performance	707.917	4	176.979	2.128	.159
Commitment	Satisfaction & performance	511.795	4	127.949	.488	.745
Cooperation	Satisfaction & performance	158.314	4	39.578	.658	.636

Table 3.10 Results of the two-way ANOVA test – tests of between-subjects effects (Cont'd)

Dependant variables		Type III Sum of squares	df	Mean square	F	Sig.
Channel conflict	Satisfaction & performance	57.040	4	14.260	.125	.970
Channel conflict	Trust & commitment	179.480	3	59.827	3.916	.110
Channel conflict	Commitment & cooperation	525.177	9	58.353	8.292	.016**

Note: n = 34 ** P Value < .05

Hypothesis 10: Channel conflict is not influenced by distributor trust, commitment and cooperation (Philippines)

Table 3.11 and Table 3.12 show that channel conflict is significantly influenced by trust and cooperation. Thus, Hypothesis 10 is rejected. Nevertheless, the relationship between channel conflict, trust and cooperation are as follows:

- i. $R^2 = 23.3\%$ (coefficient of determination) shows that 23.3% of variation in channel conflict can be explained by trust
- ii. $R^2 = 12.5\%$ (coefficient of determination) shows that 12.5% of variation in channel conflict can be explained by cooperation

Table 3.11 Regression – model summary

	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Conflict vs. Trust	1	.483 a	.233	.209	7.397
Conflict vs. Cooperation	1	.354 a	.125	.098	7.899
Conflict vs. Commitment	1	.273 a	.074	.046	8.125

a. Predictors: (Constant), Trust, Cooperation, Commitment

Table 3.12 Regression - Anova

	Model	df	Mean Square	F	Sig.	
Conflict vs. Trust	1	Regression	1	532.016	9.725	.004**
		Residual	32	54.708		
		Total	33			
Conflict vs. Cooperation	1	Regression	1	285.900	4.582	.040**
		Residual	32	62.399		
		Total	33			
Conflict vs. Commitment	1	Regression	1	170.045	2.576	.118
		Residual	32	66.020		
		Total	33			

a. Predictors: (Constant), Trust, Cooperation, Commitment

b. Dependent Variable: Channel Conflict

Note: n = 34 ** P Value < .05

Table 3.13 shows that the overall Cronbach's Coefficient Alpha for the dimensions involved is 0.7530 (consistent).

Table 3.13 Results of the reliability analysis

	Corrected Item Total Correlation	Alpha if Item Deleted
Channel Conflict	-.4075	.8431
Trust	.7480	.6507
Commitment	.5815	.6912
Cooperative Norms	.8139	.6501
Distributor Satisfaction	.7391	.6480
Operating Performance	.4689	.7445

N = 34 No of items = 6 Alpha = .7530

Based on the research findings (see Figure 3.3 (a) & (b)), the conflict level in the Philippines is defined as medium as it is very close to an average frequency of 49. It mirrors the results obtained from Malaysian distributors.

Figure 3.3(a) Channel conflict continuum – defining conflict level (Philippines)

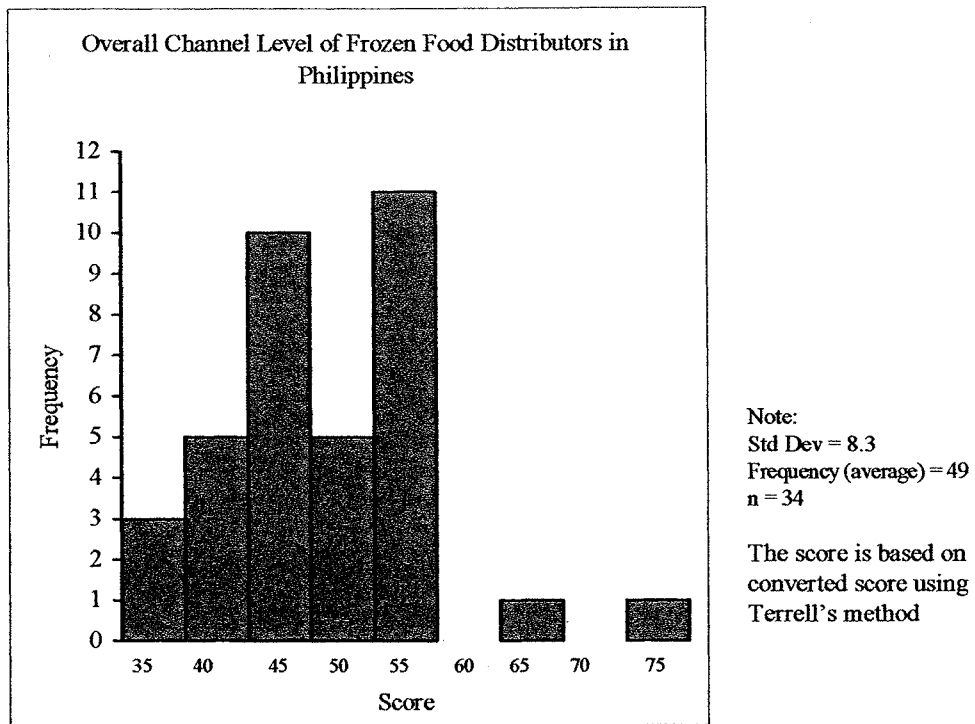
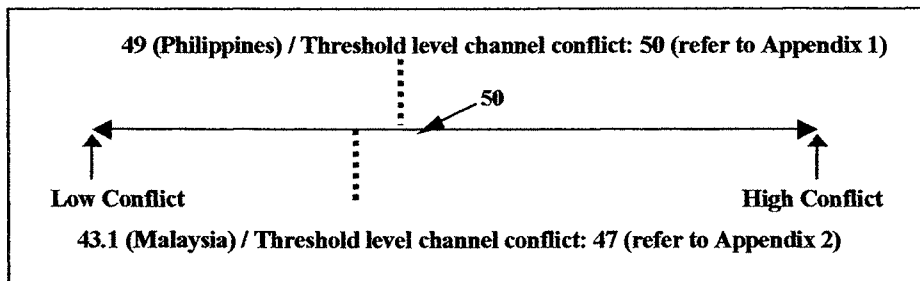


Figure 3.3 (b) Channel Conflict Continuum – Defining Conflict Level (Malaysia vs. Philippine) based on frequency



The '∩ shape' is formed when conflict is tabulated against all behavioural dimensions especially on performance. Similarly, the same explanation applies when a bell shape curve '∪ shape' (Performance affects Conflict) is found. Refer to Figure 3.4 (a) and (b).

Figure 3.4(a) Frequency comparison – channel conflict vs. trust, commitment, cooperation, satisfaction and performance - Philippines

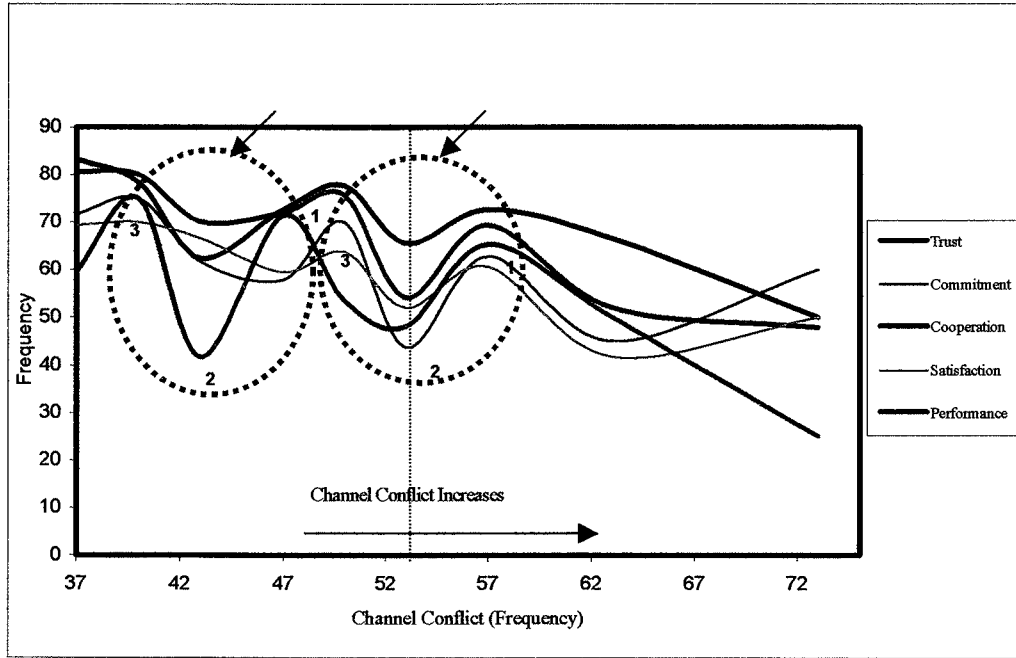
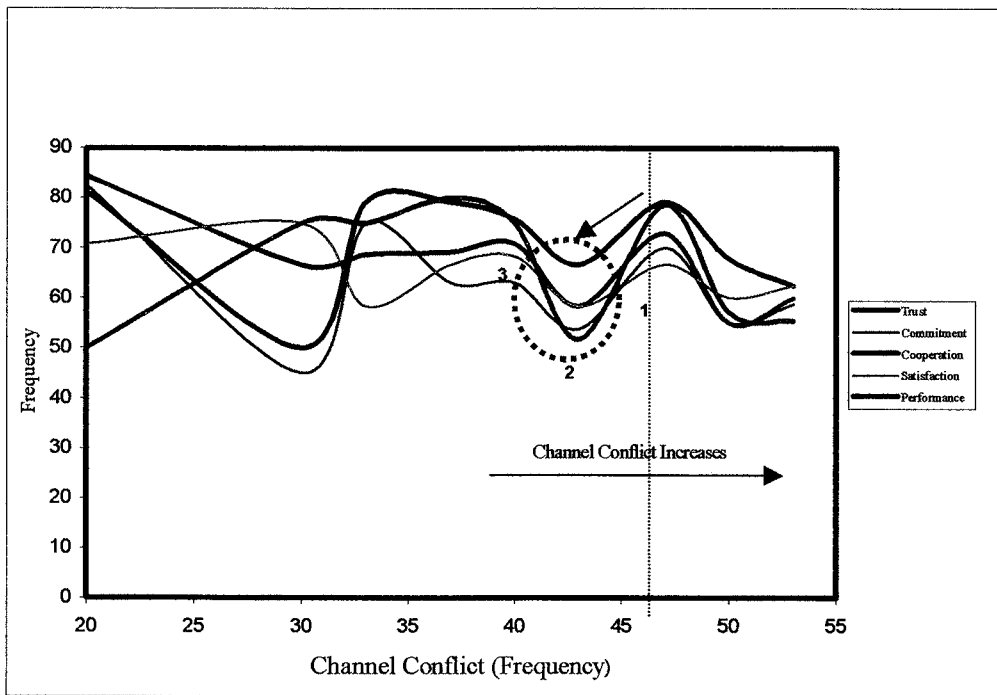


Figure 3.4(b) Frequency comparison - channel conflict vs. trust, commitment, cooperation, satisfaction and performance – Malaysia



Discussion

With reference to Table 3.9, channel conflict of Filipino respondents has significant negative correlation with the independent variables of trust, cooperation and satisfaction. However, it has insignificant correlation with commitment and performance. Dwyer (1980) and Wilkinson (1981) stated channel conflict (cooperativeness) as an intermediate level of construct that influences both channel member and manufacturer satisfaction.

The highest coefficient of negative correlation (-0.483) is between channel conflict and trust, while the lowest coefficient of negative correlation (-0.345) is between channel conflict and satisfaction. There is a positive relationship between the distributor's trust and its overall satisfaction and performance.

The highest coefficient of positive correlation (0.672) is between distributor trust and satisfaction, while the lowest coefficient of positive correlation (0.445) is between distributor's trust and performance. Cooperation of a distributor is related positively to satisfaction and performance (coefficient of correlation = 0.633 and 0.580). Commitment is also positively correlated to satisfaction (coefficient of 0.646). The survivorship of the channel, stating that it depended more on cooperation than commitment (Svensson 2002b; Alderson 1965).

There are a number of studies that have found commitment to a relationship results in a higher performance level (Siguaw, Simpson & Baker 1998), but not necessarily leading to greater satisfaction. The relationship reinforced by commitment of the channel member would yield desirable channel performance (Kumar, Hibbard & Stern 1994).

Trust and cooperation are seen as the critical elements conducive to positive relationship building. Robicheaux (1976) commented that a channel system is an interdependent network that could function effectively if there is sufficient cooperation within it. There is a strong relationship between trust and performance (Dion, Easterling & Miller 1995; Siguaw, Simpson & Baker 1998), whereas McAllister's study (1995) found such

relationship not supported. Mallen (1969) stated that if there were enough reasons to cooperate, there must be enough reasons for not provoking conflict. Only through the path of cooperation can channel profit and consumer satisfaction be realised.

The combination of commitment and cooperation was found to be significant on channel conflict. This implies that distributor commitment and cooperation are influenced by channel conflict. Cooperation is viewed as a continuum, for example, the opposite of conflict. The primary objective of all channel members is to search for strategies in order to promote cooperation, which is the critical ingredient for increased efficiency (Pearson & Monoky 1976).

Table 3.2 shows that cultural distance has no significant relationship with channel conflict, satisfaction and performance in both markets. The Malaysian and Filipino distributors perceived both markets as quite culturally identical. It was found that these distributors agreed that their suppliers normally send qualified sales representative and use frequent market visits as part of their marketing strategy (Table 3.3). In Table 3.8, it shows that channel conflict in Malaysia is different from the Philippines. The former is slightly lower but both could be categorized as medium. Based on the results shown in Table 3.6, Table 3.7 and Table 3.8, inferences made are as follows. Conflict levels in Malaysia are significantly different to conflict levels in the Philippines. However, the outcome of higher conflict levels in the Philippines failed to generate better satisfaction and performance among distributors as compared with Malaysia. Part of the reason might be due to the fact that an average Filipino is reluctant to ask questions because the enquirer is seen as ignorant (Andres & Andres 2004). In addition, another potential source of conflict could be the "yes" means "something else" syndrome of an average Filipino. For example, the reply "yes" might mean he does not know, he is annoyed, he is not sure of himself or he wants to end the conversation (Andres & Andres 2004). As Andres (2000, p. 147) commented, 'A worker would rather pretend to understand the instructions given him and risk making a mistake than ask questions'.

The higher conflict recorded in the Philippines could also be due to other sources of conflict like the 'manana' habit (procrastination) and ningas-cogon (lack of follow-up), as commented by Andres (2000), and is partly accountable for poor Filipino productivity; and 'bahala na' (everything is pre-destined). It appears that channel conflict might be caused by the incongruence of a manufacturer's expectation and values and those of its distributors. As mentioned by Jocano (2001a, p. 67), 'Filipino managers' objectivity is 99% subjectivity'. Notwithstanding, there is no concrete evidence to show that the above explanations are conclusive. However, these alleged differences can be avoided through 'good fit' matches between a manufacturer and its distributor, where management effectiveness could be realized. As suggested by Jocano (2001, p. 28), 'A good knowledge of organizational behaviour and of the culture of the society where the corporation operates is the first step towards achieving corporate unity, teamwork and productivity'.

In Malaysia, lower conflict levels have led to better satisfaction and performance despite reported lower mean in trust, commitment and cooperation. Since these two different markets are culturally perceived as identical, the following Figures 3.4(a) and 3.4(b) show both markets with similar behavioural characteristics in response to channel conflict. In Figures 3.4(a) & (b), point 1, 2 and 3 could be explained by the effect of performance affects conflict or '∪ shape' (Brown 1980). The '∩ shape' is formed when conflict is tabulated against all behavioural dimensions especially on performance is not established in this study because of the past performance criteria used in the questionnaires.

Under these circumstances, high context and low context perspectives (Child 2002) have co-existed. Malaysia and the Philippines are two different markets (high context perspective) but were perceived to be the same (low context perspective) due to geographical proximity, and technological and economic influence. This observation supported Hofstede's theory of 'programmed' behaviour, where culture is used to predict and control behaviour (Goodall 2002). Yavas (1998) commented that culture would normally intercept or intervene in channel studies. As commented by Andres (2000), the cultural values of Filipinos could be used to manage people and achieve organizational

goals provided these values are not narrowly defined and organizations do not attempt to imitate the foreign stereotyped efficiency. Overall, Malaysia and Philippines reactions to conflict in terms of trust, commitment and cooperation are quite similar to each other.

Overall, Malaysia and the Philippines shared the same values associated with a strong sense of interdependency and cooperation, within a collective culture and reinforced by the integrity of the group consciousness (Zhang & Neelankavil 1997). In terms of distributor performance, Malaysian distributors outperformed Filipino distributors. This could be explained culturally - the latter tended to surrender itself to the whims of destiny (Selmer & Leon 2003).

The relationship between channel conflict and performance concurred with the findings of Lusch (1976) in his empirical investigation of the relationship between channel conflict and retailer operating performance. The above Figures 3.4(a) and 3.4(b) also concurred with the 'threshold' concept proposed by Rosenbloom (1973), who argued that there exists an threshold level (Appendix 1 & 2) of conflict to improve channel efficiency or performance, as discussed in Paper 2 (pp. 33-34). The assumption of efficiency is driven by the concept of interdependency which gives rise to conflict and cooperation. If the latter is greater, the results will be increased efficiency and vice-versa (Assael 1968). Webb and Hogan (2002) stated that channel conflict is an important determinant of both channel performance and satisfaction, which, in turn is capable of reducing either channel performance or force channel members to improve their performance (efficiency). Overall, channel performance and efficiency is a function of conflict (Kelly & Peters 1977; Pearson & Monoky 1976; Rosenbloom 1973). Here, efficiency is measured in terms of volumes of output. The terms channel efficiency and performance is used interchangeably (Brown 1980).

Limitations of the study

This study is not an end but a mean to achieve greater understanding of the behavioural dimensions in relation to channel conflict. There are few areas identified for future improvement:

Firstly, given the inconsistency of the measurement of cultural influence, it is clear that 'the lack of conceptual and operational consistency has impeded fundamental issues as ascertaining the validity of national stereotypes of organization' (Child 2002, p. 27). Secondly, results obtained are possible artifacts of the period of analysis because the sample size is only drawn from the frozen food industry, hence the results cannot be generalized. Thirdly, the construct of channel conflict, cultural distance, and quality distribution systems have limited samples (items) from the domain. For instance, only frequency of visits, use of high quality representatives, and highly trained salespeople are measures of overall distribution quality. Future research should explore other variables that would affect channel conflict as well as various leadership styles. Fourthly, the measurements of channel conflict could have been based on a bigger sample size despite the fact that to a certain extent this study did prove it has relevance in the real world. There is a certain level of subjectivity in determining conflict level in this study through the use of deterministic variables, namely, differences in key factors, channel design and policies, as well as the approach used to determine the channel conflict levels. The study focused on the relationship of channel dyad where it is skewed towards the distributors. When too much emphasis on channel members (distributors) is a potential bias because the behaviour of channel leaders (manufacturers) is equally important. (Mintu-Wimsatt & Gassenheimer 1996)

As highlighted by Reid (1986), cultural distance and its associated constructs (cognitive, affective and conative) are rather situational and only relevant to a particular setting. The finding of his study shows that the cultural distance of both countries (Philippines and Malaysia) has no effect on conflict levels, as well as other behavioural aspects. In other words, the perceptual distinction between markets associated with cultural distance is ineffective or insignificant.

As commented by Lowe and Cordinkale (1998), the common flaw associated with cross-cultural research is sample representation. This study used frozen food distributors involved in the trading of frozen French fries as a criterion to select its respondents. This

method has its drawbacks as both the Malaysian and Philippines frozen food distributors are skewed towards Chinese respondents as the frozen French fries industry is controlled predominantly by Malaysian and Filipino Chinese. Hence, its findings based on a relatively small sample size has its drawback in terms of representation of the actual population. It may be only meaningful in South East Asia as the Chinese community controls a large majority of business activities in the region. As commented by Lowe and Cordinkale (1998), semantic or connotative measuring will normally cause measure bias or cross-cultural difficulties.

The answers to the questionnaires provided by the respondents on cultural distance and quality distribution are based on simple description/choice. Further work might be required to develop these dimensions. Finally, there is insufficient evidence to support any causal relationship between conflict, trust, commitment and cooperation. It is only justified to claim mere association on the behavioural aspects. This study provides the differences in behavioural response as a result of different conditions, for example, country setting. Future research could investigate possible relationships between leadership behaviour, cultural distance, and channel conflict and performance.

Suggestions for future research

- i. Extend the exploratory study to include much broader frozen food categories.
- ii. Use experimental design to expand the variables explaining quality distribution and cultural distance as suggested by Lowe and Cordinkale (1998).
- iii. Use larger sample sizes to increase knowledge of the relationships explored in this current study.
- iv. Use longitudinal analysis because survey methodologies measuring a single point in time limit the conclusions about causality.

Implications

As in the case with Malaysia, a channel manager should focus on inculcating trust among his distributors by maintaining moderate levels of conflict (as conflict is inevitable). Appendix 1 and Appendix 2 show the specific levels of channel conflict in the Philippines and Malaysia respectively. Overall, the medium or moderate level of conflict would lead to improved satisfaction and performance of the total channel system. Figure 3.4(a) supports this inference. This observation supported the hypotheses that channel conflict is negatively related to trust and cooperation. There seems to be a negative relationship between channel conflict and satisfaction. A positive relationship is also found between trust and cooperation with satisfaction and performance.

Alternatively, a principal may choose to nurture a distributor's commitment because it could likewise influence the overall satisfaction of the channel system. In this context, channel conflict is one of the key factors that affect distributor trust and cooperation in the Philippines. Since a distributor's trust has a positive relationship with satisfaction and performance, one must focus primarily on it in order to improve channel performance. Alternatively, one could also find ways to promote cooperation among channel members, which would also ultimately lead to increased satisfaction and performance. The summary of the key findings is shown in Appendix 3.

Trust and cooperation of a distributor are high when channel conflict is at threshold level (Appendix 1). By building trust, excessive conflict that might impede a distributor's good performance can be avoided. As highlighted by Neves, Zuurbier and Campomar (2001) channel member trust is positively related to manufacturer reputation, sales support, cultural similarity, compatible goal, relationship duration and communication flow.

Distributor trust and cooperation are positively linked to satisfaction and performance. Hence, high levels of trust and cooperation between a principal and a distributor are deemed to be conducive to improving performance and satisfaction. This observation is similar to those made of distributors in Malaysia. Both markets show conflict at medium

level (frequency range from 47 to 50), where all behavioural dimensions, namely, trust, commitment, cooperation, satisfaction and performance of the distributors are at optimum points.

Since the quality distribution systems appear to have no significant influence over satisfaction and performance of the channel system, the assertion by Shoham, Rose and Kropp (1997) that high quality distribution systems are capable of improving performance by minimizing channel conflicts, is not supported in this study. A manufacturer (principal) should review its channel development program to continuously improve the level of trust and cooperation among its distributors. A manufacturer is the locus of power in the channel, hence it will spearhead channel coordination in terms of marketing policies and control of activities (Burkink 2002). The details of this mechanism were also discussed in Paper 2.

Channel conflict plays an important role in sustaining healthy levels of satisfaction and performance among channel members. Under the international context, both culture and distribution systems have proven to have no bearing on channel conflict. In the study of Shoham, Rose and Kropp (1997), it is evident that high cultural distance has an inverse relationship with satisfaction. Meanwhile, a quality distribution system should, in theory, reduce channel conflict and improve satisfaction and performance. However, this is not proven in this study (Table 3.2 & Table 3.3), where better quality distribution systems failed to generate greater performance and higher satisfaction in the Philippines compared to Malaysia. This could be explained by the peculiarity of the culture and working attitude in the Philippines, which tend to overemphasize the importance of social needs at the expense of organizational objectives. Trust, commitment and cooperation are much higher in the Philippines (Table 3.5) because the spirit of cooperation within the interdependent social relationship is key to efficiency and productivity. Through an in-depth understanding of cultural concepts, a channel manager in the Philippines would understand the perception, attitudes and behaviour of distributors better in order to facilitate change as well as reduce possible resistance (Andres 2000). Overall, there is no need to redesign or

to have two channel strategies for Philippines and Malaysia. Nonetheless, one must not view South East Asia as a single cultural unit. As commented by Jocano (2001), we can make full use of the common shared values within South East Asia to the advantage of organizational effectiveness. As Jocano observed (2001, p. 136):

‘The emphasis on harmonious interpersonal relations includes self-restraint. The Thai call it ‘yai yen’. It is ‘hinahon’ among the Filipinos and ‘runkun’ among the Indonesians. The Malaysians call it ‘halus’; traditional Chinese in Singapore and the Philippines call it ‘chung yung’.

In addition, other common values shared by the Chinese (‘wa’) and Filipinos (‘pakikisama’) include the need to be sensitive to the feelings of others and to be reciprocal to each other (Jocano 2001a).

Assael (1969, p. 573) ‘The potential for conflict is high in systems of selective and exclusive distribution, since they are characterized by high levels of functional interdependence between manufacturers and dealers’. In other words, higher conflict levels reported among Filipino distributors might be due to the high sense of dependency of Filipino society. According to Jocano (2001), these values are, more often than not, abused by many Filipinos. As commented by Jocano (2001, p. 39), ‘To depend is to put one’s trust and confidence on someone else; reciprocally, one who is depended is morally obliged to assist’.

It is important not to see the above result in a deterministic manner (because of the inherent weakness of small sample size used in this study), despite the fact that the Philippines and Malaysia are perceived as quite close to identical in terms of cultural distance, and that both countries reported similar responses to channel conflict and other behavioural characteristics. Culture will not necessarily decide whether a particular channel strategy can be implemented cross-culturally. The scores obtained from the interviews on social and value systems are useful in understanding culture and their impact on organizations (Goodall 2002). As highlighted by Goodall (2002, p. 259), ‘The national

cultural scores... only describe the differences between countries'. The exploratory study of Keown (1985) showed that it is very common to find companies that are insensitive to local cultures in terms of their marketing strategy. For example, a product strategy of an American firm is usually formulated without considering the local taste of Asian consumers (too sweet or too salty).

In countries with high cultural distance, channel managers should minimize possible conflict with distributors by allowing certain levels of flexibility, which, in turn allows for easy monitoring of distributor satisfaction and performance.

As stated by Jocano (2001a, p. 55), 'Applying any management system to another culture without adapting it to local conditions can only compound managerial problems'. In this case, frequent market visits are essential in keeping conflict at a healthy level. In addition, channel managers must recognize the need to understand cultural differences when conducting business in a foreign market. He should also try to establish a long term relationship with the distributor. As quoted by Rosenbloom (1999, p. 529), 'The most important thing in dealing with the Chinese is to be patient and to maintain a friendly atmosphere... we drank a lot of tea, had lot of banquets, and took a lot of sightseeing trips'.

Overall, channel conflict affects trust and cooperation in Malaysia and the Philippines. Based on these findings, it is inferred that low conflict will lead to high trust and cooperation, better performance and greater satisfaction. According to Selnes (1998), channel conflict must not be contained excessively; otherwise the relationship would lose its effectiveness and lack a sense of cooperation. Both markets share this common inferred relationship despite the influences of culture.

Rosenberg (1974) mentioned several techniques of resolving channel conflict, including appointing channel-wide committees representing both manufacturer and channel member views where conflict-related issues are discussed and evaluated.

As part of a channel development program, both manufacturer and channel members should jointly develop mutually agreed goals in consideration of the constrained circumstances. Figure 3.1 should be used as a common reference guide for any channel manager intending to implement programs for a distribution network in South East Asia, where Chinese and Malay origins are commonly found. More importantly, through a sense of collectivism, distributor trust and cooperation can be nurtured to enhance teamwork and unity in the whole channel system.

Negotiations and bargaining process could be used to resolve channel conflict (Dwyer & Walker 1981) through the effective use of participative leadership style (Schul, Pride & Little 1983). Direct consultation and communication aimed at problem-solving are also capable of resolving conflict (Dant & Schul 1992). As commented by Jocano (2001), one of the values of Filipinos – paternalism (respect for the elders), which is commonly shared within South East Asians - can be used as a consultative or effective communication tool. However, it only applies to parties with equal bargaining power. Weigand and Wasson (1974) also proposed arbitration to resolve channel-related conflicts because it offers advantages such as timeliness, cheaper cost, and confidentiality. The usefulness of the above methods are subjected to applicability and circumstances. Lastly, there should be an appointment of a “distribution executive” position to monitor the performance of the channel network and to alert on possible conflict and issues (Rosenbloom 1999).

The above methods also share a common feature, that is, they stress the importance of communication and flow of information between a manufacturer and its channel members. As quoted by Rosenbloom (1999, p. 137), ‘Creative action on the part of some party to the conflict is needed if the conflict is to be successfully resolved. Conversely, if conflict is simply left alone, it is unlikely to be successfully resolved and may get worse’. The key message is openness - trust and effective communication must be the pre-requisites to unearth differences between channel members. Through interpersonal relationship building, the principal can stress on the mutual strength and de-emphasize the weakness,

within the context of shared norms and work values in order to promote the highest level of cooperation and trust. As commented by Jocano (2001a), interpersonal relationship is less vulnerable to conflict as it is built on the foundation of trust, mutual respect and reciprocal atmosphere. Shipley and Egan (1992) advocated that the main responsibility of the channel leader to minimize channel conflict is by piggybacking on channel member strengths and compensating for their weaknesses.

Conclusion

Channel conflict and culture are important for the understanding of channel behaviour and practices. Behavioural elements such as trust, commitment and cooperation of a distributor are critical in maintaining a long and productive relationship within the channel network regardless of country of origin (at least between Malaysia and the Philippines). As endorsed by Selnes (1998), trust is seen as a key factor in relationship building, hence, it is important for channel members to manage it effectively. The business culture in Asia is entangled with interpersonal networks formed by transnational family-controlled enterprises that rely heavily on trust and personal connections, which may be a barrier to the implementation of international channel strategies. There is a need to establish effective cross-cultural channel strategies with 'master value' to prevent conflict from escalating and becoming uncontrollable. The three-legged concept is to inculcate trust, commitment and cooperation among channel members, as it has profound influence on the formation of quality partnerships and distribution systems. Overall, cultural integration – based on the tenets of collectivity, reciprocity and sensitivity - must be observed in managing distribution networks in South East Asia. Finally, any business strategy will be invalid if it is pursued without clear understanding of the cultural roots of a particular society. Nobody would have thought that fast food giant, McDonald's, would have porridge on their menu in Malaysia! The best way to understand management and culture in South East Asia is to appreciate its common values, which will ultimately help resolve conflict and achieve channel goals effectively.

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Appendices

- Appendix 1 Comparison of frequency of channel conflict against trust, commitment, cooperation, satisfaction and performance – Philippines
- Appendix 2 Comparison of frequency of channel conflict against trust, commitment, cooperation, satisfaction and performance – Malaysia
- Appendix 3 Summary of findings
- Appendix 4 Questionnaire

Appendix 1 Comparison of frequency of channel conflict against trust, commitment, cooperation, satisfaction and performance - Philippines

Channel Conflict		Trust	Commitment	Cooperation	Satisfaction	Performance	
Frequency	37	Frequency	80.56	71.67	83.33	69.44	59.52
	n		3	3	3	3	3
Frequency	40	Frequency	80.00	75.00	78.33	70.00	75.00
	n		5	5	5	5	5
Frequency	43		70.14	61.67	62.50	66.67	41.67
Frequency	47	Frequency	72.02	57.86	72.62	59.52	71.43
	n		7	7	7	7	7
Frequency	50*	Frequency	75.69	70.00	77.78	63.89	53.57
	n		4	4	4	4	4
Frequency	53	Frequency	54.17	43.75	65.63	52.08	48.21
	n		4	4	4	4	4
Frequency	57	Frequency	69.35	62.86	72.62	60.71	65.31
	n		7	7	7	7	7
Frequency	63	Frequency	52.08	45.00	66.67	41.67	50.00
	n		1	1	1	1	1
Frequency	73	Frequency	47.92	60.00	50.00	50.00	25.00
	n		1	1	1	1	1
Frequency	Total	Frequency	70.16	62.06	72.30	61.52	60.71
	n		34	34	34	34	34

Note: *Threshold level

Appendix 2 Comparison of frequency of channel conflict against trust, commitment, cooperation, satisfaction and performance - Malaysia

Channel Conflict		Trust	Commitment	Cooperation	Satisfaction	Performance	
Frequency	20	Frequency	84.38	82.5	81.25	70.83	50.00
		n	2	2	2	2	2
Frequency	30	Frequency	66.67	45.00	50.00	75.00	75.00
		n	1	1	1	1	1
Frequency	33	Frequency	68.75	75.00	79.17	58.33	75.00
		n	1	1	1	1	1
Frequency	37	Frequency	69.17	63.00	79.17	66.67	80.00
		n	5	5	5	5	5
Frequency	40	Frequency	70.83	63.00	75.83	68.33	75.00
		n	5	5	5	5	5
Frequency	43	Frequency	58.33	53.75	66.67	58.33	51.79
		n	4	4	4	4	4
Frequency	47*	Frequency	72.92	70.00	79.17	66.67	78.57
		n	2	2	2	2	2
Frequency	50	Frequency	55.00	55.00	67.92	60.00	57.14
		n	10	10	10	10	10
Frequency	53	Frequency	59.90	58.75	62.50	62.50	55.36
		n	4	4	4	4	4
Total		Frequency	63.91	60.44	71.20	63.73	64.18
		n	34	34	34	34	34

Note: *Threshold level

Appendix 3 Summary of findings

Analysis	Variables	Significant	Not significant	Relationship
ANOVA (Malaysia & Philippines)	Cultural distance	Channel conflict		X
	Cultural distance	Satisfaction		X
	Cultural distance	Performance		X
	Distribution system	Channel conflict		X
	Distribution system	Satisfaction		X
	Distribution system	Performance		X
Pearson	Cultural distance	Cultural distance		X
	(Philippines)	(Malaysia)		
	Distribution system	Distribution system		X
	(Philippines)	(Malaysia)		
Correlation	Channel conflict	Channel conflict	X	
	(Malaysia)	(Philippines)		
	Trust	Trust		X
	(Malaysia)	(Philippines)		
	Cooperation	Cooperation		X
	(Malaysia)	(Philippines)		
	Commitment	Commitment		X
	(Malaysia)	(Philippines)		
	Satisfaction	Satisfaction		X
	(Malaysia)	(Philippines)		
	Performance	Performance		X
	(Malaysia)	(Philippines)		

Appendix 3 Summary of findings (Cont'd)

Analysis	Variables	Significant	Not significant	Relationship	
Pearson	Channel conflict	Trust	X		
	Channel conflict	Commitment	X		
	Channel conflict	Cooperation	X		
	Channel conflict	Satisfaction	X		
	Channel conflict	Performance	X		
		Trust	Satisfaction		X
		Trust	Performance		X
		Cooperation	Satisfaction		X
		Cooperation	Performance		X
		Commitment	Satisfaction		X
		Commitment	Performance		X
	Two-Way ANOVA	Trust	Satisfaction & performance		X
		Commitment	Satisfaction & performance		X
		Cooperation	Satisfaction & performance		X
Channel Conflict		Satisfaction & performance	X		
Channel Conflict		Trust & commitment	X		
Channel Conflict		Commitment & cooperation	X		
Regression	Channel Conflict	Trust	X		
	Channel Conflict	Cooperation	X		
	Channel Conflict	Commitment	X		

Appendix 4 Questionnaire



Researcher's name : S.P. Leong

Researcher's School and Division: International Graduate School of Management

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Title of research project : "The Effect of Channel Conflicts on the Overall Channel Performance: From the Malaysian Frozen Distributor Perspective" - (Paper 2)
 "The Moderating Effect of Cultural and Distribution System on Channel Conflicts: A comparison of Malaysian and Philippines frozen foods distributors" - (Paper 3)

Plain English title : The effect of channel conflict on the overall distributor performance (P2)
 (For inclusion on material provided to research participants) The moderating effect of cultural and distribution system on channel conflicts (P3)

Proposed commencement date: 1st November 2003

Researcher's signature : S.P. Leong

Supervisor's name (if researcher is a student) : Dr. Darryl Dymock and Prof. Dr. Quek Ai Hwa

Dear Sir/Madam, this needs more explanation about what the participant can be expected to do
 I am a research candidate currently pursuing a doctoral degree with University of South Australia
 I would like to seek for your valuable time in filling up the questionnaires below.
 I guarantee such solicited information will be treated with utmost confidentiality.
 It will be only used for the purpose of the study. If you wish to have a copy of the result, I will email you the results by August 2004.

CODING Channel Conflict scale - Part A

a. Pls kindly evaluate the key differences between yourself and your supplier in terms of the following aspects:
 (Pls kindly circle your response accordingly)

- | | | | | |
|--------------|--|------------------------|---------------------------------|----------------------------|
| CCA1 | 1. Do you think your desired goals and your supplier are compatible ? (sales target, incentive program etc.) | 1. Compatible | 2. Somewhat compatible | 3. Not Compatible |
| CCA2 | 2. Do you think that your targeted/ existing accounts (customers) meet the expectation of your supplier ? | 1. Excellence | 2. Average | 3. Inferior |
| CCA3A | 3. (a) Do you think the desired product lines given to you by the supplier differ from your expectation? | 1. Meeting expectation | 2. Somewhat meeting expectation | 3. Not meeting expectation |
| CCA3B | 3. (b) Do you find your current product lines meeting your customer requirements? | 1. Excellence | 2. Average | 3. Inferior |
| CCA4A | 4. (a) How do you best describe the interpersonal relationship between you and your supplier ? | 1. Excellence | 2. Average | 3. Inferior |
| CCA4B | 4. (b) How do you find the service level provided by your supplier ? | 1. Excellence | 2. Average | 3. Inferior |

COCTC5 5. This supplier does not make false claims ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCTC6 6. This supplier is not open in dealing with us ?

1	2	3	4	5
Strongly agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly disagree

COCTC7 7. This supplier has problems answering our questions?

1	2	3	4	5
Strongly agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly disagree

Trust: Benevolence

COCTB1 1. This supplier has made scarifies for us in the past ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCTB2 2. This supplier cares for us ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCTB3 3. In times of product shortages, this supplier has gone out on a limb for us ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCTB4 4. This supplier is like a friend ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCTB5 5. We feel this supplier has been on our side ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

Commitment to Relationship

COCCR1 1. We defend this supplier when outsiders criticize the company ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCCR2 2. Wer are continually on the lookout for another supplier to replace or add to our current supplier ?

1	2	3	4	5
Strongly agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly disagree

COCCR3 3. If another supplier offered us better coverage, we would most certainly take them on, even if it meant dropping this supplier ?

1	2	3	4	5
Strongly agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly disagree

COCCR4 4. We are patient with this supplier when they make mistakes that cause us trouble ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

COCCR5 5. We are willing to dedicate whatever people and resources it takes to grow sales for this supplier ?

1	2	3	4	5
Strongly disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly agree

Cooperative Norms

COCCN1 1. No matter who is at fault, problems are joint responsibility ?

1	2	3	4	5
Very inaccurate description	Inaccurate description	Neither Accurate Nor Inaccurate	Accurate description	Very accurate description

COCCN2 2. Both sides are concerned about the other's profitability ?

1	2	3	4	5
Very inaccurate description	Inaccurate description	Neither Accurate Nor Inaccurate	Accurate description	Very accurate description

COCCN3 3. One party will not take advantage of a strong bargaining ?

1	2	3	4	5
Very inaccurate description	Inaccurate description	Neither Accurate Nor Inaccurate	Accurate description	Very accurate description

COCCN4 4. Both sides are willing to make co-operative changes ?

1	2	3	4	5
Very inaccurate description	Inaccurate description	Neither Accurate Nor Inaccurate	Accurate description	Very accurate description

COCCN5 5. We must work together to be successful ?

1	2	3	4	5
Very inaccurate description	Inaccurate description	Neither Accurate Nor Inaccurate	Accurate description	Very accurate description

COCCN6 6. We do not mind owing each other favours ?

1	2	3	4	5
Very inaccurate description	Inaccurate description	Neither Accurate Nor Inaccurate	Accurate description	Very accurate description

Distributor Satisfaction - Part C

Now thinking about your firm's overall import performance over the past 1-3 years:

DS1 1. How close did it come to what you expected?

1	2	3	4	5
Much worse than expected	Worse than expected	Neither worse Nor better	Better than expected	Much better than expected

DS2 2. Thinking about the benefits of importing to your organization, would you say they were:

1	2	3	4	5
Much worse than expected	Worse than expected	Neither worse Nor better	Better than expected	Much better than expected

DS3 3. Concerning any problem you had with importing services over the past 1-3 years. Would you say they were:

1	2	3	4	5
Much worse than expected	Worse than expected	Neither worse Nor better	Better than expected	Much better than expected

DOP1	1. How would you rate your performance on cash flows in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied
DOP2	2. How would you rate your return on shareholder equity in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied
DOP3	3. How would you rate your gross profit margin in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied
DOP4	4. How would you rate your net profit from operation in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied
DOP5	5. How would you rate your profit to sales ratio in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied
DOP6	6. How would you rate your return on investment in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied
DOP7	7. How would rate your ability to fund business growth from profit in the past 3 years ?				
	1	2	3	4	5
	Strongly dissatisfied	Dissatisfied	Neither Dissatisfied Nor satisfied	Satisfied	Strongly satisfied

A key issues that affects export performance (as pointed out by distributor), relates to the extent of cultural differences between Malaysia and your target markets.

Please indicate, on the scales below, how different is Malaysia from your target market i.e. Philippines
(Pls answer Q1. - Q4. If you ever have exported to Philippines in the past 5 years)

Pls kindly indicate, on the scales below , how different is Malaysia from Philippines in terms of the following criteria:

CDM1	1. How do you describe the overall cultural distance/ profile of Philippines ?				
	1	2	3	4	5
	Completely different market	Different market	Neither different nor identical	Almost identical	Identical Market
CDM2	2. How do you describe the differences in the context of values ?				
	1	2	3	4	5
	Completely different market	Different market	Neither different nor identical	Almost identical	Identical Market
CDM3	3. How do you describe the differences in the context of traditions ?				
	1	2	3	4	5
	Completely different market	Different market	Neither different nor identical	Almost identical	Identical Market
CDM4	4. How do you describe the differences in daily life ?				
	1	2	3	4	5
	Completely different market	Different market	Neither different nor identical	Almost identical	Identical Market

A key issues that affects export performance relates to the extent of cultural differences between Philippines and your target markets.

Please indicate, on the scales below, how different is Philippines from your target market i.e. Malaysia
(Pls answer Q1. - Q4. If you ever have exported to Malaysia in the past 5 years)

Pls kindly indicate, on the scales below , how different is Philippines from Malaysia in terms of the following criteria:

- CDP1** 1. How do you describe the overall cultural distance/ profile of Malaysia ?
- | | | | | |
|--------------------------------|---------------------|------------------------------------|------------------|---------------------|
| 1 | 2 | 3 | 4 | 5 |
| Completely
different market | Different
market | Neither different
nor identical | Almost identical | Identical
Market |
- CDP2** 2. How do you describe the differences in the context of values ?
- | | | | | |
|--------------------------------|---------------------|------------------------------------|------------------|---------------------|
| 1 | 2 | 3 | 4 | 5 |
| Completely
different market | Different
market | Neither different
nor identical | Almost identical | Identical
Market |
- CDP3** 3. How do you describe the differences in the context of traditions ?
- | | | | | |
|--------------------------------|---------------------|------------------------------------|------------------|---------------------|
| 1 | 2 | 3 | 4 | 5 |
| Completely
different market | Different
market | Neither different
nor identical | Almost identical | Identical
Market |
- CDP4** 4. How do you describe the differences in daily life ?
- | | | | | |
|--------------------------------|---------------------|------------------------------------|------------------|---------------------|
| 1 | 2 | 3 | 4 | 5 |
| Completely
different market | Different
market | Neither different
nor identical | Almost identical | Identical
Market |

Please indicate on the scale below, the extent that the following marketing strategies are used by your supplier in its exporting:

- DSQ1** 1. Does your supplier carry out frequent market visits to your market ?
- | | | | | |
|----------------------------|---------------------------------------|---------|----------------------|----------------------------|
| 1 | 2 | 3 | 4 | 5 |
| Never
use this strategy | Almost never use
use this strategy | No idea | Use this
strategy | Use this
strategy often |
- DSQ2** 2. Does your supplier use of high-quality representative to service you ?
- | | | | | |
|----------------------------|---------------------------------------|---------|----------------------|----------------------------|
| 1 | 2 | 3 | 4 | 5 |
| Never
use this strategy | Almost never use
use this strategy | No idea | Use this
strategy | Use this
strategy often |
- DSQ3** 3. Does your supplier use of highly trained salespeople to advise you on all aspects of related business ?
- | | | | | |
|----------------------------|---------------------------------------|---------|----------------------|----------------------------|
| 1 | 2 | 3 | 4 | 5 |
| Never
use this strategy | Almost never use
use this strategy | No idea | Use this
strategy | Use this
strategy often |