

Coping with Ambiguity and Conflict in Business Networks

Jens Geersbro

Center for Applied Market Science
Copenhagen Business School
Birk Centerpark 40, DK-7400 Herning
Denmark
geersbro@cbs.dk

Thomas Ritter

Copenhagen Business School

Keywords: Ambiguity, uncertainty, conflict, buyer-supplier relationship, network

Abstract

Business relationships and networks have been studied for many years and most of the research seem to be descriptive and based on case studies. There is however a growing interest both from researchers and managers alike in prescriptive contributions. And with this interest comes the interest in the subject of managing business relationships. This paper suggests that managing in the context of business networks is different from traditional management in the sense of command and control. Based on existing research into sales peoples' perception about role ambiguity and role conflict, the paper explores managing business relationships as coping with ambiguity and conflict. Even if relationship cannot be controlled in the absolute sense, resources still need to be allocated and decisions made.

Coping with Ambiguity and Conflict in Business Networks

Introduction

Research and practice have realised that business relationships and networks are important to the performance of the individual firm (Axelsson and Easton 1992; Ford 2002). Firms cannot be considered islands isolated from other firms (Håkansson and Snehota 1989). Because relationships are resources (Håkansson and Waluszewski 2002) and as such are limited, management needs to find ways of dealing with this specific type of resource. Thus, network management becomes the central task and challenge for firms (Dwyer, Schurr and Oh 1987; Ritter, Wilkinson and Johnston 2004).

Sales people have previously been considered the *sine qua non* of firm boundary spanners, i.e. its relationship and network managers. Thus, earlier studies have focussed on sales people and their particular problems of role ambiguity and role conflict. In this paper, we extend these concepts to the firm and network level and we apply earlier findings to a network level.

Kahn et al. (1964, p. 73) consider the role ambiguity as “a direct function of the discrepancy between the information available to the person and that which is required for adequate performance of his role. Subjectively it is the difference between his actual state of knowledge and that which provides adequate satisfaction of his personal needs and values.” According to Churchill et al. (1976, p. 326) “a salesman experiences role ambiguity when he does not feel he has the necessary information to perform his job adequately; when he is uncertain about what his role partners expect of him, how to act to satisfy those expectations, or how his ultimate performance will be evaluated. With focus on networks, we define a firm’s position ambiguity as its perceived lack of information required for adequate role performance. These definitions highlight the fact that ambiguity is subjective to the role owner as the realization of a potential gap may be different for different people.

Role ambiguity is dissimilar to role flexibility. There can be very clear (unambiguous) agreements about how flexible an actor can or should be – some sort of band width (e.g. in management by objectives defines the output but not the process). In situations of complex interactions actors need to have flexibility. This is particularly true in business relationships where the outcome rarely can be defined in advance. As such, we see flexibility as explicit allocation of autonomy and competence towards a partner.

Some researchers investigated different dimensions of ambiguity (Chonko, Howell and Bellenger 1986; Ford et al. 1975). While Kahn (1964) distinguishes between task ambiguity and role ambiguity, we contend that ambiguity has three dimensions (see also Churchill et al. 1976; King and King 1990): outcome, process and impact.

In studies of workers in other occupations (non sales), the “kind of perceived ambiguity has been found to be associated positively with feelings of anxiety and to be related negatively to job satisfaction” (Churchill 1976, p. 326). Role ambiguity is found to be negatively related to job satisfaction and job performance in several studies (Kahn 1964; Singh 1993; Walker, Churchill and Ford 1977). The underlying arguments are: a) it is impossible to fulfil unknown goals and as such the likelihood for failure is high; b) the process is suboptimal due to increased costs of discussions and corrections; and c) the low motivation of people due to frustration, confusion and anxiety. Therefore, we suggest that ambiguity in networks is associated with low performance and high propensity to change partners when possible.

Churchill et al. (1976, p. 326) define role conflict as “when a salesman believes that the expectations and demands of two or more of his role partners are incompatible and that he cannot simultaneously satisfy all the demands being made of him.” This definition assumes that the sales person as such has no own role expectation (otherwise, role conflict may exist already with only one partner). The concept of role conflict comes close to Bateson’s concept of *double bind* which characterises “a situation where no matter what a person does, he can’t win” (Bateson 1987, 1972 p. 201). We define role conflict at the firm level as the perceived incompatibility of different role expectations. Thus, conflict can already exist within a dyad as a given firm’s expectations about the process and the outcome may not be in

line with the partner's expectations. Also, one actor in itself may pose conflicting expectations towards a given firm. A typical example in business markets is customers who demand their suppliers to be both cheap and innovative. Posing conflicting goals towards exchange partners may not be possible and thus, firms try to avoid explicitly mentioning goal. However, this introduces ambiguity.

When ambiguity and conflict are viewed at the level of the firm rather than at the level of the individual, it is important to note that there may be both ambiguity and conflict which is not necessarily perceived by all actors. Therefore, from a managerial and network perspective, ambiguity and conflict must be managed and coped with in light of individual and specific actors perceptions. For *whom* do we reduce or increase ambiguity? Also, external analysts (e.g. consultants) may play a role in identifying unperceived ambiguity and conflict.

In terms of conflict we can define negatively interconnected relationships as conflicting relationships in some form. The conflict may be competition for limited resources, time or money, or the conflict may be conflicting activities. If the objective is the promotion or survival of the relationship then the negative connection need to be managed to minimise the effects from them. Of course one way to minimise the impact of a negatively connected relationship is to counter it with positively connected ones. So we can view managing in relationships as managing conflict in negatively interconnected relationships.

Coping with ambiguity and conflict

Managing in a network context can be seen as making decisions and adapting over time. But networks are inherently ambiguous because information is not perfect. All decisions are therefore taken under uncertainty.

However, most of the literature on managing seems to assume that decisions are made on a rational and clearly defined basis. But this is contrary to what managers actually experience: decisions are often made without full and unambiguous information, and often the expected outcome of the decisions made is ambiguous as well. We therefore ask ourselves the question: How is it possible to manage when the situation is ambiguous? How are decisions made when there is lack of clarity or lack of information?

Rational decision making can be seen as involving two kinds of guesses: Guesses about the future consequences and guesses about the future preferences (March 1988, p. 268). This means that there is ambiguity about future consequences as well as ambiguity about future preferences. The first type of ambiguity is often referred to as *bounded rationality* a term coined by Herbert A. Simon (1957). Bounded rationality indicates that the computational limitations of human beings constrain our rationality. It also means that decisions which are sensible, given the constraints, might not be sensible if the constraints were removed. In other words: given what we know, this seems sensible. The process of this kind of decision making has been termed *satisficing*, combining the two words: *satisfying* and *sufficing*.

Ambiguity about future preferences is much less considered in the literature although problems of ambiguity are much more about this type of ambiguity than about ambiguity with regard to the outcome or the goal:

“The problems of ambiguity are partly problems of disagreement about goals among individuals, but they are more conspicuously problems of the relevance, priority, clarity, coherence, and stability of goals” (March 1988, p. 276)

In rational models of decision making and choice, ambiguity, like for example bounded rationality, is a fault in human nature to be corrected or countered, but March (1998) raises the question of: What if this is not a fault, what if the ambiguous way in which humans make decisions is sensible?

He suggests a number of reasons why individuals and organizations might sensibly choose to have ambiguous and changing goals. For example if we expect changes to happen in our preferences, it is sensible to make decisions today that maintain room for future action in light of the changes in preferences. Likewise we use our preferences strategically. We specify goals that are different from the outcomes we want to achieve. Also we sometimes claim preferences which we do not actually

want to achieve or our actions go against stated preferences. A certain level of ambiguity makes sense because it allows us room for maneuvering, for dealing with the uncertainties of the future. Also it would seem unlikely that all preferences could be satisfied at the same time so there is a need for compromise both between individual preferences and between an organization's preferences and those of an individual. In a business relationship one party might deliberately choose some level of ambiguity rather than face a conflict.

Therefore the optimal level of ambiguity is not so much about the trade-off between the cost of reducing ambiguity and the cost of the consequences of ambiguity as it is about the balance between total chaos and total determinism and control. In a stable environment determinism and control can be very efficient, but in more dynamic environments it will not allow new opportunities to be explored. We suggest that the more dynamic the environment the more ambiguity will be useful to allow alternatives to be exploited.

Proposition: Managing under ambiguity is more about finding the optimal level of ambiguity rather than about reducing ambiguity as much as costs will allow.

Proposition: Ambiguity may be used deliberately to avoid conflict.

Proposition: The more dynamic the environment the higher the optimal level of ambiguity will be.

Adaptations under Ambiguity

In business relationships one of the important aspects is the adaptations being made over time by the firms involved. Adaptations are being made to adjust to the individual requirements of the other party in order to improve the future benefits of the relationship. And those adaptations can be seen as the result of a learning process. As one party learns about the other party and the environment of the relationship, adaptations can be made. But if the situation in which this learning takes place is ambiguous, the learning process and hence the resulting adaptations may be influenced by this ambiguity.

In the following we investigate how ambiguity might influence the process of learning and thus the adaptations made by the actors during the course of the relationship.

We find it useful to start with the cycle of organizational choice as suggested by March and Olsen (1988). The cycle consists of four elements:

1. The cognitions and preference of the individual affect their behavior.
2. The behavior (including participation) of individuals affects organizational choices.
3. Organizational choices affect environmental acts.
4. Environmental acts affect individual cognition and preferences.

From a business network perspective the environment consists of relationships connected to the organization and therefore we substitute the "environment" with "the network" as illustrated in Figure 1.

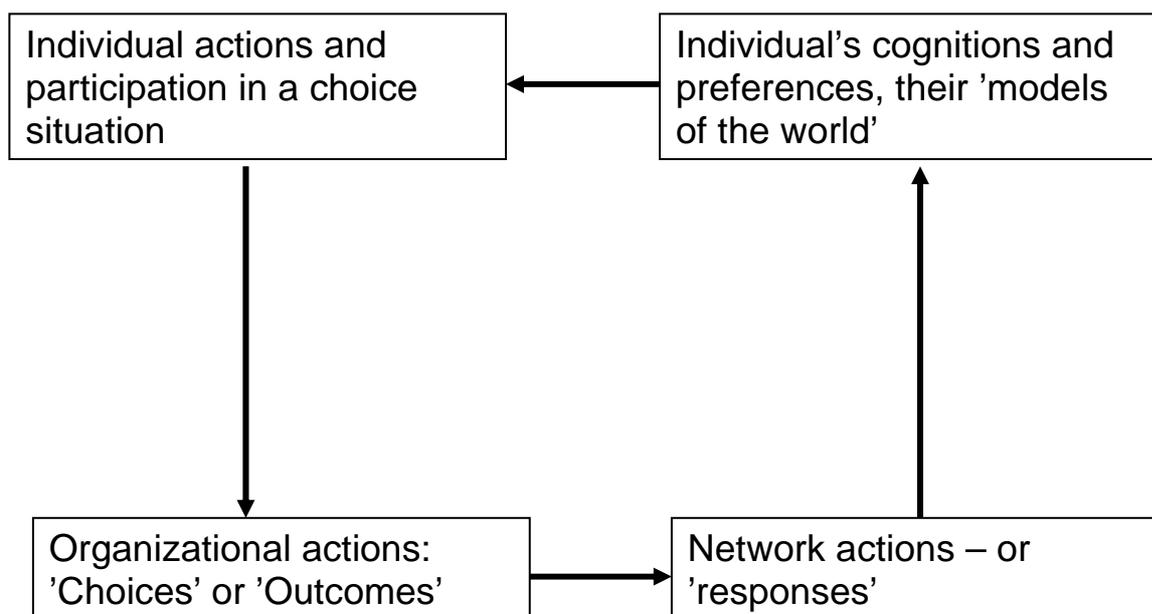


Figure 1: The cycle of choice based on (March and Olsen 1988)

Each of the arrows in Figure 1 represents a relationship which is clearly much more complex than the illustration suggests. However it does illustrate four distinct areas where ambiguity might influence the cycle. Each relationship may be influenced by the noise of ambiguity or broken completely by it. In the following we take a closer look at the implications of disturbances to these relationships.

Individual's preferences and actions

An individual may or may not be aware of his own preferences and as we saw earlier, the preferences may not all be expressed in action just as some actions may be in conflict with certain preferences.

Individual preferences' link to individual action is also influenced by the social environment. Social structure and social norm present a strong potential influence over this link. An individual may need to suppress certain preferences from coming into action as a result of social influence just like certain actions may be heavily influenced by social structures and norms rather than individual preferences.

In addition to this there is the direction of the arrow. Sometimes action comes before preferences. Preferences also emerge as a result of action.

Individual actions and organizational actions

Because organizations consist of individuals it seems logical to somehow view organizational action as an aggregate of individual action. However organizational action is certainly more than the mere sum of individual actions. The actions of several individuals interact within the organization to create the organizational actions. Thus the organizational action can be viewed as a phenomena emerging from the underlying individual actions and interactions.

How individual actions interact depend on time and context. Interactions will have different outcomes in different situations and interactions may have different outcomes at different points in time. It is not unusual to observe internal and individual actions in an organization that are highly dependant upon external events or opportunities.

Organizational actions and network responses

As an organization acts, there are bound to be reactions to the actions from the environment. A firm's competitors might react with countermeasures and a firm's customers may or may not react favorably to the organization's new offerings.

However there are also a lot of actions taking place within the environment, within the network, which cannot be identified as reactions, but must be seen as actions in themselves. Actions that may influence the organization's decisions.

Like individual actions, organizational actions can have different responses at different times or in different circumstances. Therefore the link needs to be considered as temporally and situationally embedded and cannot be understood in isolation. Network responses need to be considered not as direct responses to an organization's actions, but also in terms of events, relationships, actors, and activities being performed within the network.

Finally there can be ambiguity in attribution. If actions and responses or actions from the network are far apart in time (or space) it can be very difficult for an organization to identify the actions as a response and to make the link between action and reaction. On the other hand, in certain cases, there is a tendency for an organization to see a connection as stronger than it actually is. Because the organization is aware of its own actions, actions from the network are more likely to be interpreted as a response when in fact they may not be related at all.

Network responses and individual's preferences

Traditionally this last link in the model can be seen as the individual observing the environmental response to the individual and organizational actions. The individual can then adjust his actions based on the perceived gap between the response and the intended response. This is the principle of cybernetics and is the principle that governs the function of a radiator thermostat.

However individuals may not perceive all responses, all responses may not be perceived correctly, and certain events which are not responses may be wrongly interpreted as responses which all come down to ambiguity. What an individual perceives or notices is influenced by the 'map of the world' of the individual and therefore subject to ambiguity as well.

Further adding to the ambiguity is the fact that in an organizational setting much of the noticing and interpretation is done by others. Sales managers need to rely on the information provided by the sales people and the CEO has to rely on observations made by the sales managers. And in each of these relationships, individuals may, deliberately or not, be ambiguous. It can sometimes be a deliberate strategy to not disclose everything to your superior.

Implications for learning and adaptations

Because the model of choice describes four distinct links where learning and adaptations take place, the model also describes four distinct situations or possibilities for breaking the cycle of choice.

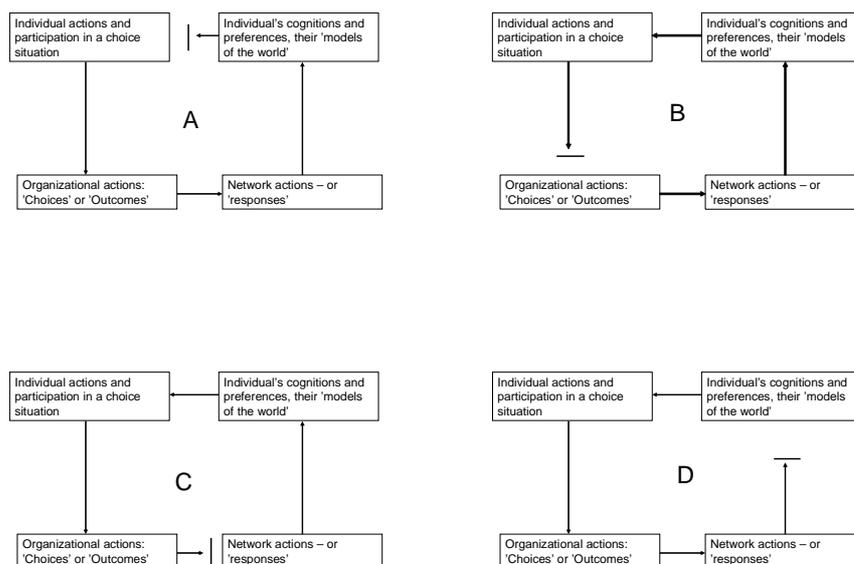


Figure 2: Possible breaks in the cycle of choice (based on March & Olsen 1988)

Even if the links in the cycle of choice is broken, choices will still be made, but with different complications. If for example the first link between the individual's preferences and the individual's actions is broken (**Figure 2A**), the individual will still act, but the actions will not reflect the individual preferences and view of the world. Rather the individual act without taking the individual learning into account. This situation can be seen in organizations where the employees simply do what the organization expects or tells them to do.

If the link between individual action and organizational action is broken (**Figure 2B**), the individual no longer affect the organizational actions. There is still learning taking place, but this does not translate into change in the organizational behavior.

When the link between organizational action and network response is broken (**Figure 2C**), changes in the behavior of individuals lead to changes in the organizational behavior, but this does not lead to responses from the network. The organizational actions are ineffective, but there will still be learning and changes in behavior taking place. This can be observed when firms change for example their marketing efforts and later observe that their market share has increased. It may or may not be because of the changes that the market share increases so in some cases the attribution is based on *superstition* (March & Olsen 1988).

Finally the link between network response and individual preferences may be broken (**Figure 2D**). In this situation the individual cannot correctly observe the responses from the network and attribute them to the organizational behavior. Learning may still take place but it is not clearly linked to the network responses. Events in the network are not detected or are only vaguely associated with the organization's actions.

Proposition: Ambiguity influence the way in which an individual can apply individual learning

Proposition: Ambiguity influence the way an individual can affect the organization

Proposition: Ambiguity influence the way the organization attributes network responses

Proposition: Ambiguity influence the way network responses affect individual preferences

Proposition: For all four influences there is an optimal level of ambiguity

Summary

In general, this paper discusses the concepts of role ambiguity and role conflict as they can be applied to business networks. This allows a valuable discussion of some central issues in networking, i.e. that there is no perfect information and all decisions are taken under uncertainty. As such, rational decision making is not possible in networks. While this may be a basic assumption or empirical truth in business markets, the application of ambiguity and conflict offers some insights on how to conceptualize these phenomena and how to cope with them. The above discussion results in a number of propositions which hold consequences for managerial practice. When the task of management in a network environment is viewed more as coping with and understanding of ambiguity and conflict between interconnected relationships, it does provide an alternative to the traditional view of management as "command and control". This view replaces the traditional view with a different paradigm; a paradigm of coping rather than controlling, with reacting rather than acting and with sensing rather than specifying. As we point out, individuals may perceive ambiguity and conflict differently according to their position in the firm, and according to personal, subjective differences. This means that management in this context needs to consider and address such differences while staffing positions, making decisions, etc. Also, human resource departments need to consider these issues for their hiring practices: how to find, retain, and reward people for ambiguous results and for conflict. In terms of research, we think that the concepts of role ambiguity and role conflict are valuable additions to the B2B relationship and network literature. They supplement earlier notions of "buying centres" and "positioning" in networks. Further research will be needed to empirically test the propositions

presented in this paper. Research is needed to investigate if it is somehow possible to measure a firm's ability to handle ambiguity and conflict and how this relates to the firm's performance.

References

- Axelsson, B. and Easton, G. 1992. Industrial networks: a new view on reality
- Bateson, G. 1972. Steps to an ecology of mind: collected essays in anthropology, psychiatry, evolution and epistemology
- Chonko, Lawrence B., Roy D. Howell and Danny N. Bellenger (1986), "Congruence in sales force evaluations: relation to sales force perceptions of conflict and ambiguity," *Journal of Personal Selling & Sales Management*, 6 (1), 35-48.
- Churchill, Gilbert A., Jr., Neil M. Ford and Walker, Orville C., Jr. (1976), "Organizational climate and job satisfaction in the salesforce," *Journal of Marketing Research*, 13 (4), 323-332.
- Cohen, Michael D., James G. March, and Johan P. Olsen (1972), "A Garbage can Model of Organizational Choice", *Administrative Science Quarterly*, 17 (1), 1-25.
- Dwyer, F. R., Paul H. Schurr and Sejo Oh (1987), "Developing buyer-seller relationships," *Journal of Marketing*, 51 (2), 11-27.
- Ford, D. 2002. Understanding business marketing and purchasing
- Ford, Neil M., Walker, Orville C., Jr. and Churchill, Gilbert A., Jr. (1975), "Expectation-specific measures of the intersender conflict and role ambiguity experienced by industrial salesmen," *Journal of Business Research*, 3 (2), 95-112.
- Håkansson, Håkan and Ivan Snehota (1989), "No business is an island: the network concept of business strategy," *Scandinavian Journal of Management*, 5 (3), 187-200.
- Håkansson, Håkan and Alexandra Waluzewski (2002), "Path dependence: restricting or facilitating technological development," *Journal of Business Research*, 55 (7), 561-570.
- Kahn, Robert L. (1964), *Organizational stress studies in role conflict and ambiguity*, New York: John Wiley & Sons.
- March, James G. (1987), "Ambiguity and Accounting: The Elusive Link between Information and Decision Making", *Accounting, Organizations and Society*, 12 (2), 153-68.
- (1988), *Decisions and Organizations*. Oxford: Basil Blackwell.
- March, James G. and Johan P. Olsen (1988), "The Uncertainty of the Past: Organizational Learning under Ambiguity," in *Decisions and Organizations*, James G. March, ed. Oxford: Basil Blackwell, 335-358.
- Ritter, Thomas, Ian F. Wilkinson and Wesley J. Johnston (2004), "Managing in complex business networks," *Industrial Marketing Management*, 33 (3), 175-183.
- Simon, Herbert A. (1957), *Models of Man*. New York: John Wiley.
- Singh, Jagdip (1993), "Boundary role ambiguity: facets, determinants, and impacts," *Journal of Marketing*, 57 (2), 11-31.
- Walker, Orville C., Jr., Churchill, Gilbert A., Jr. and Neil M. Ford (1977), "Motivation and performance in industrial selling: present knowledge and needed research," *Journal of Marketing Research*, 14 (2), 156-168.