

EXPLORING POSITIVE CONFLICT IN OUTSOURCING RELATIONSHIPS (WORK IN PROGRESS)

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ABSTRACT

The purpose of the research is to explore the potential positive effects of interparty conflict in outsourcing relationships specifically within the Information Technology Enabled-Services (ITES) sector using the Interaction Approach model (Håkansson, 1982). Conflict is an inherent part of all business relationships (Waluszewski and Håkansson, 2006) and a relationship without conflict will never exist (Rhenman et al., 1970). Conflict is multidimensional and there is no one single common definition. Conflict as a phenomenon has been researched from a wide array of disciplines where most studies have concentrated on investigating the negative sides of conflict (Plank and Newell, 2007). From the IMP perspective, studies have been on both the positive and negative aspects of conflict. Relevant literature on conflict indicates that conflict can be either constructive or destructive and even neutral at times depending on how the conflict is handled (Pondy, 1967; Assael, 1969). The existing literature on conflict infers that when conflict is positive it can improve relationship quality, facilitate better decision making and promote creativity (Gadde and Håkansson, 2010). On the other hand, when conflict is negative it creates animosity and affects the level of cooperation between parties (Ford, 1980).

Conflict in outsourcing has not had much academic attention. Outsourcing is a fast-growing industry where many relationships are being formed and many of these relationships tend to encounter difficulties in their first year of the partnership (MacInnis, 2003). Outsourcing relationships like any other business relationships are important and need to be managed to ensure longevity of the relationships (Heide and John, 2002; Kern and Blois, 2002; Lacity et al., 2010). Conflict in outsourcing relationships are bound to occur frequently due to the high level of adaption that is required by the client. When firms outsource previously in-house services the co-ordination and control of the function remains with the client (Axelsson and Wynstra, 2002) where the managers have to continue managing the services, in effect managing the suppliers and at this juncture a high degree of conflict is bound to occur. Since the outsourcing sector has developed rapidly due to advances in communications technology, focused academic research into the outsourcing industry has not kept pace. Research on outsourcing has been predominantly focused towards the benefits and drawbacks of outsourcing.

Due to the lack of academic focus on the positive benefits of conflict and its antecedent factors within outsourcing relationships and business relationships in general, the aim of this research is to explore conflict as a constructive phenomenon. The study will provide an

insight into the causes of conflict and the potential positive outcomes that can be captured including the methods of conflict management employed. The benefits of having research into how to extract positive effects from conflict situations shall aid organisations to understand why conflict occurs and how it can be handled effectively. Initial findings from a single embedded case study will be presented to illustrate the positive outcomes of conflict.

Keywords: Conflict, B2B, Business to Business, Business Relationships, Outsourcing, Services.

INTRODUCTION

Rhenman et al. (1970) infer that “the conflict-free company has never existed and never will exist” (p59). Gadde and Håkansson (2010) suggest that conflict is an important element of a relationship as it improves creativity if handled effectively. Conflict is multidimensional and has been researched in many disciplines but mostly in anthropology, sociology, psychology and organisational behaviour (Deutsch, 1990). In B2B (business to business) conflict has been considered in relation to power, performance and differences in goals (Gaski, 1984; Duarte and Davies, 2003; Eliashberg and Michie, 1984). The causes and outcomes of conflict has also been explored in business relationships where conflict has been found to be of a positive feature business relationships (Plank and Newell, 2007; Vaaland and Håkansson, 2003).

This paper aims to explore the positive outcomes of conflict between an ITES (Information Technology Enabled Services) firm and its outsourcing suppliers using a case study methodology. The objective is to investigate conflict as a constructive phenomenon that aids development and strengthens relationships using the IMP Interaction Model (Håkansson, 1982) and to report on the initial findings from the interviews currently underway. Background into previous supporting works highlighting where this study could potentially contribute to knowledge will be provided together with the practical applications for the corporate world. The reason for focusing this investigation on outsourcing is multifaceted. Initially, the researcher has first-hand vocational knowledge of the outsourcing sector which has inspired previous academic works researching various elements of the outsourcing and offshoring industry. The key motivation is the researcher's personal fascination with outsourcing, especially its contemporary nature which is growing at a fast pace. Furthermore with the lack of research in this field the researcher has a desire to contribute to the academic literature.

The term outsourcing refers to the contracting out of previously in-house business functions to third party organisations. Firms either outsource the whole of a function or part(s) of a function (Axelsson and Wynstra, 2002). ITES refers to any parts of the business that depends on the use of IT (information technology). Outsourcing is a contemporary phenomenon and it is an ever increasing practice that has seen many operations contracted out to specialist firms both onshore and offshore. The key drivers for firms to engage in outsourcing are; processes standardisation, performance improvement and efficiency and, to reduce operating costs and the wages bill (Sturgeon et al., 2006). The outsourcing of previously in-house services has grown significantly since the early 1990's (Corbett, 2004). This growth in outsourcing is primarily due to the advancement in information and communication technologies (McIvor, 2010). Experts predict that the outsourcing market will continue to be a growing and thriving industry in the coming years (NASSCOM, 2009).

Outsourcing relationships are no different to the traditional buyer-seller relationships in the sense that there is a purchasing firm and a selling firm involved. It is possible, however, that outsourcing relationships are different in terms of control and coordination (Axelsson and Wynstra, 2002). Where part or parts of an integrated function is (are) outsourced, the buying firm is still in control of the coordination of the whole function (Axelsson and Wynstra, 2002). As the outsourcing industry grows, new relationships are formed, some are successful and others fail. MacInnis (2003) suggests that 25% of outsource relationships dissolve in the first year. Hamish et al. (2009) report that the failure rate in IT outsourcing relationships is approximately 49%. Like any other business relationship, outsourcing customers and

suppliers need to manage their relationships effectively and cooperatively for them to be successful (Lacity et al., 2010; Heide and John, 2002; Kern and Blois, 2002). The importance of managing outsourcing relationships effectively cannot be overlooked, as according to Håkansson (1987) business relationships are an organisation's most crucial asset, yet little research is directly focused toward thoroughly examining and analysing outsourcing relationships (Lacity et al., 2010). An outsourcing relationship can only evolve if the relationship is managed effectively. In addition to managing the contract, clients (customers) and vendors (suppliers) need to manage each other's expectations and this will no doubt include handling conflict as conflict is an inherent part of organisations and relationships (McIvor, 2010). Acknowledging that conflict is innate in both organisations and relationships, it is clear that conflict is bound to occur in outsourcing relationships and even more so when activities that were previously in-house are transferred externally, as the management of the purchasing company attempts to manage the supplier in the same way it was managing the internal activities and people. Does the relationship flourish or does it wither? Studying and understanding these relationships and the way conflicts are managed and used constructively to further the relationships is an interesting research area which has not received much academic attention.

The remainder of the report is divided into the following sections; aims and objectives, literature review, methodology and contribution.

RESEARCH OBJECTIVES

The aim of the study is to research conflict as a constructive phenomenon within outsourcing relationships. It has been suggested that if conflict is handled effectively then the outcome can have positive ramifications to both parties as long as a level of cooperation exists between partners (Vaaland and Håkansson, 2003; Plank and Newell, 2007; Gadde and Håkansson 2010).

In order to meet the aim of the study, the following research objectives are proposed

1. To understand conflict and its causes in ITES outsourcing relationships;
2. To investigate if conflict reinforces relationships and if so, how.

LITERATURE REVIEW

This section will provide a brief discussion on the existing literature on business relationships and the theoretical model that will be used to explore outsourcing relationships. A review of conflict literature will also be provided briefly where both the positive and negative aspects will be covered.

BUSINESS RELATIONSHIPS

Inter-firm relationships continue to be an important part of the business world (Håkansson, et al., 2009). Ford and Håkansson (2006) posit that;

Relationships are perhaps the primary assets of companies. Without relationships neither business marketers nor their customers can continue to trade (p.250).

Business relationships are critical to organisations, as without building solid inter-firm linkages the organisations will cease to exist (Ford and Håkansson, 2006). According to Zolkiewski (2001, p.1)

Business relationships are as important in service industries as they are in the traditional areas of industrial and organisational marketing research, Understanding and managing these relationships is vital to an organization's success.

Business relationships have been extensively studied according to Håkansson et al. (2009). Business relationships are said to last for many years and these relationships may engage a number of people from both parties (Ford and Håkansson,2006).Relationships are multifaceted and '...exist in a wide variety of forms and the agenda for researchers is to understand the nature of the relationships' (Ford, 2002, p.4).

THE INTERACTION APPROACH

The Interaction approach developed by the Industrial Marketing and Purchasing (IMP) Group provides a basis for studying relationships. The interaction approach provides a framework which offers a dyadic perspective taking account of external factors within the environment/industry impacting on the interactions between parties. Furthermore, this framework accounts for voluntary/strategic interactions in comparison to TCE which for instance refers to economic/market forces that force organisations to seek relationships. So far based on the literature search outsourcing relationships have been analysed using TCE or social network theory (Kern and Willcocks, 2000; Langfield-Smith and Smith, 2003; Nicholson, et al. 2006). The work of the IMP has provided other models for researching and investigating business relationships, the ARA model and the 4R's models. These models share some commonality with the interaction approach.The interaction model aims to address the actions of organisations and individuals in relationships that could not be explained with the then current marketing models and theories (Håkansson, 1982; Ford and Håkansson,2006). The interaction approach is divided into four key elements;

- the interaction process
- the participants in the interaction process
- the environment within which the interaction takes place
- the atmosphere affecting and affected by the interaction

This framework asserts that interactions between two firms occur in episodes and that each episode is influenced by the previous episodes and affects all future interactions. Exchanges take place within a certain business environment and specific atmosphere that may affect the exchanges themselves and vice versa.The interaction approach identifies four key factors; power and dependence, and, cooperation, closeness and expectations within the atmosphere that affect the inter-firm exchanges.Furthermore, it asserts that relationships are impacted by the environment that they operate within. Within the framework, the environment consists of market structure, dynamism, internationalisation, position in the market, and the social system. The IMP Group's view is that firms do not operate in isolation (Håkansson, et al. 2010).

The Interaction Approach will provide the theoretical grounding for studying and understanding conflict in outsourcing relationships. Conflict in the interaction approach is inferred as being part of the atmosphere but is not explicitly apparent in the illustration of the framework.The term conflict is not expressed as an element in the atmosphere section (see appendix 1), the constructs in the atmosphere section are; power/dependence, cooperation, closeness and expectations. Conflict could be an associated outcome from each element within the atmosphere e.g. power imbalance would create conflict between parties; conflicting expectations and levels of dependence could have impacts on the relationship

(Håkansson, et al. 2010). It is acknowledged that as the research progresses and empirical data is gathered it is possible that an alternative model i.e. ARA or 4R's may be more appropriate as they have a further reach and broader scope beyond the dyadic into the wider network.

A further characteristic of B2B relationships is the parties' willingness to adapt to their new partners needs or wants. Firm adaptation is a complementary part of the Interaction Approach (Hallén, et al., 1991). The willingness of one party to adapt their process, product or operation to the demands of a new partner (Brennan and Turnbull, 1995) is linked in part to the perceived power balance (Hallén, et al., 1991). An organisation who sees a new client as more powerful than themselves will be more willing to adapt than one who believes they are the powerful party in the new alliance. Furthermore, greater adaptation is expected in the early stages of a new relationship as organisations are establishing the relationship; adaptations that take place later throughout the relationship are done in order to enable growth (Hallén, et al., 1991). When adaptations and cooperation are present the productivity levels and the overall relationship quality can be optimised (Woo and Ennew, 2004).

Gadde and Håkansson (2010) suggest that high levels of conflict together with high levels of cooperation equate to a highly creative relationship. Inversely low levels of conflict coupled with low levels of cooperation lead to stagnation within the B2B partnership.

CONFLICT

When researching the subject of organisational conflict in a marketing context, it quickly became apparent that there are many definitions of what conflict is and how it manifests itself. Conflict has been studied widely in many disciplines where conflict is defined differently suggesting that there is no one single agreeable definition of conflict. Conflict according to Jehn (1995) is a social behaviour and a study of the relevant literature reveals that conflict is complex and multi-dimensional. Currently, there is no one clear definition of conflict. A plausible definition of conflict is "a gradual escalation to a state of disorder" (Pondy, 1967, p.300). This definition is widely recognised by academics however Pondy's (1967) notion of conflict his theory has not been validated (Duarte and Davies, 2003). Conflict is "the process which begins when one party perceives that another has frustrated, or is about to frustrate, some concern of his" (Thomas, 1992, p.265). From the breadth of literature available, working definitions for conflict have invariably illustrated one of four states; antecedent conditions, affective states, cognitive states and conflicting behaviour (Leavitt, 1989). For the purpose of this study, conflict is defined in this research as disagreements occurring between two or more individuals. This simplified definition, will aid in the identification of conflict episodes. Furthermore, as the research progresses it is possible that the definition will be adjusted based on the collection of primary data.

TYPES OF CONFLICT

There are two categories of conflict (Leavitt, 1989). Conflict can arise due to; (cognitive) differing ideas and views (Amason and Sapienza, 1997) or (affective) difference in personality traits (Plank and Newell, 2007; Parayitam and Dooley, 2009). Unlike affective conflict, cognitive conflict is positive as it enhances and reinforces decision making. Affective conflict hinders the decision making process (Amason, 1996; Pinkley, 1990; Cosier, et al., 1991). Research on conflict suggests that relationships encounter different types of conflict. The resounding theme of the literature search across various disciplines indicates the most common antecedents to conflict are interpersonal differences, imbalance of power,

task conflict and goal incompatibility, for the purpose of this proposal are briefly discussed below as these are the most common antecedent factors impacting relationships;

POWER IMBALANCE

In a B2B relationship, where partners work cooperatively to reduce costs and create additional benefits, conflict may arise in regards to the balance of power (Morgan and Hunt, 1994) which could lead to a rise in negative behaviours between partners. In channel relationships, power balance is identified as a contributing factor to conflict (Gaski, 1984). Research into power imbalance in relationships has been conducted in relation to the interaction model and the connection between power and dependence (Håkansson, 1982; Ford, 1997). Power balance in relationships can be summarised as the ability of one party to manipulate and exert pressure over another (Gaski, 1984). Yorke (1990) indicates that the research in this field implies that the service provider carries the significant proportion of power. Furthermore, dependence is often perceived as an implicit indication of power. Through the research conducted by Zolkiewski et al. (2008) on advertising agencies it was felt overwhelmingly that power is a negative relationship characteristic. Moreover, research in the distribution field by Pfajfar and Mitrega (2010) indicates that organisational size does not have any bearing on the balance of power or dependence and their empirical research suggest that power has little or no impact on the relationship. Power has also been researched in B2B network relationships (Håkansson and Snehota, 1995). Zolkiewski (2001) assessed power and value in the UK healthcare services using a B2B network perspective. The study exposed that adaptations were made by the parties due the intricate power and value exchanges. Seeing that these results vary from field to field it is a clear indication that further research is needed even though the concept of power and dependence is difficult to quantify, observe and measure (Zolkiewski, et al., 2008).

GOAL INCOMPATIBILITY

Incompatible objectives between individuals can cause conflict to occur in channels as each party tends to have their own agenda and goals to reach (Reeve and Stern, 1979). Conflict arises when an individual engages "... in behaviour that is preventing or impeding him from achieving his goals" (Stern and El-Ansary, 1977, p.11). Goal conflict is in many cases based on interpersonal differences in pursuit of individual reward and status (Cosier and Rose, 1977) and can occur when incompatible objectives are assigned to an individual (Locke, et al., 1994).

INTERPERSONAL CONFLICT

Conflict as discussed earlier is likely to happen in relationships (Dwyer, et al., 1987) whether it is well received or not. Interpersonal conflict is extremely complex and is triggered by an individual's emotional reaction to a variety of factors, which is often caused by the opposing goals of individuals (Deutsch, et al. 2006). From an organisational perspective, Rahim (2011, p.87) defines interpersonal conflict as "the manifestation of incompatibility, inconsistency, or disagreement between two or more interacting individuals". However it is inferred that an extensive communication channel can reduce conflict (Massey and Dawes, 2007). The majority of literature investigates interpersonal conflict as an intra-organisational phenomenon between managers and subordinates as opposed to inter-organisational personal conflict (Rahim, 2011).

CONFLICT IN TASKS

Task conflicts can commonly arise due to distribution of resources, procedures, policies and judgements and interpretations of facts (De Dreu and Weingart, 2003). Task conflict is associated with team working exercises and many researchers in the field of management insist that task related conflict is not a dysfunctional form of conflict as it can bring about organisational benefits through more effective decision making (De Dreu and Weingart, 2003; Rollinson, 2002; Jehn and Mannix, 2001; McShane and Von Glinow, 2000; Robbins, 2000).

CONFLICT: GOOD OR BAD

The examples illustrated in the section above suggest that conflict can be either positive or negative depending on the type of conflict that occurs and the outcome. The next section will attempt to give a brief account of the literature on these two possible outcomes (positive or negative).

Conflict tends to be seen negatively and efforts are often made to reduce or avoid it altogether (Rahim, 2011). Contrary to this view point Cosier and Schwenk (1990) and Gadde and Håkansson (2010), believe that increased levels of conflict can be beneficial in terms of increasing creativity, productivity and improved decision making. Pondy (1967) asserts that conflict is multifaceted and that it can be either constructive or destructive. Pondy's (1967) model (see appendix 2), conflict is seen as sequential stages;

1. latent conflict; underlying sources of conflict;
2. perceived conflict; perception only, when no conditions of latent conflict exist;
3. felt conflict; tension, anxiety, disaffection in addition to the perception;
4. manifest conflict; behaviour which blocks another's goal achievement;
5. Conflict aftermath; post-conflict conduct, either resolution or suppression.

According to Duarte and Davies (2003), Pondy's model appeals to practitioners and academics alike but has not been empirically tested.

In marketing channels, Duarte and Davies (2003) link 'perception of reality' as a key contributor to conflict between channel members and react differently to various operational situations. Furthermore, one party's perception/mis-perception towards another channel member could be an instigator of conflict (Duarte and Davies, 2003). Assael (1969) suggests that conflict is, if unrecognised, a dysfunctional event in relationships but if communication channels exist then the effects can be reversed. Assael (1969) endorses five stages that can bring positive outcomes to conflict episodes (Assael, 1969 p.576);

1. A critical review of past events;
2. More frequent and effective communications between disputants, and the establishment of outlets to express grievances;
3. A more equitable distribution of system resources;
4. Standardization of modes of conflict resolution;
5. Creation of a balance of power within systems.

Indications from marketing channels indicate that there are indicators that the channel is effectively managing conflict, these include increased sales, elevated profits, greater return on investment, increased prestige and improved levels of innovation (Rosenberg and Stern, 1970). Since each member of the channel should be highly motivated by their economic

performance they should be keen to manage the relationship effectively, and it is ultimately their behaviours within the dyad that will impact the outcome of conflict in the channel (Rosenberg and Stern, 1970). Thomas (1979) developed a two-dimensional model of conflict behaviour (see appendix 3). He infers that there are five different types of conflict behaviours; avoiding, accommodating, compromising, competing, and collaborating that parties tend to adopt. Among the five conflict behaviours, the “collaborating” behaviour occurs when a party attempts to resolve conflict whilst reaching a compromise with the other party. On the other hand “competing” behaviour is favoured when a party is solely interested in their own benefits.

In B2B relationships it has been proposed that under the right conditions conflict can bring about positive benefits as well as negative effects (Plank and Newell, 2007; Vaaland and Håkansson, 2003). Relationships can dissolve if conflicts are not mutually and amicably resolved (Greaver, 1999). However, it is understood that conflicts are a norm in relationships (Waluszewski and Håkansson, 2006) and that a high degree of conflict is necessary for development as long as there is a comparative level of cooperation as illustrated in appendix 2 (Gadde and Håkansson, 2010). Conflict can be good or bad depending on how it is managed. Thus effective conflict management is vital Thomas’ (1979) conflict management theory is recognised as an effective way to manage conflict in relationships (Eliashberg and Michie, 1984). Conflict can promote creativity and improve organisational efficiency in partnerships if it is managed effectively (Vaaland and Håkansson, 2003).

In decision making literature, conflict is depicted negatively where it was found to reduce the level of satisfaction, productivity and performance (Saavedra, et al., 1993; Gladstein, 1984; Wall and Nolan, 1986) amongst individuals. Conflict in projects for instance prohibits individuals from working in synergy and achieving their goals. Level of cooperation can be affected also if conflict is high (De Dreu and Weingart, 2003). It is however acknowledged that an increased level of conflict can be constructive as it allows for issues to be raised and dealt with (Ford, 1980). High levels of conflict enhance creativity and decision making (Schulz-Hardt, et al., 2002; Tjosvold, 1997; Hollenbeck, et al., 1995, 1998; Levine, et al., 1993, Nemeth, 1986;; Schwenk, 1990). However the level of cooperation can be impacted upon negatively when conflict is high. However, research on conflict suggests that relationships are inherently fraught with conflicts of a varying degree (Assael, 1969; Rhenman et al., 1970; Gadde and Håkansson, 2010). The parties may not always resolve all conflicts but a certain level of conflict may be needed to keep the relationship from becoming stagnant. As the relationship continues, parties find levels of cooperation where the relationship continues based on the satisfactory elements that have preceded any current issue (Håkansson and Snehota, 1995). As it has been ascertained, conflict can have positive outcomes in some circumstances, thus it is important to establish the methods employed to attain benefits from a conflict episode as opposed to the negative downsides of conflict.

CONFLICT RESOLUTION

It is widely accepted that conflict is inevitably common within relationships and the manner in which these instances are handled and resolved is critically important to the success and longevity of the relationship (Assael, 1969; Rhenman et al., 1970; Gadde and Håkansson, 2010). The outcome of attempts to resolve conflict can, depending upon the techniques used be either constructive or destructive (Mohr and Spekman, 1994). Various techniques are advocated in order for partners to resolve conflict, these include; joint problem solving,

internal resolution and third party mediation. Each method has a different impact, however it is felt that joint problem solving brings about a constructive benefit (Mohr and Spekman, 1994). Internal resolution has greater long term relationship benefits than third party mediation, although the involvement of external impartial party's is in cases needed when the conflict has escalated to destructive levels (Mohr and Spekman, 1994). In comparison to collaborative methods, aggressive methods such as domination, confrontation, ignorance or avoidance of resolving issues can carry negative implications (Assael, 1969). When the relationship in a distribution channel emphasizes a positive environment of participation between channel partners, lower levels of conflict exist and resolutions of any issues are easier to attain (Schul et al., 1983). Day et al. (1988) found buyers in relationships are, in the majority of the cases, more inclined to adopt a collaborative approach to conflict handling and resolution. The Thomas model of conflict (1992) in fig. 2 is representative of an established conflict resolution technique known as Thomas-Kilmann Conflict Mode Instrument (TKI). The TKI is used in conflict situations and represents the models five key factors; competing, accommodating, avoiding, collaborating and compromising to manage conflict between individuals or organisations alike (Kilmann, 2011).

Conflict is seen as a positive element in the development of stronger, more productive business relationships as long as the level of cooperation is as high as the level of conflict (Gadde and Håkansson, 2010). Despite Gadde and Håkansson (2010) observing that conflict can be seen as constructive, the majority of studies in the area investigate conflict as a negative phenomenon, e.g. Song et al. (2000), Chang and Gotcher (2010) and Samaha et al. (2011), hence the purpose of this research is to investigate conflict as a positive phenomenon in business relationships gaining an insight into a real life operation extracting empirical data.

METHODOLOGY

In this section the details of the procedures and methods that are being employed in conducting the empirical research are outlined. Factors such as, strategy, the intended research method, organisational access, timescale and will illustrate how empirical data is being acquired, analysed and presented. Fieldwork is currently being undertaken of which the initial findings will be presented.

RESEARCH DESIGN AND STRATEGY

The study is using a qualitative research approach enabling the researcher to gather rich and meaningful data, and to seek understanding of what is considered conflict by those directly involved in the outsourcing relationships on a day-to-day basis, and their views about the contributing factors that give rise to conflict situations.

The chosen research strategy is to use one single case study embedded with smaller departmentalised case studies to answer the 'how' and 'why' questions (Yin, 2009). Case studies are an appropriate method for studying organisations and, its processes and people. The case study research strategy encourages an inductive approach where theory building is achieved overtime. Case studies are flexible which allows the researcher to accommodate new events which could disrupt a more rigorously structured research method (Cassell and Symon, 2004). The aim of using a case study approach is to understand a particular case rather than generalising findings across all similar cases (Stake, 1995). The researcher not only intends to observe and report findings but to act as an interpreter of the phenomenon and to

illustrate meaning behind the events observed. Undertaking this approach will allow for adaptation of the research objectives in accordance with new unforeseen events and occurrences. As the research progresses, the research objectives may be redefined and/or new ones may be created (Stake, 1995). A framework is being used to identify the process involved in the development of conflict (appendix 4) in mind, although the purpose of the inductive approach is to establish a definitive model that can be presented to explain the phenomenon in detail. The framework will assist in recognising instances of conflict. Frazier (1999) insists that a more comprehensive comprehension of conflict process and stages is needed to better understand the connection with organisational performance, thus the framework below will initially be used to establish the process of an episode from observation to conclusion.

DATA ACCESS AND COLLECTION

The study will be based on an international telecommunications company who outsources multiple activities from all across the organisation. These include both onshore and offshore suppliers providing both customer facing, back office and technical support to the organisation.

The aim is to collect real-time data through observations, interviews and documentations over the course of one year in order to fulfil the research objectives. The aim of the researcher is to become as immersed as possible during the data collection period. This is to observe as many aspects of the operation that may influence conflict episodes between host organisation and the partners. The observations element of the case study approach aims at being in a non-participative capacity in relevant day to day operations of the company. The ideal approach to data collection is to study the organisation in its current climate in a non-participative capacity so that subjectivity is lessened (Cassell and Symon, 2004). In addition as the organisation outsources many functions across its operation, the number of observations should yield a significant return of data. Shadowing key members of management on partner visits and the team in day-to-day activities would add another valuable dimension to the case study. There are multiple layers of hierarchy within the operation involved in outsourcing as illustrated in appendix 5 and this layered hierarchy is mirrored on both sides of the dyad. The team and the manager are the people involved in managing the relationship with the suppliers daily.

Whilst there are multiple different interview types that could be employed to gather qualitative data for this study face to face interviews are preferred. These are currently in underway. Semi-structured interviews allow for flexibility in the answers, as well as open ended questions to allow for richness in the answers, but at the same time maintaining a level of control so participants cannot digress off topic (Arksey and Knight, 1999). Interviews will be conducted at multiple levels of the organisation. As well as routine interviews with managers within the host organisation, attempts to interview participants post meetings between the focal firm, and its outsourcing partners. These interviews will aim to ascertain initial feedback on feeling regarding the success of the meeting in fulfilling their objectives. This should help to identify any shortcomings of the researcher's observations of the occurred events. The researcher does acknowledge that there is an important limitation to be considered when conducting interviews, namely data overload, where vast quantities of data can be gathered even when the sample size in a study is small (Steyaert and Bouwen, 2004).

All data collected will be done with the utmost confidentiality. Anonymity will be provided where required and all recorded interviews will be kept and used for the purpose of this research only.

DATA ANALYSIS AND VALIDITY

All collected data will be categorised and analysed using templates (Nadin and Cassell, 2004). The outcome of the data is influenced by the research objectives, as another analyst observing an alternative objective / question will most likely form a different set of categories from the same data (Saunders et al., 2003). For this study, the researcher plans to use. Templates are similar to matrices in so that they help to organise and analyse textual data. A list of pre-defined codes is prepared representing themes identified in the textual data where some are modified and added as more textual data are read and interpreted. King (2004, p.256) suggests that “the template is organized in a way which represents the relationships between themes, as defined by the researcher, most commonly involving a hierarchical structure”. Template analysis is a flexible technique which can be refined and customised to match the researcher’s own needs (King, 2004). This technique will assist the researcher to handle data in a structured manner.

The key elements that the researcher acknowledges when reporting upon the data collected from the field research are issues surrounding data reliability and validity. Transcriptions of the accounts after the events from recording can often be questioned as different observers may transcribe variations in their accounts, this is often due to linguistic interpretations and the observers own perception of reality that form their epistemological view (Kvale and Brinkmann, 2009). All attempts will be made by the author to validate all transcripts so that the accounts can stand up to third party scrutiny. The plan is to provide drafts to the participants for them to validate the findings. Additionally, the use of computer software to assist in the qualitative data analysis will further aid in the reliability and validity of the end results (Kelle and Laurie, 1995). Undertaking qualitative case research the researcher must provide an accurate and logical interpretation of the findings (Stake, 1995) as well as satisfy the audience of a measure of demonstrability of the findings (Creswell and Miller, 2000). For any research to be considered valid it must according to Guba and Lincoln (1981) show; truth value, applicability, consistency and neutrality. Guba and Lincoln (1981) suggest several methods of qualitative validation; peer debriefing, prolonged engagement, persistent observation and member checking. In order to provide evidence of accuracy and validate data findings peer debriefing is an aim of the researcher as previously mentioned in the form of post meeting contact with the respective parties. The data will be reviewed through the lens of the participants as well as those parties external to the study (Creswell and Miller, 2000). Triangulation is a favoured method of validation in which findings are cross referenced against other data sources (Bonoma, 1985, Piekkari et al., 2010, Beverland and Lindgreen, 2010). In order to comply with a best practice approach in compiling the findings, and for the latter to stand up to rigorous scrutiny, Stake’s (1995) twenty point checklist could be a useful tool as it covers elements such as; is the report easy to read, has sufficient raw data been presented, is the role and view of the researcher apparent and do observations and interpretations appear to be triangulated¹ (Stake, 1995).

¹ The full checklist can be seen in Stake (1995) p.131.

CONTRIBUTION

The study aims to make a potential positive contribution to the B2B relationship field and the outsourcing sector.

Organisations develop close relationships as a way of increasing revenue and shareholder value (Ford, 1980). These relationships are said to be the most valuable resources to an organisation (Ford and Håkansson, 2006). Thus, they need to be managed effectively for the long term success of the relationships. Outsourcing relationships are no different to any other business relationships as they include buying firms and selling firms. However, it is possible for outsourcing relationships to have additional levels of complexity to traditional customer-supplier relationships in terms of control and coordination of the outsourced activities (Axelsson and Wynstra, 2002). So far, outsourcing relationships have not received much academic attention and according to Lacity et al. (2010) it is important to study and understand the nature of these relationships as many outsourcing relationships are fraught with difficulties and are prone to fail within the initial twelve months (MacInnis, 2003). Conflicts within relationships are unavoidable (Dwyer, et al., 1987) and not all conflicts are bad. Conflict as we have established can be beneficial if handled effectively (Vaaland and Håkansson, 2003). Conflict is a complex phenomenon and multi-dimensional (Pondy, 1967) and to date no clear definition exists (Leavitt, 1989). In business relationships conflict has not been studied extensively. Most studies on conflict can be found in other disciplines such as Managerial Psychology (Pondy, 1967) and Organisational Behaviour (Deutsch, 1990) where the negative aspects of conflict are investigated (Thomas, 1992). There are some studies that researched the positive effects of conflict where they found that conflict improves decision making and promotes creativity and innovation (Vaaland and Håkansson, 2003). It is important to reiterate that conflicts can be favourable in relationships if they are managed efficiently (Gadde and Håkansson, 2010). The lack of studies on the constructive outcomes of conflict provides an opportunity for this study to make a possible contribution. Through comprehensive literature search and empirical research the proposed study seeks to explore conflict and its antecedents, and to investigate whether conflicts reinforces relationships.

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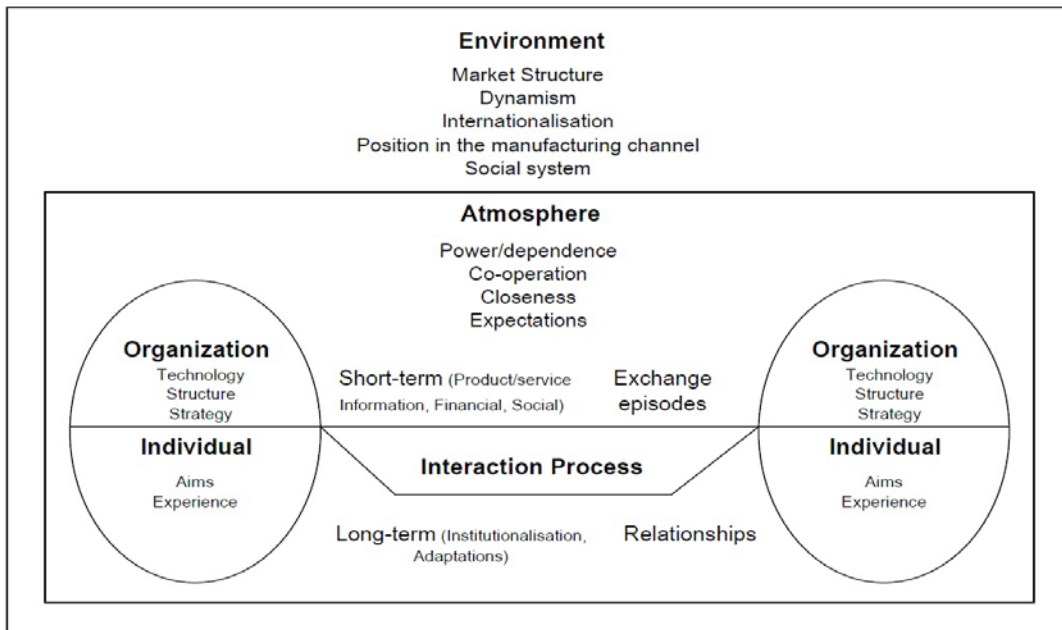
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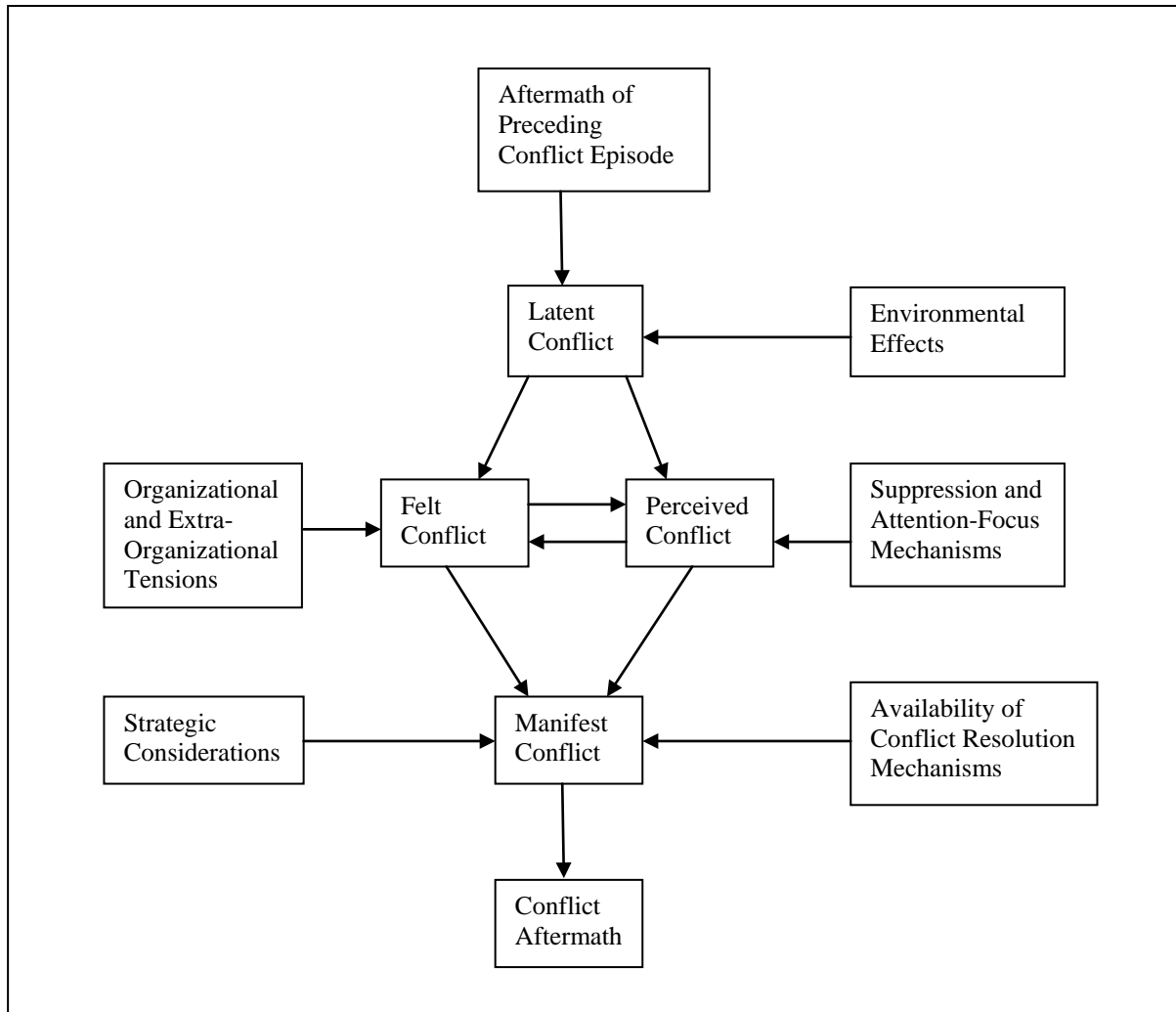
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APPENDIX 1 THE IMP INTERACTION APPROACH



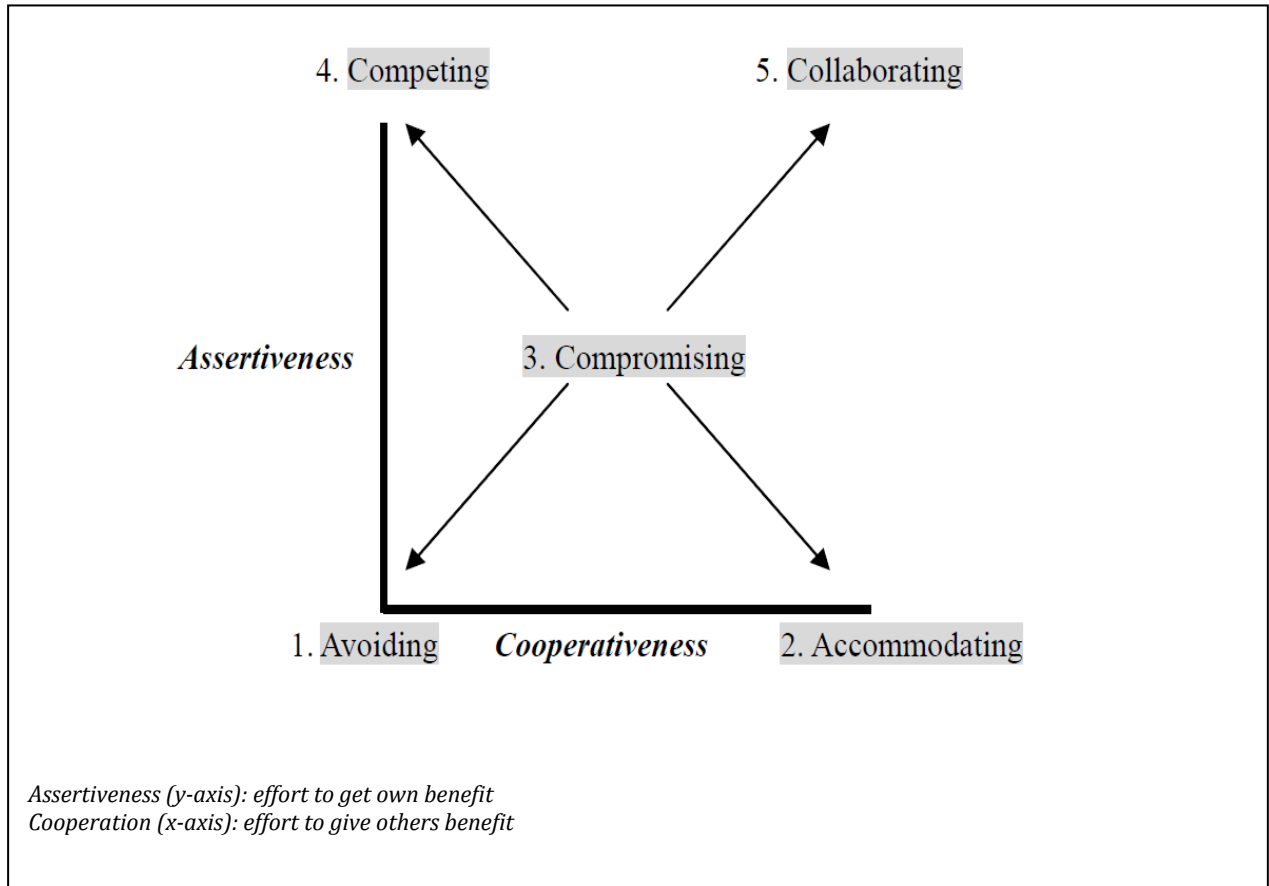
Source: (Håkansson et al., 2010, p.66)

APPENDIX 2 THE DYNAMICS OF A CONFLICT EPISODE



Source: (Pondy, 1967, p306)

APPENDIX 3 THOMAS' TWO-DIMENSIONAL MODEL OF CONFLICT BEHAVIOUR



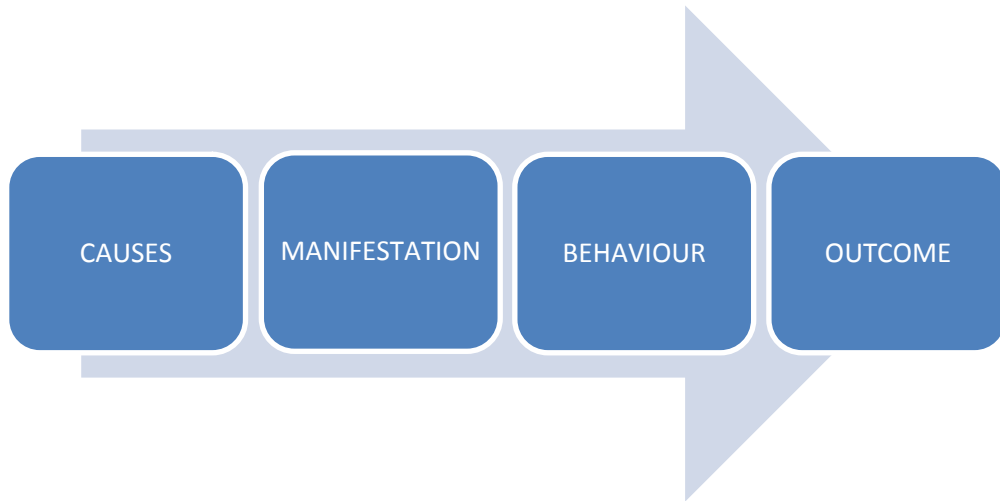
Source: (Thomas, 1992 p.266)

APPENDIX 4 RELATIONSHIPS INTERACTION CHARACTERISTICS IN TERMS OF
CONFLICT AND COOPERATION

	High	<i>Nice</i>	<i>Creative</i>
Extent of Cooperation			
	Low	<i>Marginal Low</i>	<i>Hostile High</i>
		Level of Conflict	

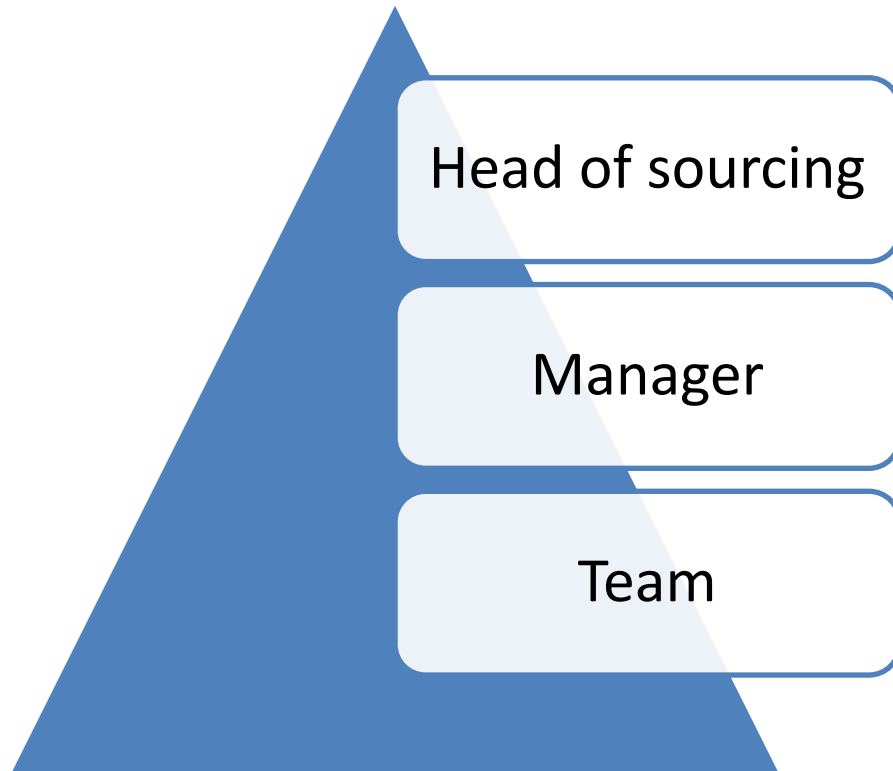
Source: (Gadde and Håkansson, 2010, p.117)

APPENDIX 5 A FRAMEWORK FOR STUDYING CONFLICT



Source: Developed from Pondy (1967), Assael (1969), Rosenberg and Stern (1970) and Thomas (1992)

APPENDIX 6 A TYPICAL ILLUSTRATION OF LAYERS INVOLVED IN MANAGING
OUTSOURCING RELATIONSHIPS



Source: (Constructed based from initial research conducted on the organisation)