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A STUDY OF THE EFFECT OF CHANGE ON THE PERCEIVED LEVELS
OF POWER, CONFLICT AND SATISFACTION IN A CHANNEL OF
DISTRIBUTION

The University of Oklahoma

PH.D. 1982

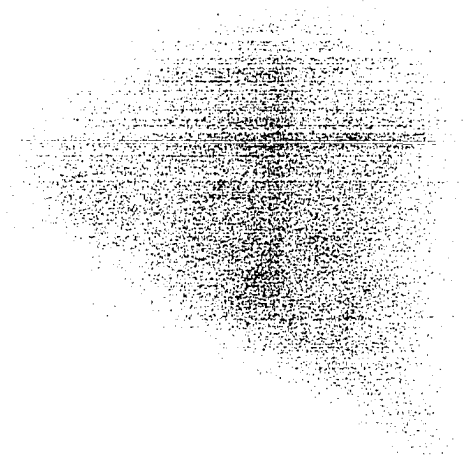
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THE UNIVERSITY OF OKLAHOMA
GRADUATE COLLEGE

A STUDY OF THE EFFECT OF CHANGE ON THE PERCEIVED
LEVELS OF POWER, CONFLICT AND SATISFACTION
IN A CHANNEL OF DISTRIBUTION

A DISSERTATION
SUBMITTED TO THE GRADUATE FACULTY
in partial fulfillment of the requirements for the
degree of
DOCTOR OF PHILOSOPHY

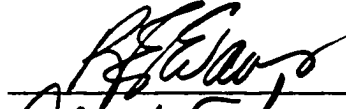
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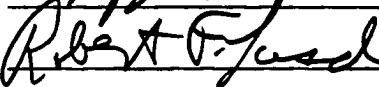
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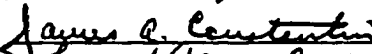
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This work is being submitted to the Graduate School of the University of Oklahoma as a part of the requirement for completion of the Ph.D. program.

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A STUDY OF THE EFFECT OF CHANGE ON THE PERCEIVED
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CHAPTER I

INTRODUCTION

Purpose of the Study

Reve and Stern have summarized studies that have been conducted in the areas of power and conflict in marketing channels.¹ The relationship of these variables has been important to the study of vertical marketing systems. Their article was published with a twofold purpose. The first was to indicate that extensive work had already been published in the area of interorganizational relationships that may not have been appreciated outside the field of marketing. Second, the interrelationship of the variables mentioned are prevalent in great abundance in the operation of the distribution channel. This fact may have unwittingly been ignored by practitioners of organizational behavior research due to lack of communication about their

¹Torger Reve and Louis W. Stern, "Interorganizational Relations in Channel Relations," Academy of Management Review 4 (1979): 405-416.

existence.² By publishing a summary of the studies that have been done, the authors hope to bring attention to the fact that considerable work had been done in this field and that it should be recognized.³

The purpose of this study is to support the field of inter-organizational theory applied to channels of distribution. More importantly, this study will attempt to provide additional testing of previously published studies concerning the variables of power, conflict, and satisfaction. In addition, the study will attempt to introduce the variable of intensity and its effect on the perceived levels of these same variables.

In attempting to utilize the variables of power, conflict, and satisfaction, and the introduction of the additional variable of intensity, this study will be able to relate conclusions of studies that have concerned themselves with a lesser number of the variables. The expansion of the number of variables introduced to this interaction should also add to the knowledge of the subject.

Justification

In the study of marketing channels as interorganizational systems, it has been useful to perceive the channel as having the characteristics of a complex social organization. When this idea is used, an essential characteristic is that there is a division of functions and tasks resulting in an interdependent process. This

²Ibid.

³Ibid.

specialization and functional differentiation lead to interdependency among the channel members. Because these interdependencies will be of varying degrees it gives rise to power relations between the organizations. In addition, the dependency relationship brings the beginnings of conflict.

The summary of research published in the Reeve and Stern article is an indication of the extent to which these variables have been addressed in the literature of marketing channels.⁴ As was pointed out in the article, the research is concentrated on further definitions and operationalization of the relationship between power and conflict. Even with the extensive work already published, the study of these relationships is by no means complete. This study is an attempt to add to the body of knowledge and possibly shed some additional perspectives that will allow further understanding of the inter-organizational relationships of a channel of distribution.

Background

This dissertation will attempt to establish a perspective for viewing the operation of a channel of distribution. It will then review the published studies concerning the variables of power, conflict, and satisfaction. Attention will be paid to the conceptual development of each variable and progress of the research published for each variable.

From this, research hypotheses will be developed that will be tested in a field research setting. Through statistical analysis of

⁴Ibid.

the results derived from this field research, conclusions will be drawn concerning the hypothesized relationships and the implication for channel management.

Methodology

A channel of distribution has been chosen that has been in existence for a period of time that will have allowed the relationships to become stable. This channel will have a change affected by the manufacturer, to one element of the business relationship. The change involved has been determined to be of some significance to the channel members and therefore, will have meaning to those affected.

A survey instrument will be developed that will receive responses to defined areas of interest. The survey instrument will be a mailed questionnaire that will ask questions in the areas of conflict, satisfaction, power, and importance. The responses available will allow expressions of intensity of the perception for each response.

The questionnaire will be administered once before the change is formally announced and then again, after a short waiting period.

The data that are received will be tabulated on a before-the-change and after-the-change basis.

Hypotheses have been developed on how the distributors will perceive the variables being studied. Using techniques of statistical analysis, the hypotheses will be explored and the results presented in this dissertation.

The population to be used for accumulating the data will be the distributors of the specific manufacturer being studied. Although

this list of distributors includes locations throughout the world, the study will be confined to the distributors within the United States and Canada.

Definition of Terms

The variables, power, conflict, and satisfaction, have been chosen for examination in this dissertation. In order to fully understand the significance of the results obtained in the field test involved, it is necessary to identify the definitions to be attached to each of these variables. Since the method of data collection will be a mailed questionnaire, it will be necessary to obtain definitions that are easily defined and generally recognizable.

El-Ansary and Stern,⁵ as well as Hunt and Nevin,⁶ have paraphrased Dahl's⁷ definition of power as the ability of one individual or group to prompt another unit to do what it would not have otherwise done. Hunt and Nevin operationalize power as in a franchise or a franchisee channel, referring to the ability of the franchisor to control the business decision variables of the franchisee. For the purposes of this dissertation power will be defined operationally as:

⁵Adel El-Ansary and Louis W. Stern, "Power Measurement in the Distribution Channel," Journal of Marketing Research 9 (1972): 47.

⁶Shelby Hunt and John R. Nevin, "Power in a Channel of Distribution: Sources and Consequences," Journal of Marketing Research 11 (May 1974): 186.

⁷Robert Dahl, Modern Political Analyses (Englewood Cliffs, N.J.: Prentice Hall, Inc., 1964).

The amount of influence that the distributor feels he has over how each item of the business transaction between a supplier and a distributor is to be conducted.

In defining conflict I will lean heavily on a process model of interchannel conflict developed by Stern and Gorman that was adapted from Pondy's model of interorganizational conflict.⁸

This model suggests that conflict involves three stages, namely the emergence of causes of conflict, behavioral conflict filled reactions of the channel members, and conflict outcomes in the form of performance results of member firms.⁹

Lusch has defined conflict as the frequency of disagreement between manufacturer and dealers.¹⁰ Therefore, conflict will be defined operationally as:

The frequency of disagreement between two players in the distribution channel over components of the business transaction.

In defining satisfaction I will use the same idea of point scales as used by Rosenberg and Stern and also Wilkinson.¹¹ In their

⁸Louis W. Stern and Ronald H. Gorman, "Conflict in Distribution Channels: An Exploration," in Distribution Channels: Behavioral Dimensions, ed. Louis W. Stern (New York: Houghton Mifflin, 1969), pp. 156-175.

⁹Louis R. Pondy, "Organizational Conflict Concepts and Models," Administrative Science Quarterly 12 (September 1967): 296-320.

¹⁰Robert F. Lusch, "Channel Conflict: Its Impact on Retailer Operating Performance" (Norman: University of Oklahoma, Distribution Research Program, 1975), p. 6.

¹¹Larry J. Rosenberg and Louis W. Stern, "Conflict Measurement in the Distribution Channel," Journal of Marketing Research 8 (1971): 438; and Ian F. Wilkinson, "Power and Satisfaction Channels of Distribution," Journal of Retailing 55 (Summer 1979): 82.

research, the respondent was asked to signify the relative level of satisfaction to the situation in question by choosing from a five or seven point scale, one end being very dissatisfied and the other end being very satisfied.¹² Therefore, satisfaction will be defined operationally as:

The response level to channel situations of satisfaction or dissatisfaction.

Managerial Significance

As indicated, the expansion of the body of knowledge concerning the inter-relationships of power, conflict, and satisfaction in the distribution channel is a major purpose of this study. In addition, administration of the distribution channel is a significant obligation of a manufacturer or a franchisor. With the rise of contract and vertical marketing systems described by McCammon, Doody, and Davidson, obligations are entered into for extended periods of time and under exacting legal confinements.¹³ Understanding of the parameters involved in a successful channel operation are of great significance. Understanding of the inter-relationships of power, conflict, and satisfaction, will enable managerial insights into the day to day channel situations.

In addition, understanding of the perceptions of the customers in each of three areas will have significance to channel management

¹²Ibid.

¹³Bert C. McCammon, Jr., Alton F. Doody, and William R. Davidson, "Emerging Patterns of Distribution," in Marketing Channels and Institutions, ed. Bruce Walker and Joel B. Haynes (Columbus, Ohio: Grid, Inc., 1973), pp. 211-217.

in recognizing the channel situations. Also by contributing an additional field study of the power, conflict, and satisfaction variables, additional managerial insight on the workings of the distribution channel will be obtained.

Finally, conclusions may be drawn from the data presented that will allow action plans from management to effectively deal with the operation of its distribution channel and the satisfactory performance of its management goals.

CHAPTER II

LITERATURE REVIEW

Channels of Distribution

The study of marketing channels necessarily involves a complex set of pattern situations and relationships.¹ As economic changes occur and consumer tastes undergo evolution, the potential combinations are ever increasing. However, it is necessary to explore the basic concepts of a situation from a conceptual viewpoint in order to determine the potential for the causes of a specific situation occurring in a prescribed manner. To explore these interrelationships in the full range of marketing channel actions would be a project beyond the scope of this dissertation.

I will confine the discussion to examining the historical background, as well as the situational and conceptual factors surrounding the variables of power, conflict, and satisfaction. By limiting the scope of the discussion to these three variables it is not meant to ignore the importance or significance of other portions of marketing

¹See Edwin Lewis, Marketing Channels: Structure and Strategy (New York: McGraw Hill Co., 1978); and James Constantin, Rodney Evans, and Malcolm Morris, Marketing Strategy and Management (Dallas: Business Publications, 1976).

channel interaction. Rather, it is to focus the discussion within a given set of parameters.

Within the broad classification of the term marketing structure, it is necessary to have an understanding of the basic ideas underlying the activity of that channel. This will also allow a perspective to be established when viewing a marketing channel operation.

The marketing channel has developed an underlying structure that allows its various parts to function. In order to identify the method of structure, it is necessary first to classify that situation into a pattern.

One method of classification would be to identify the method that a structure uses to reach equilibrium or balance. One such classification method was offered by Wroe Alderson, and involves examining three types of equilibrating systems.² One such system is an atomistic structure that reaches equilibrium among its separate elements and does not establish the requirement of evaluating elements in relationship to each other.³

If the atomistic concept is viewed as being at one end of a rating scale, then at the opposite end of this scale exists the idea of an organic whole or mechanical structure, where the equilibrium point is pre-determined on the basis of fixed or inflexible patterns to which all elements must conform.

²Wroe Alderson, *Dynamic Marketing Behavior*, (Homewood, Illinois: Richard D. Irwin, 1965), p. 10.

³Ibid.

Alderson felt that there was a halfway ground between these two opposites that involved an elastic structure capable of change or replacement. He identified this as an ecological structure that reached a balance by having a flexible ability to change and replace its components.⁴

This ecological structure idea of Alderson's lends itself to the social system approach discussed previously and forms the basis for our structural examination of the marketing channel.

When structure is established to the situation, then it is necessary to examine the parts of that structure that will have an effect or cause effect on the way the structure operates. One approach would be to determine the most common denominator of a change equation and develop examinations around it. Alderson proposed such a denominator in his idea of organized behavior system.⁵ According to Alderson, an organized behavior system is that structure composed of common particles in a situation that behave collectively and is organized for purposes of effecting or influencing change.⁶

Another method of determining structure would be by establishing roles or role systems.

Stern and Gill identified role theory concepts as a means to identify and examine complex behavior interrelations between and

⁴Wroe Alderson, Marketing Behavior and Executive Action, (Homewood, Illinois: Richard D. Irwin, 1957), p. 29.

⁵Alderson, Dynamic Marketing Behavior, op. cit., p. 26.

⁶Ibid., pp. 27-44.

among channel members.⁷ In their discussion, they identify three primary components of a social or behavior system as (1) a set of persons, (2) their behavior, and (3) the relationships which unify the behaving persons into an organized system.⁸

The organized behavior system idea or role theory concepts both involve the interaction of participants, within a marketing channel, in an attempt to reach equilibrium. This equilibrium is reached by making a decision on the structure form through the interaction process.

A major portion of this interaction involves the development of and resolution of conflictual situations, the use and consequence of power, and the resulting feelings of satisfaction.

In order to examine a situation involving the interaction of these variables, it is necessary to examine each of them in greater detail to determine its origins and position in the situation studied.

The study of distribution channels historically has been confined to definitions of the interactions within the physical components of the system. Additional work has been done in further defining the elements of each interaction that makes up each of these components. Explaining the operation of the total distribution picture has been developed using viewpoints of the commodity approach, the institutional approach, and the functional approach.

⁷Lynn E. Gill and Louis W. Stern, "Roles and Role Theory in Distribution Channel Systems," in Distribution Channels: Behavioral Dimensions, ed. Louis Stern (New York: Houghton Mifflin Co., 1969), p. 23.

⁸Ibid.

The commodity approach describes the activities involved in marketing specific classes of goods and tailors its explanation in terms of how those classes of goods will react in a given situation. The institutional approach is primarily concerned with the structure of marketing institutions and agencies, choosing to discuss the process of interchange in terms of a structural situation.

The functional approach describes the distinct, essential operations involved in the marketing process. This approach chooses to create the idea of time, place, and possession utility in the functions assumed to be inherent to the marketing of every good.

These approaches have serious limitations. They ignore the fact that the transition process itself takes place through a series of social relationships and is therefore impacted as much by the social ramifications as it might be by both economic or structural relationships.

Bucklin addressed the idea when he stated "a channel of distribution shall be considered to comprise a set of institutions which performs all the activities (functions) utilized to move a product and its title from production to consumption."⁹

McCammon and Little have concluded that channels of distribution are "elaborate, economic, political, and social systems that usually involve many decision makers and often extend over a wide geographic area. A sophisticated understanding of this phenomena

⁹Louis P. Bucklin, A Theory of Distribution Channel Structure (Berkeley: Institute of Business and Economic Research, University of California, 1966), p. 5.

requires an eclectic approach--an integration of concepts from a variety of disciplines including sociology, economics, political science, cultural anthropology, regional science, marketing and social psychology."¹⁰

Early Marketing Thought

Wroe Alderson developed a series of writings concerned with the conceptual development of marketing thought.¹¹ In these writings, he acknowledged the presence of both power and conflict.

The presence of power was acknowledged by Alderson as being a part of any structure, particularly in the interaction between parties or units. He felt that the existence of power and its effect on the interaction within a marketing situation was an ever changing process.¹² He also felt that establishing or restoring balance to a channel would be done through the use of and employment of negotiation.

Transactions between two operating systems always involve the two factors of economic values and the balance of power. The ideal of the system in which market values alone control is impossible of realization because goods always move through a power structure and not through the neutral type of facility which may be suggested by the term marketing channel. Negotiation is the means of relating two systems to each other and not merely a method for carrying out transactions.¹³

¹⁰Bert D. McCammon and Robert W. Little, "Marketing Channels: Analytical Systems and Approaches," in Science in Marketing, ed. George Schwartz (New York: John Wiley and Sons, 1965), pp. 321-385.

¹¹Ibid., p. 27.

¹²Alderson, Dynamic Marketing Behavior, Marketing Behavior and Executive Action, op. cit.

¹³Alderson, Marketing Behavior and Executive Action, op. cit., p. 130.

In the area of conflict, Alderson acknowledged that previous marketing theory had been primarily concerned with the competitive aspects of the channel environment. He maintained, however, that cooperation among the same individuals or units was as prevalent as was the idea of competition. In advancing this idea, however, Alderson does acknowledge that in the process of developing the cooperative portion of the environment, the origins of conflict are also acknowledged. However, Alderson does not attempt to define or quantify conflict resolution but rather relates to the total operation of the marketing system.¹⁴

Nevertheless, the channel is certainly a system in the sense of persistent interaction. Even when this interaction is primarily in the form of conflict, hope continues that it will be resolved satisfactorily and that effective cooperation will be resumed.¹⁵

Alderson felt that if such a cooperation system could not be effected, the alternative would be the dissolution of the marketing channel.¹⁶

In Alderson's treatment of power and conflict, he felt that in both instances there was a higher goal that the marketing channel would subscribe to, which would force resolution of the ideas of power and conflict.

The drive to organize the market has far greater dynamic effect than the horizontal competition taking place at any one level. The tension between centers of power is particularly great where there are both strong retailers in the channel and strong marketing organizations representing

¹⁴Alderson, Dynamic Marketing Behavior, op. cit., pp. 250-258.

¹⁵Ibid., p. 254.

¹⁶Ibid.

manufacturers. The manufacturer has product innovation on his side while large retailers engage in enterprise differentiation to supply consumers with new patterns of service. Consumer sovereignty is the controlling force in the long run. Whatever the interaction between large retailers and large producers, it must end eventually in giving the consumer more for less. The ultimate need in vertical cooperation is to cooperate with the consumer. As consumers become more knowing, the whole economy tends toward becoming an integrated consumer cooperative. The competition which really counts and is often expressed in sweeping and dynamic changes is competition for the privilege of cooperating with the consumer.¹⁷

With this theoretical beginning, it is necessary to trace the growth of the thoughts on the subjects of power and conflict in the marketing literature. The writings of Alderson laid the basis of conceptual positions in marketing thought. It also marked the beginning of the need to identify the ideas of power and conflict in marketing literature.

Systems Approach

By integrating these concepts into the definition of what constitutes the myriad of relationships within such channels, it becomes evident that each institution in the channel is at least partially dependent upon another member of that channel for the total achievement of a marketing objective. However, the three previous explanations of the marketing process do not fully acknowledge the interrelationship between the factors involved in this dependency. By using the systems approach to analyzing this process, the interactions between the structure and the functions could be studied simultaneously.

¹⁷Ibid., pp. 257-258.

This was the approach used by Hall and Fagen when they defined a system as "a set of objects with relationships between objects and their attributes."¹⁸

When the concept of a system is applied to a marketing structure, the channel of distribution can be conceived as a structure of institutions and agencies that are accepting form, utility and various resources as inputs from the environment. By the performance of marketing functions, it converts the physical form to a product containing the elements of time, place, and possession. In addition to form, the channel returns utility to the environment as an output. In this sense the commercial channel is an open system which receives some input from its environment, performs an operation or series of operations on that input, and returns the transformed input to the environment.¹⁹

The essential features of an open system are: (1) a collection of objects, (2) relationships between the objects, and (3) relationships between the collection of objects and the task environment. The latter relationships results in (4) a situation of interdependency between any given object and any given element of the task environment and all other objects and elements related to the system.²⁰

¹⁸A. D. Hall and R. E. Fagen, "Definitions of a System," in General Systems, ed. Ludwig VonBerlataniffy and Anatol Rapaport (Ann Arbor: University of Michigan Press, 1956), p. 18.

¹⁹Ibid., p. 23.

²⁰Louis W. Stern and Jay Brown, "Distribution Channels: A Social Systems Approach," in Distribution Channels: Behavioral Dimensions, ed. Louis W. Stern (New York: Houghton Mifflin Co., 1969), pp. 6-12.

A flow chart of system relationships could be constructed to demonstrate how the commercial channel of distribution behaves as an open system. Such a matrix would have all the participants of the channel portrayed as individual parts. Each part would have connecting vectors indicating the type and direction of the relationship. If the relationship expanded beyond a one to one situation, those connections would also be shown. In such a matrix, the institutions and agencies included in any given channel can be portrayed as components of that system. Important elements of the task environment can also be shown. Thus, by employing a matrix it is possible to represent the structure of various relationships within the channel system between the system components and the task environment.²¹

Such an approach has been used by Hare in the diagnosis of the manufacturers channel for automobiles.²² In viewing the matrix, the cells of that matrix depict the role of each participant in the system. While viewing the matrix as a whole it defines the structure of the system and the relationships occurring within it.²³ The dependency related to earlier in this section is involved in the entire process, showing that a change in the behavior of any cell within the matrix has implications for the entire system of cells.

²¹Roland Vaile, E. T. Grether, and Revis Cox, Marketing in the American Economy (New York: The Ronald Press Company, 1952), p. 121.

²²Van Court Hare, Jr., Systems Analysis: A Diagnostic Approach (New York: Harcourt Brace and World, 1967), p. 21.

²³Ibid.

Since this dependency is involved throughout the system, there must be some means of behavior coordination in order to have a semblance of order to the operation. To treat the interaction of the cells strictly in terms of the mentioned ideas of commodity theory, functional theory, or institutional theory, would be to disregard the coordinating operation.

This would occur because each of these theories treats the idea of behavior coordination as applying only to the specific completion of the task. Since the idea of a system implies overall coordination, then the behavior structure applied to this system must then be able to supply the coordinating function.

When we define the system as a collection of objects, we are saying that individual firms within a distribution channel are each objects. When these groups of firms operate together, the interactions generated are a social system. Parsons and Smelser define social interaction as "the process by which the behavior or change of a state of members in a social system influences: (a) the state of the system, and (b) each other's states and relations. Every concrete act thus originates in a unit (member) and has effects on the state of the system and its other component units."²⁴

By integrating these ideas into the interactions of objects within the distribution channels, it becomes evident that each institution in a channel is at least partially dependent upon another

²⁴Talcott Parsons and Neil J. Smelser, Economy and Society: A Study in the Integration of Economic and Social Theory (New York: The Free Press, 1956), p. 9.

member of that channel for the total achievement of a marketing objective.

Stern has argued that the distribution channel is a social system first and an economic system second.²⁵ He argues that when parts of a channel comprise a system, the resultant body of knowledge from the traditional approach is incomplete because the behavior of any given system part is comprehensible only when viewed in the context of a system. He says that it is the interdependency that makes the collection of components a system.²⁶

Alderson addressed the idea of a system with his concept of functionalism, which he defined as "that approach to science which begins by identifying some system of action and then tries to determine how and why it works as it does. Functionalism stresses the whole system and undertakes to interpret the parts and terms of how they serve the system."²⁷

In order to apply the concept of a social system to a channel of distribution, it is necessary to explore the structure of a social system to determine its components and develop the major factors of its operation.

²⁵Louis W. Stern, Distribution Channels: Behavioral Dimensions (New York: Houghton Mifflin Co., 1969), p. 5.

²⁶Ibid., p. 2.

²⁷Wroe Alderson, Marketing Behavior and Executive Action op. cit., p. 37.

Systems Components

A social system is broken down into specific variables that can be divided into the two general classes of structural and functional variables. Structural variables are those that define the parties and/or the participants present and also prescribe behavior for these parties. In the general sense, these behavioral prescriptions are norms or roles. These define the expected behavior for a particular unit in the social system and permit behavior to be predicted by the system constituents.²⁸

Functional variables arise from the idea that the system, to operate successfully, must satisfy the desires of its parties and at the same time acknowledge the requirements of the total system operation. Specific functional variables are pattern maintenance, goal attainment, adaption, and integration. Pattern maintenance is the tendency of the system to maintain itself. Goal attainment is activity directed to satisfy systems needs through the interaction within the system environment. Adaption is the activity needed to provide resources for the attainment of the system goals, and the integration is the mutual adjustment of the systems components relative to their contribution to the functioning of the system as a whole.²⁹

If the concept of a social system is developed further, then in order to accurately understand the ramifications of the social interactions and to provide some way of predicting the outcomes, it

²⁸Summarized from Louis W. Stern and Jay Brown, Distribution Channels: A Social System Approach, op. cit., pp. 6-12.

²⁹Ibid., pp. 16-17.

is necessary to investigate the factors that will influence the structural and functional variables of that social system. It will also be necessary to examine those items that specifically relate to distribution channels.

For distribution channels, role expectations, the extent of various distribution channel members power, the level of conflict within the channel, and the effectiveness of communication among members will, to a significant extent, determine whether the functional variables will be achieved.³⁰

In addition, the structural variables will, to a large extent, be determined by interaction of these four factors in determining the predictability of the expected behavior.

Conceptually, the emergence of these factors in the marketing channel can be developed as follows.

First, Alderson developed a concept called organized behavior system that has also been phrased by others as a super organization, or by organizational theorists as a social action system, or an inter-organizational collectivity.³¹ These ideas imply that the marketing channel has the characteristics of complex social organizations even though their channels are comprised of objects rather than individuals.

³⁰Ibid., p. 17.

³¹Wroe Alderson, Dynamic Marketing Behavior (Homewood, Illinois: Richard D. Irwin, 1965); and H. Aldrich, "Organization Sets, Action Sets and Networks Making the Most of Simplicity," in Handbook of Organization Design, ed. P. C. Nystrom and W. H. Starbuck (Amsterdam: Elsevier Press, 1979), Vol. 1.

The second idea is that of collective goals. These goals themselves stem from the desire to serve the ultimate consumer in a satisfactory manner that is unachievable by organizations acting independently.³²

Third is the idea of functional differentiation that leads to division of labor and specialization.³³ With this, the interdependency among channel members relative to their task performance increases, and gives rise to the fourth part of the conceptual viewpoint; that is the existence of integrated actions. Integrated actions illustrate that a marketing channel acts as a unit and takes on collective identity.³⁴

By adopting the conceptual ideas mentioned above, that is, viewing the channel as a super organization, viewing the goals as collective in nature, identifying the functional differentiation and interdependency within the channel, and applying the actions as integrated among the members of the channel, we can identify the marketing channel as a social system or social action system which is therefore subject to the interorganizational relationships exemplified by the emergence of power, conflict, and satisfaction.

³²Torger Reve and Louis W. Stern, "Interorganizational Relations in Marketing Channels," Academy of Management Review 4 (1979): 406.

³³Ibid.

³⁴Ibid., p. 407.

Conflict in the Channel

The concept of conflict has been addressed in the literature of sociology and of psychology.³⁵ In both these areas they address the term from its effect on organizational behavior and the outcome results. Development of this term within the literature of marketing and marketing channels, as shown previously, centered around the acknowledgment of its existence and its detrimental effect on the organization as a whole. However, it did not treat it as a separate entity that should be corrected. Gettell was among the first to acknowledge that not only were there different forms of conflict, but they had different levels of implication.³⁶ He said that there were three forms of conflict: market competition, extra-market competition, and structural adjustments. He felt that the third form (structural adjustments) was of the most interest and importance.³⁷ Still, the idea was presented that conflict existed, but that the overriding concerns of the marketing channel to serve the consumer would be the adjustment factor that would resolve any disputes.

³⁵For example, see K. E. Boulding, "The Economics of Human Conflict," in The Nature of Human Conflict, ed. E. G. McNeil (Englewood Cliffs, N.J.: Prentice Hall, Inc., 1965); L. A. Coser, The Functions of Social Conflict (Glencoe, Illinois: Free Press, 1956); and T. R. Gurr, Why Men Rebel (Princeton, N.J.: Princeton University Press, 1970).

³⁶Richard G. Gettell, "Pluralistic Competition," in The Marketing Channel: A Conceptual Viewpoint, ed. Bruce Mallen (New York: John S. Wiley and Sons, 1967), pp. 109-113.

³⁷*Ibid.*, p. 109.

Forms of Conflict

Palamountain expanded the idea of conflict in the distribution channel by isolating three distinct forms of distributive conflicts.³⁸ He described the three forms as follows:³⁹

1. Horizontal competition, which was defined as competition among sellers and among buyers, which are standardized and homogenized so that prices and quantities are the only important data.
2. Intertype competition, which is the competition between different methods of distribution.
3. Vertical conflict which is described as the struggle between different levels of the distribution.

In his discussion of the factors that have given rise to the development of these forms of conflict, Palamountain stressed the fact that previous thought had stressed the ideas of economics in the development of conflict relationships. Palamountain challenged the validity of past economic thought, and stressed the emphasis of power, indicating that the vertical conflict relationship is also directly a power conflict. Furthermore, he indicated that this gives rise to group consciousness among afflicted parties in a conflict relationship that multiplies the importance of power in newer marketing channels.⁴⁰ He further emphasized the importance of this direction of study by stating "in conclusion, power has come to rival economic factors as

³⁸Joseph Cornwall Palamountain, Jr., "Distribution: It's Economic Effects," in The Marketing Channel, ed. Bruce Mallen (New York: John Wiley and Sons, 1967), p. 114.

³⁹Ibid., pp. 114-117.

⁴⁰Ibid.

the governing element in the vertical relationships of distribution."⁴¹

Mallen later broadened the original ideas set forth by Palamountain by introducing sub-groups of the three initial categories of conflict.⁴² Mallen asserted that intertype competition could be divided into two more categories, the first being traditional intertype which includes the usual price and promotional competition between members of the same channel level. The second grouping was innovative intertype competition which involves the action on the part of traditional channel members to prevent channel innovators from establishing themselves. Also intrafirm innovative conflict was included as a subgroup of innovative intertype competition which involves the action of channel member firms to prevent sweeping changes within their own companies.⁴³

Mallen goes on to explore the components of Palamountain's ideas on vertical conflict from the standpoint of traditional economic theory that was prevalent at that point. While he acknowledges that there are components to the conflict relationship that relate to specific factors within the traditional competitive situation, he continues to emphasize the fact that overall cooperation is the key to channel performance and therefore customer satisfaction.⁴⁴

⁴¹Ibid., p. 118.

⁴²Bruce Mallen, "Conflict and Cooperation in Marketing Channels," in Reflections on Progress in Marketing, ed. L. George Smith (Chicago: American Marketing Association, 1964), pp. 65-67.

⁴³Ibid.

⁴⁴Ibid.

These works did present the beginnings of the idea that conflict had a multifaceted appearance. They also acknowledged that conflict was a much greater factor in the operation of the channel than had previously been acknowledged.

Stages of Conflict

With the beginnings in the literature of acknowledging the elements of conflict, it is necessary to further explore conceptual points of the term conflict, and also to develop its relationship to the growth of marketing literature. One model developed to show the conceptual position was submitted by Pondy, showing stages and sequences of events. He also provided explanations of various stages of the conflict episode.

Pondy theorized that conflict was a dynamic process which could be analyzed as a sequence of conflict episodes with each conflict episode beginning with conditions characterized by certain conflict potentials.⁴⁵ He identified five stages of the conflict episode.

They are:

Latent Conflict occurs when the aggregated demands of participants for resources exceed the resources available to the organization, and the conditions for conflict are made to exist.

Perceived Conflict is the cognitive presence of conflict existence.

Felt Conflict is the personalization of conflict.

Manifest Conflict is expressed in conflictual behavior.

⁴⁵Louis R. Pondy, "Organizational Conflict Concepts and Models," Administrative Science Quarterly 12 (September 1967): 296-320.

Conflict Aftermath is the legacy or conditions that are present after completion of the episode.⁴⁶

He also identified three types of conflict among the sub-units of formal organization that would have these same series of episodes.

He identified the three types of conflicts as:

- (1) Bargaining Conflict among the parties to an interest group relationship,
- (2) Bureaucratic Conflict between the parties to a superior subordinate relationship, and
- (3) Systems Conflict among parties to a lateral or working relationship.⁴⁷

Pondy felt that not all episodes followed all of these steps or followed them necessarily in a prescribed sequence. He reasoned that some conflicts may never be perceived by the parties or if they are perceived, conflict may be resolved at any one of the stages indicated.⁴⁸ Figure 1 is a diagram of the dynamics of Pondy's conflict episodes.

Conditions of Conflict

From the theory put forth by Pondy, additions to the types of sequences used in viewing of the conflict episode have been made. Walton and Dutton developed a set of conditions which they felt would probably proceed the perceived or felt states of conflict.⁴⁹ These

⁴⁶Ibid., p. 300.

⁴⁷Ibid., p. 296.

⁴⁸Ibid., p. 299.

⁴⁹Richard E. Walton and John H. Dutton, "The Management of Interdepartment Conflicts: A Model and Review," in Behavior and Management, A Contingency Approach, eds. Henry L. Tosi and W. Clay Hammer (Chicago: St. Clair Press, 1974), pp. 361-376.

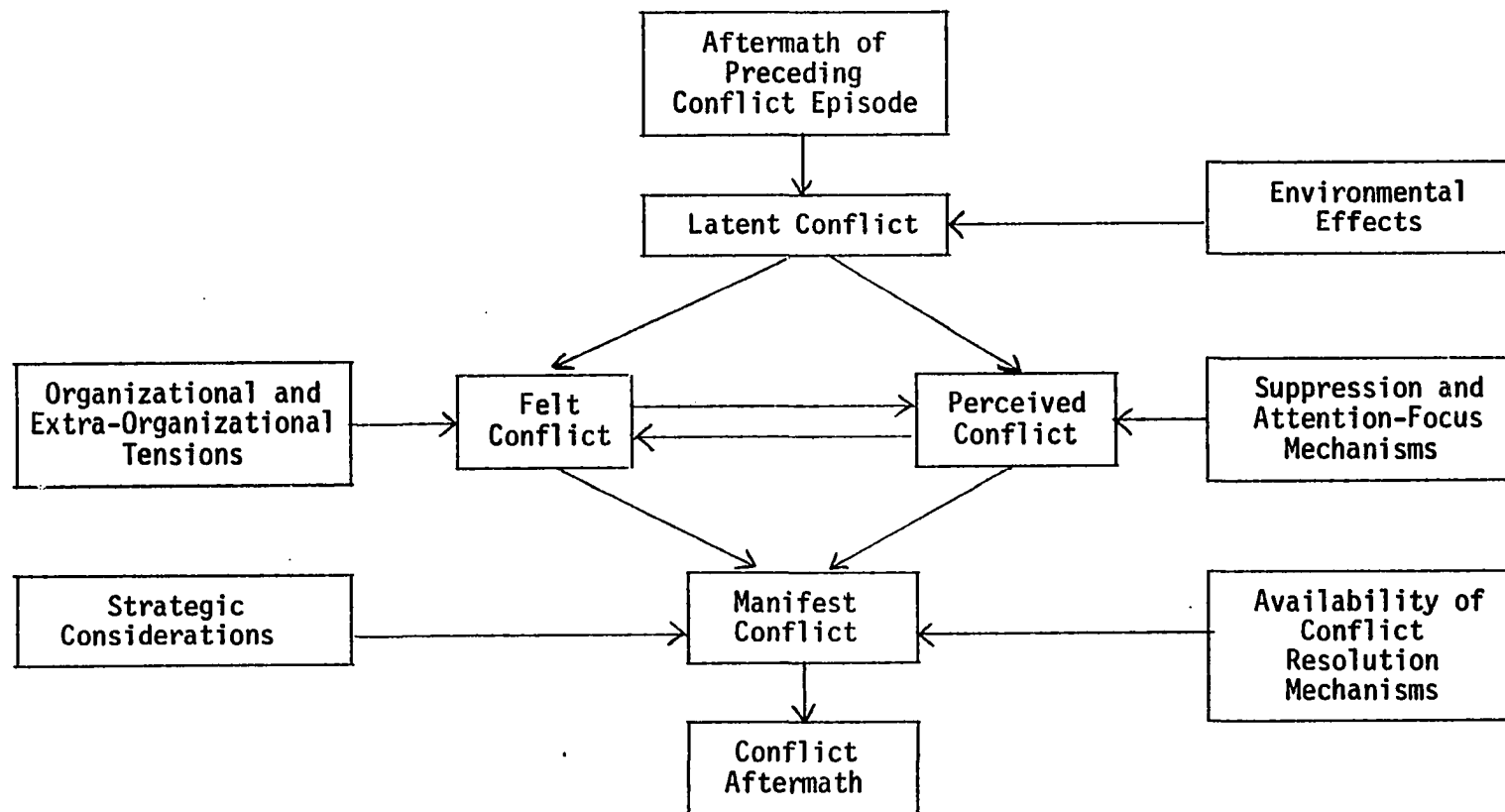


Figure 1.--The Dynamics of a Conflict Episode

SOURCE: Louis R. Pondy, "Organizational Conflict: Concepts and Models," Administrative Science Quarterly 12 (September 1967): 306.

conditions are considered to be qualifications present in the stages of the conflict episode. The conditions developed by Walton and Dutton are:

1. Mutual dependence. Task dependence is the extent to which two units depend upon each other for assistance, information, compliance or other coordinate acts in the performance of their respective tasks.
2. Asymmetries. Symmetrical interdependence and symmetrical patterns of initiation between units promote collaboration. Asymmetrical interdependence leads to perceptions and/or feelings of conflict.
3. Rewards. The more evaluations and rewards emphasize the separate performance of each unit rather than their combined performance, the more there will be perceptions and/or feelings of conflict.
4. Organization differentiation. Where each unit performs a different type of task and copes with a different segment of the environment then units will develop significant internal differences.
5. Role dissatisfaction. The perceptions and/or feelings of conflict result when each of the interdependent units has responsibility for only one side of the dilemma embedded in interorganizational tasks.
6. Ambiguities. Difficulty in assigning credit or blame between units increases the likelihood of perceptions and/or feelings of conflict.
7. Common resources. Potential for perceptions and/or feelings of conflict exist when two units depend upon a common pool of scarce interorganizational resources.
8. Communication obstacles. Where barriers, either perceptual and/or physical, present themselves to the free flow of ideas and/or directives.
9. Personal skills and traits. Certain personality attributes such as high authoritarianism, high dogmatism and low self-esteem increase the likelihood of perceptions and/or feelings of conflict.⁵⁰

These qualifications add to the concept of the conflict episode and the possibility of its being sequential. However, this

⁵⁰ Ibid.

does not address the fact that subsequent to the episodes themselves, causal factors must be present.

Causes of Conflict

Relating the idea of conflict and the causes of conflict in the distribution channel has been put forth by Stern and Gorman.⁵¹ In their article they state: When a channel of distribution is viewed as a social system, the members of such a channel are, by definition, caught up in a web of interdependency. The actions or behavior of any one member have consequences for the level of output (measured in terms of individual goals) achieved by others. This dependency relationship represents the root of conflict in channels of distribution. A state of conflict may, therefore, exist when two or more components of any given system of action (for instance a channel of distribution) become objects of each others frustration.⁵²

The interdependency and subsequent inevitability of conflict is a subject addressed in numerous articles.⁵³

⁵¹Louis W. Stern and Ronald H. Gorman, "Conflict in Distribution Channels: An Exploration," in Distribution Channels: Behavioral Dimensions, ed. Louis Stern, op. cit.

⁵²Ibid.

⁵³For example, see Robert F. Lusch and James F. Horrell, Sources of Conflict in Distribution Channels (Norman, Oklahoma: Distribution Research Program, 1977); and Fuat A. Firat, Alice M. Tybout, and Louis W. Stern, "A Perspective on Conflict and Power in Distribution," in 1974 Combined Proceedings of the American Marketing Association, ed. Ronald C. Curhan (Portland, Oregon: Fall Conference, 1974). pp. 435-439

Expressions of conflict are due to the identification of components of that interdependency that are the root causes of the conflict. Once identified, the components must be grouped under headings in order to provide classifications that can be transferred. One classification grouping has been proposed by Stern and Heskett. Their grouping proposals for root causes of conflict are:

1. Incompatibility of goals.
2. Role incongruity and dysfunctional domain definitions.
3. Differences in perceptions of reality used in joint decision making.⁵⁴

They felt that each component or channel member had its own goals to satisfy and that broader system goals were usually subordinated to individual (organizational goals).

Also, because it is very difficult to coordinate channel behavior, goals of various components are not easily satisfied.

Roles constitute the functions and the degree of functional performance expected of channel members by other system members. Domain refers to the claims of the channel member reserved for itself in terms of the range of products, the population served, and the services rendered. Thus, conflicting role expectations and domain definitions governing relationships between members of the channel give rise to differences of opinion of many items involved in the

⁵⁴Louis Stern and J. L. Heskett, "Conflict Management in Interorganizational Relations," in Distribution Channels: Behavioral Dimensions, ed. Louis Stern, op. cit., p. 293.

business operation between the two parties. Perceptions of reality difficulties arise because members may have completely opposite perceptions of the same situation which would call for completely different behavior reactions.

The basis for these three groupings have had additional support and expansion in the literature.⁵⁵ In studying the causes of conflict one alternative to the three groupings expressed previously is to expand the list of causes into a much greater number of items.

One such approach was taken by Stern and Gorman.⁵⁶ Their list of causes of conflict include the following:

1. Roles
2. Issues
3. Perceptions
4. Expectations
5. Decisions
6. Goals
7. Communications

Lusch and Horrell proposed a list of seven factors that will tend to increase frequency, intensity, and duration of conflict.⁵⁷

These sources are:

1. Underachieved financial goals
2. Disparate risk preferences
3. Power discensus

⁵⁵See Keith W. Warner and A. Eugene Havens, "Goal Displacement and the Intangibility of Organizational Goals," Administrative Science Quarterly 12 (March 1968): 540-541; James D. Thompson, Organizations in Action (New York: McGraw Hill Book Co., 1967), pp. 26-29; and Warren J. Wittreich, "Misunderstanding the Retailer," Harvard Business Review 40 (May-June 1962): 147-157.

⁵⁶Stern and Gorman, op. cit., pp. 157-160.

⁵⁷Lusch and Horrell, op. cit., p. 5.

4. Poor communications
5. Sources of power
6. Personalities ⁵⁸
7. Externalities.

The idea that conflict exists and the attempt at quantifying its causes have led to a classification process along with expansions and explanations of each of the classifications. Accepting the proposed classifications as being one method of quantifying the causes of conflicts, the next area to be observed would be the effect of conflict within a distribution channel.

Effects of Conflict

Rosenberg and Stern tested the Stern and Heskett categories of goal incompatibility, domain discensus and differential perceptions of reality, and attempted to measure the relation of intensity level of conflict to these factors.⁵⁹

The results of this study were somewhat inconclusive although they did lay the basis for the study of conflict causes and intensity within the distribution channel.

Rosenberg and Stern proposed a descriptive model of intra-channel conflict as a way of relating causes of conflict to a channel performance model. Figure 2 diagrammatically represents their contention that the presence of conflict is due to certain identifiable causes which are associated by the structure alignment of participating

⁵⁸Ibid.

⁵⁹Larry J. Rosenberg and Louis W. Stern, "Conflict Measurement in the Distribution Channel," Journal of Marketing Research 8 (November 1971): 437.

firms. The causes are capable of generating a measurable level of conflict. The outcomes of the conflict processed in the form of performance results of member firms are determined by the intensity of the conflict. Outcomes in turn will influence the original conflict causes.⁶⁰

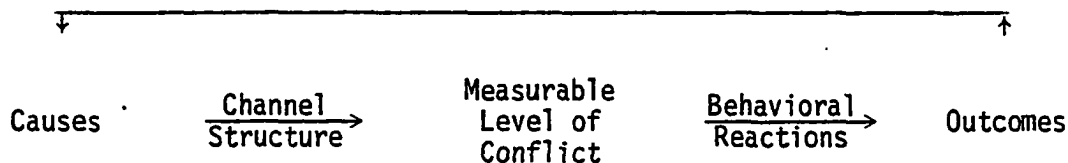


Figure 2.-- Rosenberg and Stern Conflict Model

SOURCE: Larry R. Rosenberg and Louis W. Stern, "Toward the Analysis of Conflict in Distribution Channels: A Descriptive Model," Journal of Marketing 34 (October 1970): 41.

The relationship of intensity to conflict comes from Stern and Heskett, who in their article hypothesize a series of propositions stating that the greater the intensity level or the greater the differential in perception of the components of role, domain, and reality perception, the greater will be the level of the vertical conflict.⁶¹ First, Tybout, and Stern also propose a model orientation to conflict

⁶⁰Ibid., p. 438.

⁶¹Stern and Heskett, op. cit., pp. 293-303. Included in their entirety in Appendix 1.

analysis.⁶² Their conflict field is shown in Figure 3 which they feel exists when two or more parties are interdependent. This interdependency is the only antecedent condition that delimits the field.⁶³ The interdependency may be direct or indirect. It is direct when one social unit needs another in order to achieve its interests or goals. It is indirect when different social units are dependent on the same resources but not necessarily on one another. The conflict field can have two states, potential and actual.⁶⁴ The potential state exists as a function of the interdependency among social units. The actual state can be defined as a situation where the interests of interdependent parties are at odds and where a tradeoff between interests is necessary in order for one or both to achieve their respective goals.⁶⁵ From this conflict field model Firat, Tybout, and Stern propose four responses to conflict.⁶⁶ They are:

1. Withdrawal
2. Repression or concealment
3. Intra-organizational change
4. The exercise of power.

From this research the authors develop a list of propositions combining the factors that they have proposed. These propositions are as follows:

⁶²Fuat A. Firat, Alice M. Tybout, and Louis W. Stern, "A Perspective on Conflict and Power in Distribution," in 1974 Combined Proceedings of the American Marketing Association, ed. Ronald C. Curhan, op. cit.

⁶³Ibid., p. 435.

⁶⁴Ibid.

⁶⁵Ibid.

⁶⁶Ibid.

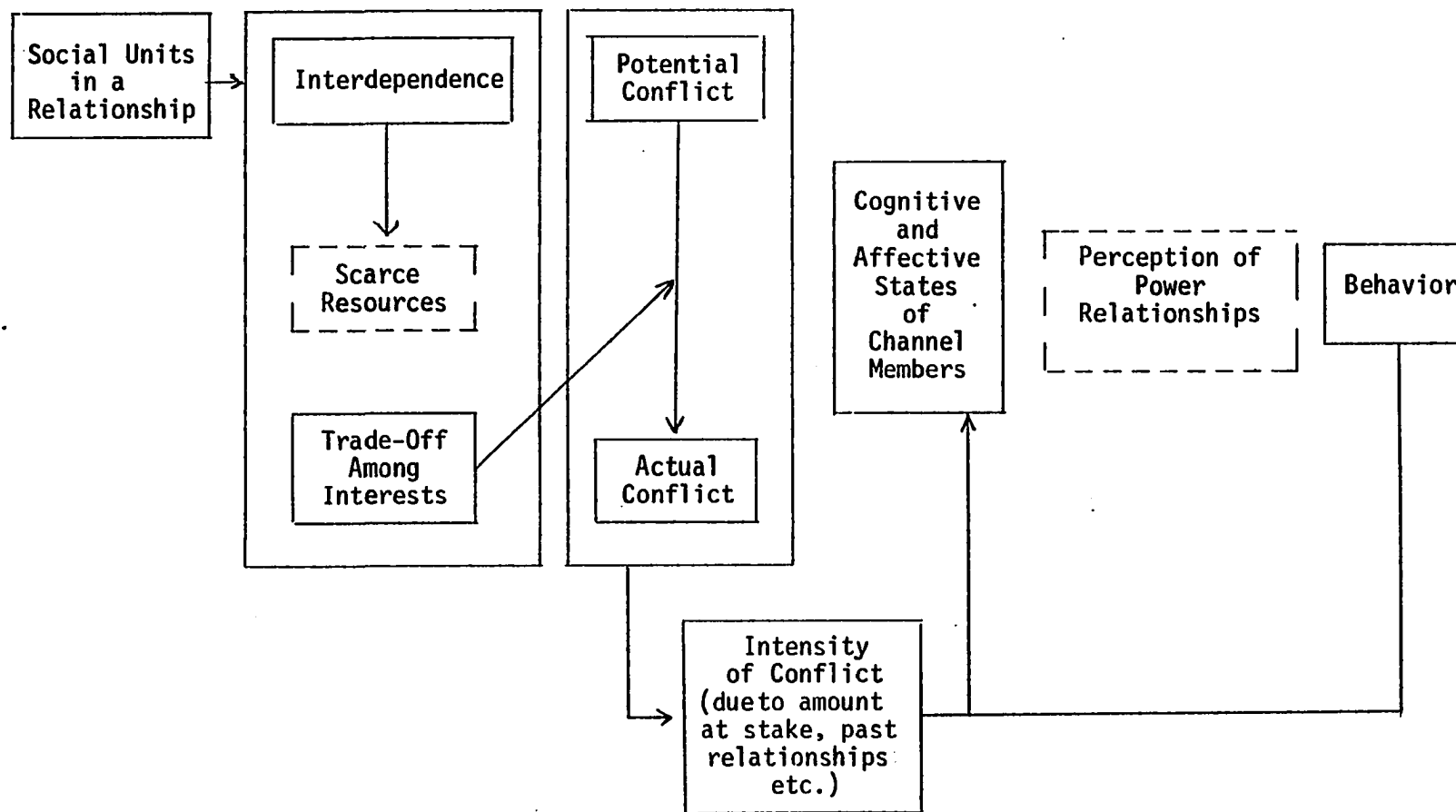


Figure 3.--The Conflict Field of Firat, Tybout and Stern.

SOURCE: Fuat A. Firat, Alice M. Tybout, and Louis W. Stern.

1. The probability of actual conflict state becoming perceived and/or felt is greater than that of a potential conflict state.
2. The greater the intensity of the actual conflict state (i.e., the more the actors have at stake) the greater the probability that the state will be perceived or felt.
3. The greater the interdependency between organizations the higher the probability that a conflict state will be perceived and/or felt.
4. In a symmetrical interdependent relationship, the more dependent organization will be most likely to perceive and/or feel a conflict state.
5. Direct dependency is more likely in perceived and/or felt conflict state than indirect dependency.

Given that conflict is perceived or felt, several propositions regarding responses to conflict emerge.

6. When self and others power are perceived to be equal, the probability of compromise through bargaining being employed to resolve the conflict will increase.
7. When self and other power are equal the stronger party will gain more concessions than the weak one and these gains will reflect the ratio of their power.
8. Increases in the expected environment cost of strategies and retaliations will decrease the likelihood that these strategies and retaliations will be used
9. A target may increase its retaliatory potential by expanding its alternatives outside the A-B relationship.
10. Mis-perceptions resulting in over valuing the power of the organization provide the organization with a greater advantage when the mis-perceptions relate to the organization's ability to punish rather than to reward.⁶⁷

Stern and Gorman summarize the responses of conflict into two broad categories: (1) the exercise of power; (2) intraorganizational

⁶⁷ Ibid., pp. 438-439.

change.⁶⁸ It is this exercise of power that will be treated as a separate subject in this dissertation. (The other responses, while valid, will not be addressed at this time.) Etgar studied the causes of conflict and segregated the list into two broad sets, attitudinal and structural differences.⁶⁹ In the attitudinal sources of conflict he listed roles, expectations, perceptions, and communications.⁷⁰ Under structural causes of conflict he listed goal divergence, drive for autonomy, and competition for scarce resources.⁷¹ His model of intra-channel conflict process (Figure 4) was tested, and he found that attitudinal and structural causes of conflict had differing impact on conflict situations with attitudinal causes being the most important.⁷²

The effect of conflict on channel performance is another area of study.

Rosenbloom conceptualized four results of conflict on channel efficiency which he defines as the degree to which total investment in the various inputs necessary to achieve a given channel decision can be optimized in terms of outputs.⁷³ His four possible effects are

⁶⁸Stern and Gorman, op. cit., p. 161.

⁶⁹Michael Etgar, "Sources and Types of Intrachannel Conflict," Journal of Retailing 55 (Spring 1979): 64-67.

⁷⁰Ibid., pp. 64-65.

⁷¹Ibid., pp. 65-67.

⁷²Ibid., pp. 71-74.

⁷³Bert Rosenbloom, "Conflict and Channel Efficiency: Some Conceptual Models for the Decision Maker," Journal of Marketing 37 (July 1973): 26-30.

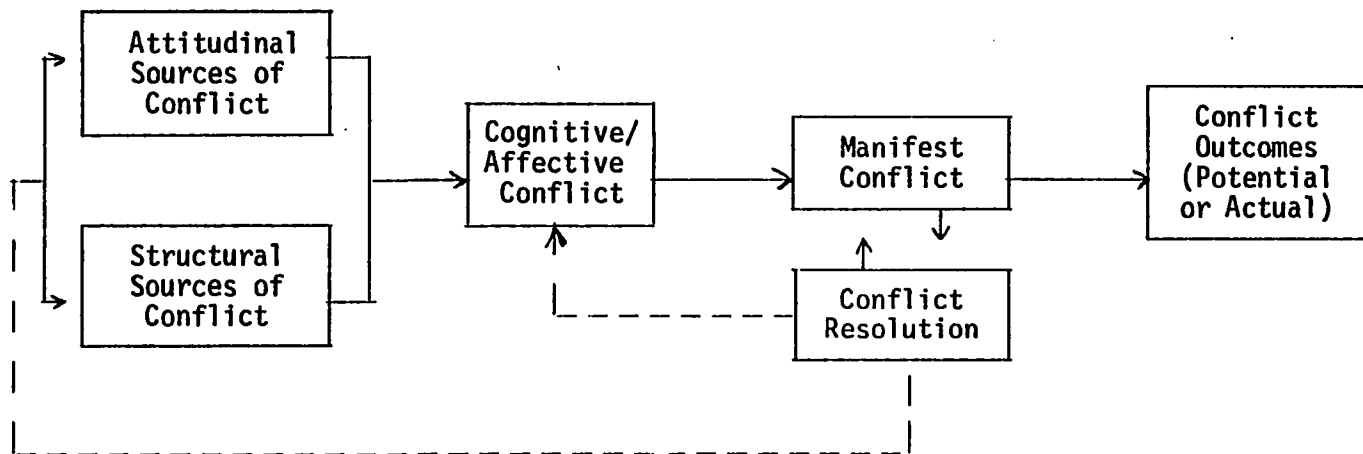


Figure 4. A Modified Model of Intrachannel Conflict Processes

SOURCE: Michael Etgar, "Sources and Types of Intrachannel Conflict," Journal of Retailing 55 (Spring 1979): 66.

illustrated in Figure 5. Number one illustrates a negative relationship that as the level of conflict increases, channel efficiency is reduced. Number two shows possibly a relationship in which the existence of conflict has caused no change in channel efficiency. The third illustration shows the possibility of conflict causing an increase in channel efficiency as the level of conflict increases. The last diagram suggests a tolerance range over which the conflict has no effect, and the range where the conflict result is positive, and a further range where there is a negative effect.⁷⁴ This threshold theory was used also by Boulding, Rosenberg and Stern, and Bucklin.⁷⁵ This idea will be treated later on in the dissertation more completely than it is at present.

Attempts were made to show the effect on channel performance of the amount of conflict present. Rosenberg noted the relationship of conflict on financial performance in behavior outcomes for channel members.⁷⁶ His findings were

Basic member and system causes which yield specific issues may induce behavioral changes on the part of participant firms. The behavior, which is a mixture of incidents of

⁷⁴Ibid., pp. 28-29.

⁷⁵Kenneth E. Boulding, "The Economics of Human Conflict," in The Nature of Human Conflict, ed. Elton B. McNiel (Englewood Cliffs, N.J.: Prentice Hall, Inc., 1965), pp. 72-191; Larry J. Rosenberg and Louis W. Stern, "Toward the Analysis of Conflict in Distribution Channels: A Descriptive Model," Journal of Marketing 34 (October 1974): 40-46; and Louis P. Bucklin, "A Theory of Channel Control," Journal of Marketing 37 (January 1973): 39-47.

⁷⁶Larry J. Rosenberg, "The Development of Conflict in Contractual Marketing Systems: A Case Study," in Contractual Marketing Systems, ed. Donald N. Thompson (Lexington, Mass.: D. C. Heath Co., 1971).

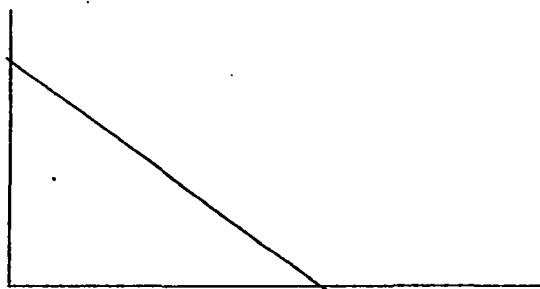


Fig. 1. Conflict and channel efficiency - negative

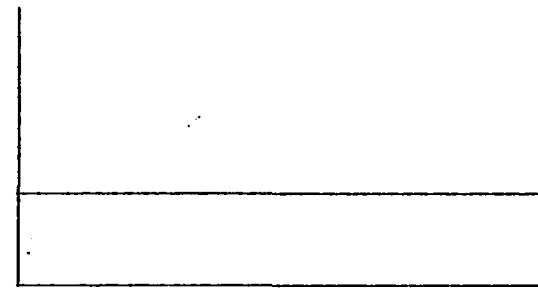


Fig. 2. Conflict and channel efficiency - no effect

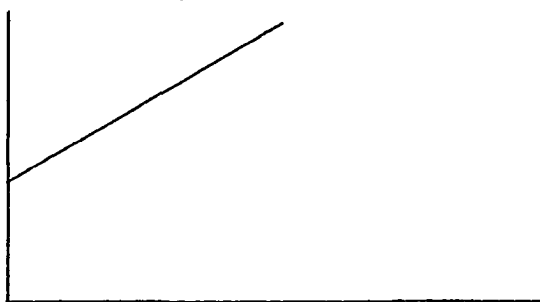


Fig. 3. Conflict and channel efficiency - positive effect

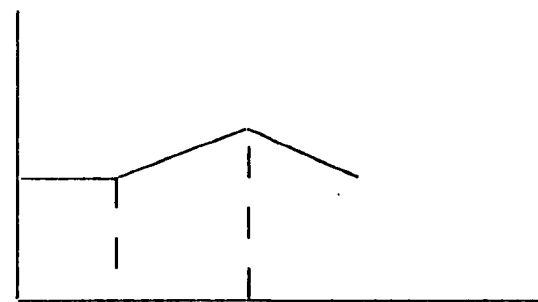


Fig. 4. Conflict and channel efficiency - general curve

Figure 5. Rosenbloom's Conceptual Models of Conflict and Channel Efficiency.

. SOURCE: Bert Rosenbloom, "Conflict and Channel Efficiency: Some Conceptual Models for the Decision Maker," Journal of Marketing 37 (July 1973): 28-29.

adversity, interactions, and of conflict resolution mechanisms, attributes to the appearance of consequences inducing financial performance and behavioral outcomes of channel members. The consequences in turn effect the basic causes of conflict.⁷⁷

Lusch studied the effect of channel conflict on retailer operating performance in the automotive channel.⁷⁸ He found that there were significant relationships between conflict and the operating performance: that by increasing levels of channel conflict, the operating performance decreased.⁷⁹ Boulding also studied the relationship between the level of conflict and financial performance.⁸⁰ Using the threshold concept mentioned above, he felt that the higher the level of conflict registered by any given member of the channel dyad, the higher will be the financial performance indicators for that member, up to the point of the conflict threshold, and anything above that threshold the higher the level of conflict registered, the lower will be the financial performance indicators for that member.⁸¹

Having defined the concept of conflict, developed its causes, surveyed the attempts to measure its presence, and outlined the effects of conflict on channel operations, the next area that should be addressed is the responses to the presence of conflict. Firat, Tybout, and Stern, as well as Stern and Gorman, specify one of the

⁷⁷Ibid., p. 149.

⁷⁸Robert F. Lusch, "Channel Conflict: Its Impact on Retailer Operating Performance," Journal of Retailing 52 (Summer 1976): 3-12.

⁷⁹Ibid., p. 10.

⁸⁰Boulding, "The Economics of Human Conflict," op. cit., p. 174.

⁸¹Ibid., pp. 174-176.

major responses of conflict is the exercise and presence of power. As was mentioned previously, Palamountain in his early thesis acknowledged the growing presence of power in the study of conflict.

It is therefore necessary to explore the concept of power.

Power in the Channel

Power in its most general sense refers to the ability of one individual or group to control or influence the behavior of another. It has been defined both individually from the standpoint of power relationships, and in a marketing sense. Dahl defines power as the ability of one individual or group to get another unit to do something it would not have otherwise done.⁸²

ElAnsary and Stern apply this same notion to distribution channels and define power as the ability of the channel member to control the decision variables in the marketing strategy of another member at a different level in the channel of distribution.⁸³ These definitions define power operationally.

⁸²Robert A. Dahl, "The Concept of Power," Behavioral Science 2 (July 1977): 202.

⁸³Adel I. ElAnsary and Louis W. Stern, "Power Measurement in the Distribution Channel," Journal of Marketing Research 9 (February 1972): 47.

Conceptual Classifications

Conceptually, power definitions are grouped into two general classifications.⁸⁴ Dahl defined power in terms of interpersonal relationships, and this applies to the same statement mentioned above that "A" has power over the "B" to the extent that he can get "B" to do something that "B" would not otherwise do.⁸⁵ Implied in this there are several qualifications.⁸⁶

1. In stating a power relationship, it is not sufficient to say "A" is powerful. Rather "A" must be powerful over someone else, designated as "B".
2. This definition makes no distinction as to the means of getting another actor to do what he would not otherwise have done.
3. The definition does not require each application of power by "A" to result in overt reactions by "B" in order to be considered successful.

The second grouping follows the direction of Emerson who defines power in terms of dependence.⁸⁷ "The dependence of actor A upon actor B is: (1) directly proportional to A's motivational investment in goals mediated by A, and (2) inversely proportional to

⁸⁴For the delimitation of this dissertation but substantiated in publications. For example, see ElAnsary and Stern, *Ibid.*; and J. L. Heskett, Louis Ward Stern, and Frederick J. Beier; "Bases and Uses of Power in Interorganization Relations," in Vertical Marketing Systems, ed. Louis Bucklin (Glenview, Illinois: Scott Foresman and Co., n.d.), pp. 75-93.

⁸⁵Dahl, op. cit., pp. 202-204.

⁸⁶Heskett, Stern, and Beier, op. cit., p. 76.

⁸⁷Richard M. Emerson, "Power Dependence Relations," American Sociological Review 27 (February 1962): 31-41.

the availability of these goals to B outside of the A/B relation."⁸⁸ Emerson concludes that the power of A over B is equal to and based upon the dependence of B upon A.⁸⁹

Using either conceptual position, power is seen to be the ability to influence a situation. Further expansion of the conceptual idea of power is necessary to broaden the understanding. One such expansion has been offered by Kaplan in determining the dimensions of the power of relationship.

Dimensions of Power

Kaplan described three dimensions of power that include weight, domain, and scope.⁹⁰ He defined the weight of power as the degree to which an A affects the probability of B behaving in a certain way. He defined domain as the number of B's, persons, or collectivities, whose behavior is determined, and he defined scope as the range of behaviors for each B that is determined.⁹¹ However, the application of power to the study of the channels of distribution requires that a framework of the relationship to channel behavior be formed.

One method of developing this relationship is to identify the sources or bases of power that provide the foundation of its practice.

⁸⁸Ibid., pp. 32-33.

⁸⁹Ibid., p. 33.

⁹⁰Abraham Kaplan, "Power in Perspective," in Power and Conflict in Organizations, eds. Robert L. Kahn and Elise Boulding (New York: Basic Books, 1964), pp. 14-16.

⁹¹Ibid.

Bases of Power

In their study, French and Raven explored classifications of power sources.⁹² They defined five common bases of power which they refer to as follows:

1. Reward power--the power whose basis is in the ability to reward. The strength of the reward power of A versus B increases with the magnitude of the rewards which B perceives that A can mediate for him.
2. Coercive power--stems from the expectation on the part of B that he will be punished by A if he fails to conform to the influence attempt.
3. Legitimate power--is that power which stems from internalized values in B, which dictate that A has a legitimate right to influence B and that B has an obligation to accept this influence. The bases for legitimate power include cultural values, acceptance of a social structure, and designation by a legitimizing agent.
4. Referrent power--has its bases in the identification of B with A. The stronger the identification of B with A, the greater the referrent power of A over B.
5. Expert power--is that power that varies with the extent of knowledge or perception which B attributes to A within a given area.⁹³

These groupings have provided reference by a large number of authors in further studies into the concept of power and relationships within the distribution channel. From this classification study further expansions of the idea that power is a multi-faceted phenomenon were developed.

⁹²John R. P. French and Bertram Raven, "The Bases of Social Power," in *Group Dynamics*, eds. D. Cartwright and Alvin Zander (Evanston, Illinois: Row Peterson and Co., 1962), pp. 607-623.

⁹³*Ibid.*, pp. 612-621.

Goldhammer and Shils developed additional amplification in the areas of forms or types of power.⁹⁴ They felt that power could be distinguished in terms of the type of influence brought to bear upon the subordinated individual. They identified three types of influence: force, domination, and manipulation. "The powerholder exercises force when he influences behavior by physical manipulation of the subordinated individual (assault, confinement, etc.); domination when he influences behavior by making explicit to others what he wants them to do (command, request, etc.); and manipulation when he influences the behavior of others without making explicit the behavior which he thereby wants them to perform."⁹⁵ They go on to claim that powerholders claim legitimacy for their acts and that if this is acknowledged by the subordinated individuals, it is spoken of as legitimate power; if it is not recognized as that, it is called coercion.⁹⁶ They go on to define three major forms of legitimate power, namely legal, traditional, and charismatic.⁹⁷

This quantification or categorization of the elements of the power perspective help to enlarge its definition. However, it is necessary to identify the effects of power relationships within a marketing channel.

⁹⁴Herbert Goldhammer and Edward Shils, "Types of Power and Status," The American Journal of Sociology 45 (September 1939): 171-181.

⁹⁵Ibid., p. 172.

⁹⁶Ibid.

⁹⁷Ibid., pp. 172-173.

Studies of Power Relationships

The relationship of these concepts to the operation of a distribution channel has been studied in the literature. ElAnsary and Stern developed a model for power measurement in a distribution channel,⁹⁸ in which they attempted to quantify the relationship of four sets of variables. Those sets were the relationship between power and dependence, the relationship between self perceived and attributed power, the relationship between power and sources of power, and the relationship between power, dependence, and sources of power.⁹⁹ While their findings were not conclusive; the model did set up an attempt to measure power relationships.¹⁰⁰

Hunt and Nevin empirically assessed the relationship between power and the sources of power in a channel distribution that had a well-defined power structure.¹⁰¹ They found that a significant relationship exists between the power of a channel member and the sources of power available to him.¹⁰² They also found that the level of satisfaction with the franchise relationship as held by the franchisee

⁹⁸ElAnsary and Stern, "Power Measurement in the Distribution Channel," op. cit., p. 48.

⁹⁹Ibid., pp. 49-51

¹⁰⁰Ibid., p. 51.

¹⁰¹Shelby D. Hunt and John R. Nevin, "Power in a Channel of Distribution: Sources and Consequences," Journal of Marketing Research 11 (May 1974): 186-193.

¹⁰²Ibid., p. 192.

can be increased, by the franchisor, by relying more on non-coercive sources of power and less on coercive sources of power.¹⁰³

In their article they applied the five categories of power sources or bases as identified by French and Raven into empirical relationships. They categorized these power sources into coercive and non-coercive. Under the non-coercive sources they grouped reward, expert legitimate, and referent power, and identified coercive as a separate grouping altogether. They felt that empirically, coercive power can be differentiated from the others because it alone involves potential punishment. They felt that in all other non-coercive sources of power, the individual willingly rather than begrudgingly yields power to another.¹⁰⁴

Etgar, in one of his works, studied the relationship of dependency, power sources and countervailing power.¹⁰⁵

His conclusions were that the power of a channel member is a function of the magnitude of his power sources; that the power of the channel member is a function of the extent of the dependence of the other channel members upon him, and thirdly, that the power of the controlling channel member is related negatively to the countervailing power available to the controlled channel members.¹⁰⁶ Etgar

¹⁰³Ibid.

¹⁰⁴Ibid., p. 187.

¹⁰⁵Michael Etgar, "Channel Domination and Countervailing Power in Distributive Channels," Journal of Marketing Research 13 (August 1976): 254-262.

¹⁰⁶Ibid., pp. 225 and 258.

in a later study attempted to determine empirically if channel leaders used different means to achieve power in different channel surroundings.¹⁰⁷

He concentrated on the variation between conventional marketing channels and contractual marketing channels. The basis for his hypotheses is that there was a difference in achieving channel control that was based on traditional or conventional wisdom in the market. He felt this was because the traditional view of the role of the manufacturer is depicted as being primarily concerned with product development, offering and delivery.¹⁰⁸ His expertise is supposed to be in these areas and should also be the sources of his power in the channel.

In the contractual channels, the manufacturers are expected to utilize sources of power concurrent with their objectives of direct management of retail operations in order to insure effective distribution of their products. His conclusions were that there were significant differences between the types of power used by manufacturers between those who control conventional channels and those methods used by manufacturers who control contractual channels. The means of power conform to the traditional role of manufacturers in

¹⁰⁷Michael Etgar; "Differences in the Use of Manufacturer Power in Conventional and Contractual Channels," Journal of Retailing 54 (Winter 1978): 49-62.

¹⁰⁸Ibid., p. 52.

the channel of study, which meant that in each case the manufacturers exploited their strength in exerting their bases of power.¹⁰⁹

Lusch, in one of his works, studied the relationship of sources of power and intra-channel conflict.¹¹⁰ His work attempted to develop the relationship between coercive and non-coercive sources of power and their relationships to the impact on intra-channel conflict levels. While he develops the sub-categories of the coercive and non-coercive groupings of the bases of power, and agrees with the groupings in the development of his hypotheses, Lusch also points out the fact that it is possible that useful information is lost in possible oversimplification of the variables.

He found that in an automotive manufacturer channel, the sources of power had a significant impact on the level of conflict.¹¹¹ He found that coercive sources tended to increase the level of intra-channel conflict, whereas non-coercive sources tended to decrease it.¹¹²

The existence of power and its relative level of attainment for each member of the distribution channel also influences the performance and activity of that channel. Kasulis et al. examined this question by following the transition of the power concepts from

¹⁰⁹Ibid., p. 59.

¹¹⁰Robert F. Lusch, "Sources of Power: Their Impact on Inter-channel Conflict," Journal of Marketing Research 13 (November 1976): 382-390.

¹¹¹Ibid., p. 388.

¹¹²Ibid.

theoretical to operational application.¹¹³ They developed a conceptual scheme representing generic states of interorganizational relations and then went on to examine the boundary conditions under which power is a viable strategy. They characterize the exercise of power as a two-step flow from the primary level (characteristics of the powerholder) to the secondary level (the instruments through which the powerholder is connected to the target).¹¹⁴

Their concept of the secondary level is a way of operationalizing the way in which power is exercised. Applying these to a channel of distribution which can represent a division of labor according to each member's relative competencies, channel relations are determined by the distinctive services one part of the channel contributes to the total operation. To specify or determine the value attached to the contribution made by each of the participants is also to define the determinants of power. These determinants reflect the notion that there are factors exogenous and endogenous to the task environment of the particular channel of distribution which define the power characteristics of the powerholder. These factors help specify the dimensions of the powerholder by determining the magnitude, domain, and scope of the power relation.¹¹⁵

¹¹³Jack J. Kasulis, Robert E. Spekman, and Richard R. Bogozzi, A Taxonomy of Channel Influence: A Theoretical-Operational Framework (Norman: Research Program, College of Business, University of Oklahoma, 1976).

¹¹⁴Ibid., p. 25.

¹¹⁵Ibid., pp. 15-16.

Walters identified seven factors or determinants of power which helped define the power characteristics of the powerholder.¹¹⁶

They are as follows:

Product ownership: The basis of power in this instance rests with the right of private property.

Economic standing: This characteristic of the powerholder emanates from the competitive position or financial strength of the channel member.

Positional authority: This power determinant describes strategic advantages which are identified with the channel member because of his unique position in the channel.

Technical skill: This source of power represents special or sophisticated operational competencies of the powerholder not easily acquired elsewhere.

Member persuasiveness: This power determinant represents the innate talent of one firm to persuade another channel member to behave as prescribed.

Competitive environment: This factor is a recognition that the environment in which a firm competes in part determines the power characteristics of the operating firms.

Societal environment: This power determinant stems from realization that there are legal and/or social factors which constrain or promote the power positions of firms in a channel of distribution.¹¹⁷

Heskett, Stern and Beier set forth a series of operational measurements that they stated could be measures of power bases.¹¹⁸

They examine the relationship of bases of power and their use in

¹¹⁶Glen C. Walters, Marketing Channels (New York: John S. Wiley and Sons, 1974), pp. 389-411.

¹¹⁷Ibid., pp. 399-403.

¹¹⁸Heskett, Stern, and Beier, "Bases and Uses of Power in Interorganizational Relations," op. cit., pp. 82-85.

interorganizational relations and they hypothesize that perceptions of relative bases or power are of the utmost importance. Using the concept of perceptions offered by the authors, they then go on to propose a series of indicators that will measure, in terms of organizational performance, the use of power. They indicate that while these are not absolute measurements they would be used as relative comparison indicators for the amount and type of power held by that party in an organization.¹¹⁹

Their list of indicators included the following. The flows of personnel or an organization's ability to develop, attract, or hold people, or even to disseminate them in a positive manner to other organizations. The generation of funds or the financial capacity and capabilities of a firm. The generation of ideas or the ability to muster innovative ideas and implement such innovation. The generation of quality in goods and services or the reputation of an organization for producing quality goods and services in relation to price. The generation of quantity or concentration of flows of goods and services. And finally, the generation of quality information into the channel that would facilitate the uncertainty absorption to facilitate the management of channels of distribution.¹²⁰

Differing Opinions

It is noteworthy to present literature that takes exception with some of the commonly held assumptions of the relationship of

¹¹⁹Ibid.

¹²⁰Ibid.

power. Hickson et al. developed a strategic contingency theory of intraorganizational power.¹²¹ In this they attempt to shift away from the vertical, personalized concept of power through the use of sub-units as the unit of analysis. The theory relates the power of a sub-unit to its ability to cope with uncertainty, substitutability, and centrality, through the control of strategic contingencies for other dependent activities.¹²² Their approach differs also by treating power as the dependent variable. Their strategic contingencies theory attempts to explain differential sub-unit power by dependence on contingencies ensuing from varying combinations of coping with uncertainty, substitutability, and centrality. This offers an alternative to the behavioral related measurements and offers another perspective different from the use of the sources of power as a factor of power bases.

Bonoma questions the assumed high cross system applicability of the concepts of power conflict, cooperation, and trust.¹²³ He proposes three different prototypical power systems as evidence of their incompatibility.¹²⁴

These prototypical power systems are: the unilateral power system, in which the strong source imposes influence on a weak target;

¹²¹D. J. Hickson et al., "A Strategic Contingencies Theory of Intraorganizational Power," Administrative Science Quarterly 16 (June 1971): 216-228.

¹²²Ibid., p. 216.

¹²³Thomas V. Bonoma, "Conflict, Cooperation and Trust in Three Power Systems," Behavioral Science 21 (1976): 499-513.

¹²⁴Ibid., p. 499.

the mixed power system, in which partially equivalent interactants bargain to agreement or deadlock; and the bilateral power system in which interactants are in unit relation and formulate joint policy programs.¹²⁵ He felt that with these three different applications the variables of power, conflict, cooperation, and trust, were all found to require substantially different definition and treatment when considered in one as opposed to another of these prototypical systems.¹²⁶

Both of these expressions have their merits, however, since I have defined my perspectives as being one of analyzing the channel as a behavior system, I offer these opinions only as opposing statements and not refutations of the theme of this dissertation.

Control in the Channel

Relationship to Power

The transition between the study of power and its use in a channel of distribution has two application concepts. The first group used control over key outcomes as an indicator of power. Using this viewpoint authors consider the terms control and power as synonymous.¹²⁷ Another way to study the relationship between power and control is to view the presence of power as an antecedent to control. This view states that power is the potential to exercise

¹²⁶Ibid.

¹²⁷See Wilkinson, op. cit., p. 79.

control over a situation while the control act is the actual exercise of power in a situation.¹²⁸

Simon refers to control in these terms using his zone of acceptance of authority. He says that the size of a set of behaviors that B will perform at A's command is a measure of A's authority over B.¹²⁹

In viewing the two conceptual applications, I will choose the second and distinguish between power and control as being two separate areas of study. In choosing this route, it is then necessary to relate the concept of power to the concept of control. Stern sets forth several hypotheses on the relationship of power to channel control. They are as follows:

1. Power (in a form of interorganizational control) gravitates to one organization within a system of interrelated organizations. The emergence of a leader within such a system is not only likely, but inevitable.
2. Power structures within inter-firm organization does, more commonly than not, permit the formulation and pursuit of a set of interorganization policies and practices.
3. The performance of an interorganization coalition depends to a significant extent on the acceptance of broad long run consideration by the coalition member with which the greatest power rests.¹³⁰

¹²⁸See Michael Etgar, "Sources and Types of Interchannel Conflict," op. cit., p. 69; and Adel I. ElAnsary and J. Robicheaux, "A Theory of Channel Control Revisited," Journal of Marketing 38 (January 1974).

¹²⁹Herbert A. Simon, "Notes on the Observation and Measurement of Political Power," The Journal of Politics 15 (November 1953).

¹³⁰Louis Stern, "Channel Control and Interorganizational Management," in Readings in Physical Distribution Management, eds. Donald Bowersox, Bernard La Londe, and Edward Smykay (London: Macmillan Co., 1969), pp. 85-93.

Stern goes on to indicate that present management theories are inadequate in dealing with this situation and that new management theory is needed to restate decision tools where necessary. Also, it is necessary to allow the conscious pursuit of long run effective overall performance for a group of interrelated firms.¹³¹

Need for Control

A need for control within an organization is a subject of extensive management literature. Katz and Kahn addressed the subject as follows:

It follows that a continuing requirement for all human organizations is the motivation of role behavior, that is, the attraction and retention of individual members and a motivation of those members to perform the organizationally required acts. The reliability of role behavior is the requirement intrinsic to human organizations. Every organization faces the task of somehow reducing the variability, instability, and spontaneity of individual human acts.¹³²

In relating the study of power and conflict up to this point, it should be remembered that one of the options coming in from the existence of conflict in a channel of distribution was the exercise of power. If conflict is present as stated in the literature and exercising power is one of the outgrowths of its existence, then it must follow that control over a situation through the use of power to alleviate a conflict is also present.

¹³¹Ibid., p. 87.

¹³²Daniel Katz and Robert L. Kahn, The Social Psychology of Organizations (New York: John S. Wiley and Sons, 1969), p. 199.

Limitations

However, it is incorrect to assume that the exercise of power and therefore the control in a situation has no limits as to its productivity or affectivity. Bucklin has offered a model in which he attempts to show a tradeoff function in the use of control in relation to channel performance.¹³³ In looking at the control of a supplier over a middleman, Bucklin hypothesizes the existence of two functions, a tolerance function and a payoff function.¹³⁴ He uses the measurement points of the "X" and "Y" axis as middleman profits earned and supplier authority. Bucklin's concept of supplier authority relates back to Chester A. Barnard's "Zone of Indifference-Definition of Authority," and using this concept he then relates it to the idea of control.¹³⁵

Figure 6 shows a diagrammatic representation of Bucklin's model. Determinants of the payoff function include the amount of intrachannel competition, the strength of the supplier's marketing program, and efforts by the supplier to include middleman marketing practices. Determinants of the tolerance function include the supplier dependence, the relative status of the middleman and the supplier, and extent of bureaucracy in the supplier's administrative organization. In this representation, the intersection of the tolerance and payoff function is determined to be the limit of supplier authority.

¹³³Louis P. Bucklin, "A Theory of Channel Control," Journal of Marketing 37 (January 1973): 39-47.

¹³⁴*Ibid.*, p. 42.

¹³⁵*Ibid.*

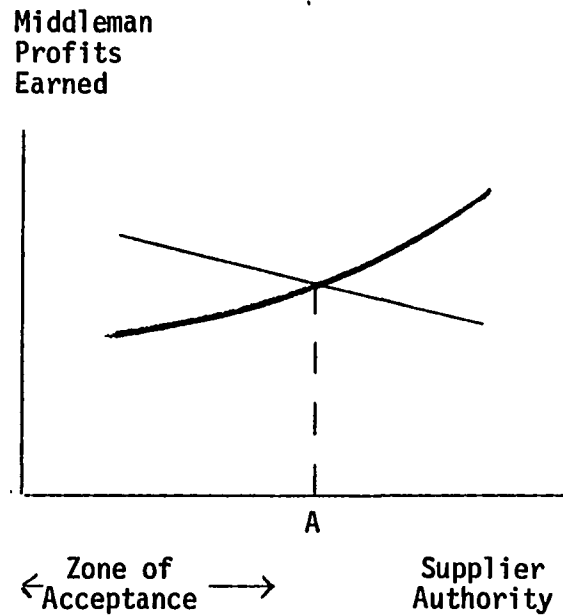


Fig. 6. The limits to authority, A, in a distribution channel, supplier's view.

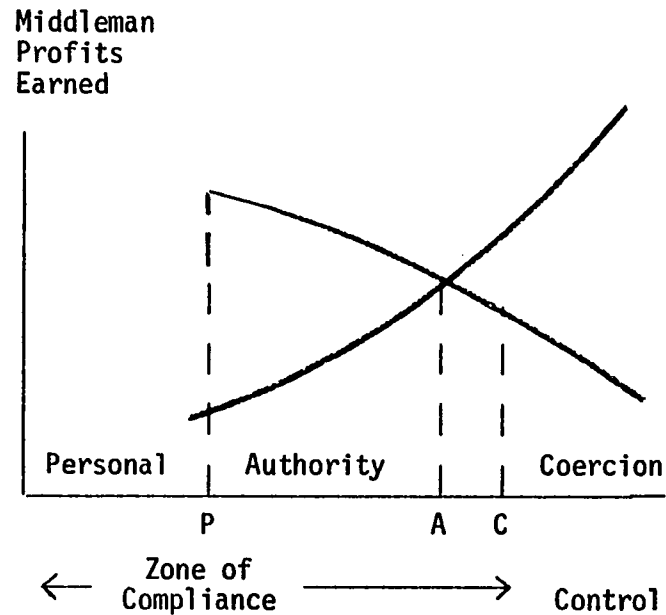


Fig. 6a. Control in distribution, the role of persuasion, authority and coercion

Figure 6. Bucklin's Theory of Channel Control.

SOURCE: Louis P. Bucklin, "A Theory of Channel Control," Journal of Marketing 37 (January 1973): 43.

Modified Figure 6a changes the slope of the payoff function and Bucklin hypothesizes that the zone of compliance in this model is extended on to the right from Point "A" to "C" by the use of coercion. Bucklin states that the increase in the area of zone of compliance is accepted by the middleman due to his dependence level. Bucklin also offers a relationship of bases of power to control by indicating area "A/C" can be obtained by use of coercive forces. Point "A" is the intersection point based on non-coercive forces, area "P/C" is obtained through authority or legitimate power, and the area to the left of the "P" attained only through persuasion.¹³⁶ Bucklin's work is significant in that it diagrammatically relates the conceptual ideas of power, conflict, and control, to a channel operation. It illustrates the potential effect on performance as well as relating the bases of power to the position in the payoff event.

ElAnsary and Robicheaux have taken Bucklin's model and offered some modifications to it. Their model differs from Bucklin's by advancing the idea of establishing limits for tolerance and payoff functions for both suppliers and middlemen, and relating that with limits to the areas of control for each.¹³⁷ They summarize their model as being able to identify the absolute limits of supplier to middleman control, as well as the range of supplier control within which the two parties would bargain.

¹³⁶ Ibid.

¹³⁷ ElAnsary and Robicheaux, "A Theory of Channel Control Revisited," op. cit., pp. 4-5.

In addition, they state that rather than measuring authority of control in general, they stress the idea that payoff and tolerance functions are issue specific.¹³⁸ They also feel that rather than be confined to a dyadic relationship espoused by Bucklin, that their model would be applicable to establishing bargaining strategies by quantifying the average payoff and tolerance functions.¹³⁹

Effect of Environment

Etgar studied the effect of channel environment on the channel control.¹⁴⁰ The environmental variables and their hypothesized relationship with control were as follows:

1. As products matured and the demand declined, the opportunity for centralized control increased. He called this the product's Life Cycle Stage.
2. In highly certain or stable demand conditions the channel creates a climate where high levels of control would be accepted. He called this the uncertainty level.
3. The more routine the operations within the channel are, the more appropriate it is to have centralized control. This is referred to as the technology stage.
4. When inter-channel competition is intense, the need for centralized control is realized and accepted by various channel members. This he¹⁴¹ identified as the competitive effects factor.

¹³⁸Ibid., p. 46.

¹³⁹Ibid., p. 7.

¹⁴⁰Michael Etgar, "Channel Environment and Channel Leadership," Journal of Marketing Research 14 (February 1977): 69-76.

¹⁴¹Ibid., pp. 70-72.

As a result of the analysis of the data, he found that opportunities for control are higher under conditions of declining demand (product life cycle hypotheses), and also in the face of strong inter-channel competition. His conclusion was that there would be an emergence of strong control through channels which face threatening environments--ones where demand declines, competition increases, and uncertainty is high.¹⁴²

Speth and Bonfield offer a study into the perceptions of channel control from a retail standpoint.¹⁴³ They attempted to measure if key personnel in retail organizations perceive a distinct channel of distribution. Also, if there was a difference in the perceptions held by key retail personnel as to which channel member controls a channel operation. The results they found suggest that the concept of a structured channel of distribution is not a viable concept in the minds of key retail personnel being investigated. Rather than finding the structured power levels and therefore control points in the distribution channel that have been hypothesized in several research efforts, they concluded that, at least in the respondents to the study, the entire channel structure was somewhat unclear. However, they did find that the control process was issue specific which was a finding held on the concept of conflict by other authors.¹⁴⁴

¹⁴²Ibid., p. 75.

¹⁴³Thomas W. Speth and E. H. Bonfield, "The Control Process in Marketing Channels: An Exploratory Investigation," Journal of Retailing 54 (Spring 1978): 13-26.

¹⁴⁴Ibid., pp. 20-25.

Satisfaction in the Channel

Relationship to Power

Stern and ElAnsary attempted to define the differential between perceived and attributed power, in an attempt to establish the effect of power perceptions on established situations.¹⁴⁵ While their results were unsubstantiated they did provide a theoretical framework to study this relationship. Hunt and Nevin have suggested that increased satisfaction is likely to result in improved morale and cooperation among channel members.¹⁴⁶ Wilkinson attempted to study the relationship between power and satisfaction, hypothesizing that at low levels of control a direct relationship between a firm's power and its satisfaction with other members' performance exists, but as power becomes greater, eventually an inverse relation between power and satisfaction occurs.¹⁴⁷

Walker, in a study of bargaining among channel members, found that powerful manufacturers become less satisfied with their less powerful bargaining partners' performance during successive bargaining trials.¹⁴⁸

¹⁴⁵ElAnsary and Stern, "Power Measurement in the Distribution Channel," op. cit., p. 48.

¹⁴⁶Hunt and Nevin, "Power in a Channel of Distribution," op. cit., p. 192.

¹⁴⁷Ian F. Wilkinson, "Power and Satisfaction in Channels of Distribution," Journal of Retailing 55 (Summer 1979): 79-83.

¹⁴⁸Orville Walker, Jr., "An Experimental Study of Conflict and Power in Marketing Channels" (Ph.D. dissertation, University of Wisconsin, 1970).

Wilkinson also studied the relationship of intensity to satisfaction by hypothesizing that a firm's satisfaction with other channel members' performance will be more strongly related to its control over activities which it perceives as more important.¹⁴⁹

Following the tolerance payoff concept of Bucklin, reinforced by ElAnsary and Robicheaux, Wilkinson also tries to show the same relationship with satisfaction.¹⁵⁰ He hypothesizes that the firm's satisfaction with other channel members' performance is inversely related to the control to which it is subjected by those channel's members.¹⁵¹ His conclusions show that the relationship between control and satisfaction, particularly over activities showing a high level of importance, does occur. His conclusions about the inverse relationship between the amount of control a firm is subject to from another firm and its satisfaction with the other firm's performance are not supported. Also his research provides only weak support for the proposed relationship between the types of another firm's power to which a firm is subject and its satisfaction with that firm's performance. A further conclusion suggested by Wilkinson is that the extent to which other channel members are satisfied with the firm's performance may be an important source of power to the firm exerting the control.¹⁵²

¹⁴⁹Wilkinson, op. cit., p. 81.

¹⁵⁰Bucklin, "A Theory of Channel Control," op. cit.; and ElAnsary and Robicheaux, "A Theory of Channel Control Revisited," op. cit.

¹⁵¹Wilkinson, op. cit., p. 81.

¹⁵²Ibid., pp. 93, 94.

Dwyer used the technique of laboratory simulation to study the idea of power perceptions. His proposition attempted to show that satisfaction of channel member A varies directly with channel member B's perception of A's power and inversely, A's perception of channel member B's power.¹⁵³ Dwyer draws from previous works by Walker on the study of self-perceived power positions and the work of Robicheaux and ElAnsary in a series of propositions attempting to develop a general model for understanding channel member behavior.¹⁵⁴ His results support the idea that satisfaction stems from perceived self control over decision areas and perceived cooperativeness of partners in the channel. He further states that power and cooperativeness have some commonality. He argues that perceived self control by members of a distribution channel are important enough to warrant negotiating strategies that would allow retention of the self perceived control while in actuality, completing increased control effectiveness over the outcome.¹⁵⁵

The perception of satisfaction by members of a distribution channel involve the interaction of the factors of power, conflict, and control. Dwyer has suggested that paramount to the long term viability of a distribution channel, the satisfaction perceived by its members supersedes the elements of control for effectiveness.

¹⁵³F. Robert Dwyer, "Channel-Member Satisfaction: Laboratory Insights," Journal of Retailing 56 (Summer 1980): 45-65.

¹⁵⁴Walker, Ph.D. dissertation, op. cit.; Robert Robicheaux and Adel ElAnsary, "A General Model for Understanding Channel Member Behavior," Journal of Retailing 52 (Winter 1975-76): 13-30.

¹⁵⁵Dwyer, op. cit., p. 63.

While the importance factor can be argued, it has nevertheless been shown that perception of satisfaction is directly related to the elements of power, conflict, and control. It is therefore necessary to examine these elements in a field study setting that would attempt to relate some of the principles that have been offered in this study.

Summary

In this research study the elements of conflict, power, control, and satisfaction have been examined. In each case, the basis for each of the items has been explored as well as the conceptual framework for each of the definitions. The relationship between the examined element and the functions of a channel of distribution have also been explored. In some instances, conflicting viewpoints have been offered to increase the frame of reference. The research has included theoretical discussions, field test situations, laboratory research, and critique or expansion positions of existing research.

Application of the research to the operation of a channel of distribution has been applied in some instances. In these instances, the area of research was limited to a specific channel of distribution and to a specified area of examination confined to addressing one of the elements discussed in this research. Therefore, in order to substantiate or disprove hypotheses and propositions presented in the research, it would be necessary to apply selected areas in a field research project that would allow examination of a number of items involved in a channel operation. From this research further expansion

of the field of knowledge in the channel of distribution would be available, significant impact and implication on management theory of the channel of distribution would be obtained, and further substantiation or refutation of existing ideas would be made available.

CHAPTER III

RESEARCH DESIGN

Background

The light aircraft engine parts distribution channel is the area selected. The channel is dominated by only two OEM manufacturers of aircraft engines, but has developed several other major suppliers of component parts. These are distributed through fixed base operators (FBO) which provide sales and service for three light aircraft manufacturers.

The field is further limited by having two of the aircraft manufacturers with a dominant market position and the third having a minority position. The method of distribution follows two patterns. Sales, service and parts are sent through a distributor than to an FBO, or in the case of some major components, the parts are marketed directly to FBO locations.

The channel chosen involves only those distributors established by the manufacturer for the specific handling of parts of its manufacture. It may be possible that these distributors have access to or are able to obtain the same product line from other manufacturers and/or major suppliers. In all cases, the sales outlet is directly to

a distributor from the manufacturer and we are not involved in eventual end use of the product.

The aircraft engine is made up of a crankcase housing with bolt-on cylinder assemblies which house the piston assembly. The cylinder assemblies vary by size of engine and have maintenance requirements which require engine overhauls at specified number of operating hours. The replacement of these cylinder assemblies is a major component of aircraft engine parts sales. In addition, these items (cylinder assemblies) can be put back into service through a process of re-chroming the inside of the cylinder walls and bringing them back to original specifications. This process is done by all the major suppliers of aircraft engine parts.

It therefore necessitates a method of retrieving the original cylinder assembly. The method by which this is done is to attach a core value or deposit amount to the used cylinder assembly. This assembly is returned to the supplier of rebuilt or new cylinder assemblies for credit. While credit amounts may vary in some cases, market value of these cylinder assemblies is \$250 each.

The area of study involves the existing core policy of the manufacturer for the cylinder assemblies which has been determined to be a potential source of conflict between the manufacturer and its distributors. A change in manufacturer policy regarding the amount and method of granting credit for these core returns will be proposed and announced in coordination with this study. This change in company policy has been determined by the manufacturer to be in response to distributor complaints and is an action taken by the manufacturer in

an attempt to reduce the channel conflict and enhance the manufacturer reputation.

Participants

The manufacturer selected has 93 domestic and Canadian distributor locations servicing 27 states and four Canadian provinces. Of this number, 22 handle only a limited number of parts for one specific aircraft manufacturer. The manufacturer being studied does not supply the major engine components to this aircraft manufacturer. These 22 distributorships are very limited in the scope of their product line due to the lack of use of the OE manufacturer's aircraft engine by that particular aircraft manufacturer.

The research will be done as follows. Sixty-seven of the potential 71 domestic and Canadian distributors will be included in the questionnaire distribution. Four domestic offices are duplication of ownerships and therefore will not be included.

The manufacturer also has 37 foreign distributorships covering 20 countries. These will not be included in the research due to the distance involved in obtaining information response, language barriers, and uncertainty of applicability of the total list of business transaction items to those particular countries.

The manufacturer studied has a sales breakdown such that 60% of his total sales dollars are original equipment aircraft engines. Of the remaining percentage, 50% is aftermarket parts sales. Cylinder assemblies account for the largest single grouping of aftermarket parts sales. It is therefore assumed that this commodity of cylinder

assemblies will have a major impact in the total distribution channel should a change to any component part of that sales transaction be made.

Proposed Channel Change

As previously mentioned, core allowance on engine cylinders is a substantial factor in engine overhaul costs. The present policy is to allow \$250 per engine cylinder as a core allowance. However, this amount is then discounted, by the manufacturer, after receipt of the returned cylinder assembly for any defects found in the returned item. These reductions are made upon visual inspection and are categorized by dollar effect on the original cost. The result is that a \$250 cylinder assembly claim may be discounted as much as 50% less by the OE supplier. The result to the service facility is a cause for much internal conflict. The service facility has already figured its labor for the engine overhaul and assumed the rebate of \$250 per cylinder into his costs. If that amount is not collected upon return of the items to the manufacturer, much discussion and conflict is the result due to the sizeable difference in claim versus payment.

The change to be effected would be to discontinue the inspection and discounting of returned cylinder assembly cores. A policy change would be made effective to allow a straight \$250 credit for every core assembly returned. This should relieve the uncertainty by the service operator as to core allowances he will receive as credit and should remove the major factor of conflict for the supplier and distributor.

Hypotheses

In this dissertation we are studying conflict in a channel of distribution. Historically, we can use the idea of vertical conflict identified by Palamountain in his discussion of the types of conflict.¹ Additional groupings of this classification were offered by Mallen to include the resistance to change.²

We have chosen to address the channel of distribution as a social system following the opinions of Stern.³ In doing so, we are also including into the situation the interaction between members of the social system. As Stern and Gorman have stated, "if a channel of distribution is viewed as a social system, the members of such a channel are by definition, caught up in a web of inter-dependency."⁴

This inter-dependency gives rise to expressions of conflict. Stern and Heskett have offered three groupings of causes of conflict due to this inter-dependency of a social system. They are:

¹Joseph Cornwall Palamountain, Jr., "Distribution: Its Economic Effects," in The Marketing Channel, ed. Bruce Mallen (New York: John Wiley and Sons, 1967), p. 114.

²Bruce Mallen, "Conflict and Cooperation in Marketing Channels," in Reflections on Progress in Marketing, ed. L. George Smith (Chicago: American Marketing Association, 1964), pp. 65-67.

³Louis W. Stern, Distribution Channels: Behavioral Dimensions (New York: Houghton Mifflin Co., 1969), pp. 2-5.

⁴Louis W. Stern and Ronald H. Gorman, "Conflict in Distribution Channels: An Exploration," in Distribution Channels: Behavioral Dimensions, ed. Louis W. Stern (New York: Houghton Mifflin Co., 1969), p. 156.

incompatibility of goals, role incongruency, and differences in perceptions of reality.⁵

The relationship of intensity of feelings about the importance of a specific item in the channel of distribution and the resulting level of conflict is the area to be studied. Stern and Heskett hypothesize a series of ideas that show that the greater the intensity level, or the greater the differential in perception of the components of role, domain, and reality perception, then the greater will be the level of vertical conflict.⁶

The responses to the presence of conflict have been discussed by Stern and Gorman, as well as Firat, Tybout, and Stern.⁷ A common response by both groups has been indicated as the exercise of power. Power has been defined as the ability of one member of a channel of distribution to control the variables in a marketing channel over another member. If this definition can be operationalized, then the greater the importance attached to the item to be controlled or changed, the higher the level of power should be perceived as being held by the member making the change.

⁵Louis W. Stern and J. L. Heskett, "Conflict Management in Interorganizational Relations: A Conceptual Framework," in Distribution Channels: Behavioral Dimensions, ed. Louis W. Stern (New York: Houghton Mifflin Co., 1969), pp. 293-294.

⁶Ibid., pp. 293-303.

⁷Stern and Gorman, op. cit., p. 161; and Firat A Fuat, Alice M. Tybout, and Louis W. Stern, "Perspective on Conflict and Power in Distribution," in Combined Proceedings of the American Marketing Association, ed. Ronald C. Curran (Portland, Oregon: American Marketing Association, 1974), p. 136.

- H₁ When a distributor attaches high importance to the core policies of the supplier then if the supplier changes the core policies, the distributor will attribute more power to the supplier.

Statistical Technique = Simple regression

Variables

Importance distributor
attached to core policies = X_1Q1_0

Where X_1 equals the response to the first questionnaire, $Q1_0$ is the specific response level given to the critical variable of question 1.

Change in attributed power = $(X_2Q5_0 - X_1Q5_0)$

Where X_2Q5_0 is the response to the critical variable of question 5 in the second set of questionnaires, and X_1Q5_0 is the response to the critical variable of question 5 in the first set of questionnaires.

Wilkinson hypothesized that there was a relationship of satisfaction to intensity by hypothesizing that a firm's satisfaction with another channel member's performance will be more strongly related to its control over activities which it perceives as more important.⁸ If this exists, then it should be possible to measure the relationship between the intensity felt on an element of a business transaction and the level of satisfaction experienced by the participant.

⁸Jan F. Wilkinson, "Power and Satisfaction in Channels of Distribution," Journal of Retailing 55 (Summer 1979): 80.

- H₂ When a distributor attached high importance to core policies of the supplier then if the supplier favorably changes the core policies, the distributor will be more satisfied with the supplier.

Statistical Technique = Simple regression

Variables

Importance distributor
attached to core policies = X_1Q1_0

Change in satisfaction = $(X_2Q2_0 - X_1Q2_0)$

Equation

$$(X_2Q2_0 - X_1Q2_0) = B_0 + B_1 (X_1Q1_0)$$

Hypothesis $\implies B_1 \quad 0 \text{ at } \alpha = .05 \text{ level}$

The literature reviewed in the body of the dissertation indicates a serious shortcoming in most prior research. They have dealt with the specific interaction between one or more variable, but have not attempted to combine the interactions with more than one variable. From the previous hypotheses, we are attempting to relate the relationship between perceived level of importance and its effect on power and satisfaction.

In this case we have made a change to the distribution channel that could be construed as favorable to the distributor. If the change is in fact perceived as beneficial, there logically should follow a decrease in conflict within the distribution channel studied. If measurements are taken on additional variables other than the

conflict variable it should be possible to develop relationships between these variables.

It is therefore, possible to expand the range of possibilities and propose a series of hypothetical relationships that could be measured by interacting these ideas.

H₃ The decrease in conflict a distributor has with its supplier when the supplier favorably changes its core policies is:

H_{3a} Directly related to how satisfied the distributor was with the supplier before the change;

H_{3b} Directly related to the level of power the distributor attributed to the supplier before the change;

H_{3c} Related to the interaction between satisfaction and attributed power.

Statistical Technique = Multiple regression

Variables

Satisfaction = X_1Q2_0 2

Attributed Power = X_1Q5_0 5

Change in Conflict = $(X_2Q4_0 - X_1Q4_0)$ 4

Equation

$$(X_2Q4_0 - X_1Q4_0) = B_0 + B_1 (X_1Q2_0) + B_2 (X_1Q5_0) + B_3 (X_1Q2_0) (X_1Q5_0)$$

Hypotheses:

$$B_1 > 0; \quad B_2 > 0; \quad B_3 \neq 0$$

It may be possible that the impact of the change to a critical element in the business transaction will have an effect on one of many of the possible interactions between the manufacturer and a distributor. Utilizing the elements of the questionnaire, seven separate questions were asked designating response levels to seven areas that may be affected by a change within the distribution system. It therefore should be possible to measure a difference in perceived levels as a result of a change to a critical element of the manufacturer/distributor relationship.

- H₄ When a supplier changes a major element in the business transaction then the distributor will undergo major behavioral change, specifically the distributor will:
 - H_{4a} Change its perception of the importance of that element of the transaction to its profitability;
 - H_{4b} Change its level of expressed satisfaction with the supplier in that element of the transaction;
 - H_{4c} Change its level of self perceived power on that item of the business transaction;
 - H_{4d} Change its frequency of conflict with supplier on that element of business transaction;
 - H_{4e} Change its attributed power to supplier on this element of business transaction;
 - H_{4f} Change its perception of the mutual understanding with supplier in this element of business transaction;
 - H_{4g} Change its perception on the need to change this element of the business transaction.

Statistical Technique = Paired T Test

(Paired t-tests)

<u>Before</u>	<u>After</u>
x_1Q1_0	x_2Q1_0
x_1Q2_0	x_2Q2_0
x_1Q3_0	x_2Q3_0
x_1Q4_0	x_2Q4_0
x_1Q5_0	x_2Q5_0
x_1Q6_0	x_2Q6_0
x_1Q7_0	x_2Q7_0

Methodology

The literature research has explored the areas of power, control, and satisfaction in the distribution channel. The research is aimed at recording the reaction of a distribution channel to a change in its method of operation and comparing those results to the theoretical framework established by previous research. The methodology to be employed involves the use of questionnaire response to determine the perceptual levels of intensity, power, control, and conflict over a list of items determined to make up the daily business transaction relationship. This list of twenty items has been developed to incorporate the categories of actions that would take place in a distributor/supplier relationship.

The methodology would involve obtaining responses to the questions provided, analyzing the data, then making the change to the distribution channel. After a determined amount of time the questionnaire was resubmitted to the same population for accumulating data after the change effect has been realized.

It is felt that comparing the data accumulated before and after the change should allow supportive data for the testing of the hypotheses.

Instruments

A questionnaire has been developed that will be sent to the distributors. This questionnaire was developed with two main thoughts to be addressed in its construction. First, the questions posed were to provide an easily recognizable frame of reference for the situation description and secondly, a clear statement as to the question asked and the type of response required.

A five interval response selection was used to provide recognizable differentiations between intervals and yet allow the response to express equally extreme convictions. Wording of the response intervals was examined to minimize bias in the classifications and yet keep the expressions within the business context. The intervals were established to measure differences in perception rather than an absolute value for each situation, thus the use of descriptive intervals.

The list of response elements involved development of a list of items that would be descriptive of the total business relationship

between a supplier and a distributor but be limited enough to capture response interest. In addition, the elements had to be unique in their meaning and easily recognizable by the respondent.

The list of elements used was the result of many attempts at classification and the use of pre-testing the list on actual distributors for clarity, inclusiveness and differentiation.

The document used was processed on high quality paper and printing techniques to present a professional instrument to the respondent. The eight inch by seven inch size of the instrument and booklet format were utilized to promote response interest and promote a professional approach to the recipient.

Nine questions were asked with questions one through seven requesting a response to each element in the list. Question eight requested a ranking of the list of elements and question nine requested an answer to one of two options (see Appendix 4).

The questions were established to produce the following information from the respondents.

Question #1 is designed to develop a perceptual rating of the level of importance attached to each item in the list of business transaction items for the profitability of the distributor business.

Question #2 is designed to determine the level of satisfaction for each item in the transaction.

Question #3 is designed to determine how much control the distributors feel they have on the outcome of each of the items.

Question #4 is designed to determine the level of conflict over each of the items involved by having them express frequency of disagreement.

Question #5 is designed to determine how much influence the distributor feels the supplier has over the outcome of the items involved.

Question #6 is designed to determine how much clarity the distributor has over the understanding between the manufacturer and the distributor over the items listed.

Question #7 is designed to determine how much need for change is felt by the distributor over the policies enacted by the manufacturer from the list of the items involved.

Question #8 is designed to determine if the distributor will rate the level of importance for each item in the business transaction.

Question #9 is designed to obtain classificatory data. The final question in #9 is designed to obtain an overall expression of satisfaction with the existing situation.

Collection

The distributor questionnaire (Appendix 4) was distributed in the first mailing on March 6th, along with a cover letter (Appendix 2). Extensive follow-up service was performed that is described in depth in Chapter IV.

On April 15th, the manufacturer notified through written communication all distributors of the change in core policy on engine cylinders.

One June 16th, the same distributor questionnaire was sent to the same list of distributors with a cover letter (Appendix 3) enclosed. Again, the same follow-up procedures were utilized that are discussed in Chapter IV, to obtain matched sets of answers.

Measurement Procedures

The response to the questionnaire will be tabulated off the response to variable #15 (core policies) using the number interval designated in the response of 1 through 5 as the score. These scores will be tabulated for all 31 sets of responses for Questions 1 through 7.

The first hypotheses will be using one dependent and one independent variable using the score distribution derived from the responses to questions 1 and 5 from the before and after questionnaire.

The statistical technique selected is simple regression analysis to measure the relationship between the independent variable X_1Q_1 , where X_1 is the first questionnaire response and Q_1 is Question 1. The dependent variable would be designated as X_2Q_5 minus X_1Q_5 , where X_2 is the second questionnaire response and Q_5 is Question 5. The equation to be subjected to analysis is $(X_2Q_5 - X_1Q_5) = B_0 + B_1 (X_1Q_1)$.

Simple regression will also be used on the second hypothesis again measuring an independent and dependent variable, where X_2Q_2 minus X_1Q_2 identify first and second questionnaire series responses

to Question 2. The equation to be analyzed is $(X_2Q2 - X_1Q2) = B0 + B1 (X_1Q1)$.

Hypothesis 3 utilizes one independent and two dependent variables identified as X_1Q2 and X_1Q5 which are responses to the first questionnaire for Question 2 and Question 5, and the independent variable identified as $X_2Q4 - X_1Q4$ for the second response to Question 4 minus the first response to Question 4.

Multiple regression will be performed on the equation $(X_2Q4 - X_1Q4) = B0 + B1 (X_1Q2) + B2 (X_1Q5) + B3 (X_1Q2) (X_1Q5)$.

Hypothesis 4 will analyze the responses to Question 1 through 7, and questionnaire response #1 with questionnaire response #2. Both a multivariate and paired T Test analysis will be used. This was selected to reduce extraneous influences on the variable being measured and to reduce the effect of subject to subject variability.

The statistical package to be utilized for these analyses will be a Statistical Analysis System (SAS) package.

CHAPTER IV

RESEARCH RESULTS

The Population Sample and Response Solicitation

This chapter will discuss population used and sampled, solicitation procedures and response procedures.

Population

The population which will be used to test the hypotheses is the United States and Canadian distributors for the OE manufacturer cooperating in the study. This manufacturer specializes in one industry. A complete list of the distributors by state, location, address, and major personnel was obtained from the manufacturer of the part and all the domestic and Canadian distributors for this company were utilized as a basis for the study.

The list was comprised of 62 domestic distributors, 5 Canadian, and 33 international distributors. Due to logistics and potential for language misinterpretation, only the 62 domestic and 5 Canadian distributors were included as the target and sampled population. The purpose of this study is to measure the response to a change made by the manufacturer within the manufacturer's channel of distribution and not a study of the industry perceptions in general. It is

therefore believed that this population fairly closely approximates a representative population for this study.

Sample Population

The relative size of the population tested was a constraint of the channel of distribution utilized and by the manufacturer involved. The statistical techniques that were planned to be used included Paired T test and regression analysis. With a total population of 67 responses to be tested with a before and after questionnaire solicitation, it was determined that a minimum of thirty paired responses would be required.

Response Rate

As identified in many research publications, response rates are a critical problem in mail surveys. In order to obtain satisfactory response rates the following procedures were adopted.

1. Extensive amount of effort was put into designing the questionnaire that would be interesting to the distributor responding to it, and at the same time provide little indication as to the exact item being studied. In addition, extensive work was put into determining an adequate yet concise list of the factors involved in a business transaction between supplier and customer in a distribution chain.

2. With the advance knowledge of the exact population, addresses, and principles involved, a personalized letter individually typed and hand signed was sent to the attention of each of the 67 distributors. (An example of cover letter for the first wave of questionnaire mailings is in Appendix 2).

3. The personalized letters were sent on University of Oklahoma School of Business stationery, and carried the signature of Rod Evans, who is a member of the faculty at the University of Oklahoma and director of the dissertation.

4. First class postage was used and assigned on both envelopes mailed and on return envelopes.

5. Addresses were individually typed on each envelope and "To The Attention Of" personalized on each envelope to correspond with the individual addressed in the cover letter.

6. Return addresses on both the mailing and return envelope were The University of Oklahoma, School of Business. It should be noted that great care was exercised so that postmarks and all mailing were done from the Oklahoma address even though the materials were physically shipped from another state after their preparation.

With a relatively small population to be studied, response rate was critical. Therefore, extensive use of telephone solicitation to encourage response to the questionnaire was utilized. This solicitation took the following form.

1. Calls were made to the individual indicated in the personalized letter immediately upon mailing of the first questionnaire. This response indicated the questionnaire would be coming and that a response would be appreciated. The telephone solicitor was identified only as an assistant to Mr. Evans at the University and no indication was made as to the purpose of the study or the use of the information.

2. Additional follow-ups were made to determine if the questionnaire had been received, had the individual responded, and potential completion dates.

3. Additional follow-ups, as required, were utilized in as many cases as it was deemed advantageous to continue to follow-up.

Of a total of 67 questionnaires mailed out, 40 responses were received, or a response rate of 59.7%. The relatively low response rate even with all of the solicitation measures taken can be attributed to some of the following factors. Three of the distributors had gone out of business since the information of their participation was supplied. Four of the distributors had changed ownership such that the personalized letters were mis-directed and not utilized. Three phone number and address combinations could not be correlated to determine if questionnaires were ever received and/or utilized. One distributor with two locations in two different states was involved in a dispute with the manufacturer and refused to comply with the requested information. Of all the questionnaires returned, one was not completely filled out, leaving 39 usable questionnaires for the first response, or 58.2%.

The first questionnaire was mailed out on March 6, 1981, with telephone follow-up following immediately thereafter to insure high response rates. Table 1 indicates the timing of returned responses for the first wave of questionnaires. The manufacturer sent out a written distribution on April 15, 1981, announcing the change previously described concerning the amount and policy to be applied to core returns.

TABLE 1.--Questionnaire Return Timing: Questionnaire #1, Mailed March 6, 1981.

	Number of Responses	Percent
Within one week of mailing	16	40
More than one - less than two weeks	8	20
More than two - less than three weeks	8	20
More than three - less than four weeks	<u>8</u>	<u>20</u>
Totals	40	100

The follow-up questionnaire was mailed on June 16, 1981, with a cover letter personalized, as mentioned in the first mailing (see Appendix 3). This personalized cover letter was rephrased acknowledging a continuing effort in the research process and requesting assistance in completing the additional questionnaires. The exact same questionnaire was mailed out with the second mailing as utilized in the first, although no acknowledgment of the duplication of the questionnaire was described in the cover letter nor in the follow-up conversations that followed. As mentioned in the first mailing, personalized phone conversations were utilized to a great extent to solicit responses, and at no time was any acknowledgment made of the questionnaire being exactly the same as the first mailing, or the reason and purpose of the study.

Table 2 indicates the timing of the returned responses to the second questionnaire mailing.

TABLE 2.--Questionnaire Return Timing: Questionnaire #2, Mailed June 16, 1981.

	Number of Responses	Percent
Within one week of mailing	5	15
More than one - less than two weeks	7	21
More than two - less than three weeks	9	27
More than three - less than four weeks	9	27
More than four weeks	<u>3</u>	<u>10</u>
Totals	33	100

The response rate from the second questionnaire mailing was 33 returned questionnaires, or 49.2% response. This yielded 31 Paired completed questionnaires for a total usable response of 46.2%.

Demographics

For this particular industry, the activity is concentrated in five major regions within the continental United States, 27 individual states, and 4 Canadian provinces. Since this concentration is a peculiarity of the particular industry studied, it was not considered a constraint to the validity of the information. The response rate of the total population by state is listed in Table 3. It should be noted, however, that with the small number of distributors, the percentage figures can be misleading in that many states have only a single representative or a very small number.

TABLE 3.--Response Percentage by States.*

State	Percentage	State	Percentage
Alabama	100	Minnesota	0
Alaska	100	Nebraska	50
Arizona	100	Nevada	100
California	44	New Mexico	100
Colorado	33	New York	0
Delaware	100	North Carolina	50
Florida	66	Ohio	100
Georgia	100	Oklahoma	50
Hawaii	100	South Carolina	100
Illinois	33	Oregon	50
Indiana	50	Tennessee	50
Kansas	33	Texas	66
Kentucky	0	Washington	100
Louisiana	100	Canada	60

* 27 States represented 54%.

In order to determine if the response rate was representative of the population as a whole, the major concentrations by regional area will be a better determination of the representativeness of the information.

Table 4 indicates the percentage of response of the total solicitation by major regions. The regions identified were Southeast including the states of Alabama, Florida, Georgia, Louisiana, North Carolina, South Carolina, and Tennessee; the Western Region including the states of Arizona, Kansas, New Mexico, Oklahoma, and Texas; the Far West Region including the states of California, Colorado, Hawaii, Nevada, Oregon, Washington, Alaska, and the Canadian provinces of British Columbia and Manitoba; the Midwest Region including the states of Illinois, Indiana, Kentucky, Minnesota, Nebraska, and Ohio; and the

TABLE 4.--Percentage Response of Total Response by Major Regions.

Region	Percentage
<u>Southeast</u> (Alabama, Florida, Georgia, Louisiana, North Carolina, South Carolina, Tennessee)	20
<u>Western</u> (Arizona, Kansas, New Mexico, Oklahoma, Texas)	27.5
<u>Far West</u> (California, Colorado, Hawaii, Nevada, Oregon, Washington, British Columbia, Manitoba, Alaska)	32.5
<u>Midwest</u> (Illinois, Indiana, Kentucky, Minnesota, Nebraska, Ohio)	15
<u>Northeast</u> (Delaware, New York, Ontario, Quebec)	5
Total	100.0

Northwest Region including the states of Delaware and New York, and the Canadian provinces of Ontario and Quebec.

Table 5 indicates the total representation of the distributors by region as a percentage of the total distributor population. These regional percentages of the total population are compared with the respondent population and indicates that the respondents as percentage of the total response population closely approximate the distribution by region.

TABLE 5.--Comparison of Response Ratios and Total Representation of Major Regions.

Region	Region as % of Total	Response % from Region as Part of Total
Southeast	16.4	20
Western	23.9	27.5
Far West	32.8	32.5
Midwest	19.4	15
Northeast	7.5	5

Empirical Tests of Power Hypotheses

The Measurement of Power

The conceptual definition of power to be used in this study is borrowed from Dahl. Dahl defines power as the ability of one individual or group to prompt another unit to do what would have not otherwise been done. He also suggested that power can be estimated by measuring the amount of change induced in the actions of others. This definition is particularly applicable to power in the channel of distribution where manufacturers use power in an attempt to influence or affect the policies of their distributors.

Operational Definition

The conceptual definition of power has been operationalized as follows. Power is the ability of the manufacturer as perceived by the distributor to control the decision variables of the channel.

Question 3 of the questionnaire (see Appendix 4) is intended to measure the amount of influence the distributor has over the way the elements of the business transaction are decided, or the level of power he holds.

Validity and Reliability of Power Measure

Content Validity. Content validity can be defined as the degree to which an operationalization represents the concept about which generalizations are to be made. Manufacturers power consists of the domain of decision variables over which the manufacturer may have control. To determine the set of decision variables that constitute the observable domain of power, the following process was used. A concise yet inclusive set of variables describing the major portions of the business transaction was developed. Through use of a pre-test of the questionnaire on local businesses and distributorships it was identified that this list included the appropriate decision variables. In addition, trade publications and general literature were helpful.

Reliability. The reliability of a measure concerns the extent to which it is repeatable. No statistical test was performed on the internal consistency of the instruments utilized for reliability. It should be pointed out that the attempt of this study was not to measure levels of the construct, but rather to indicate perceived changes in perceptions from one point to another.

Measurement of Importance

Conceptual Definition. The conceptual definition of importance to be used in this study is borrowed from Emerson's view of

power as a function of dependence. Simon has also suggested that the magnitude of the power source might be employed as an index of influence. ElAnsary and Stern also addressed the relative importance of variables in measuring power.

Operational Definition. Importance has been operationalized as the relative measure attached to the measured construct by the distributor in response to Question #1 of the questionnaire.

Content Validity. The interaction between a manufacturer and a distributor in the total business relationship involves a series of items that constitute the parts of the business transaction. In order to determine importance levels of each of these parts of the business transaction the response to Question #1 was set up on a scale constructed to assess importance level by the distributor response. The responses were scored as follows: distributor almost no importance - 1, distributor no importance - 2, distributor some importance - 3, distributor great importance - 4, distributor very great importance - 5.

Statistical Technique. The hypotheses will be tested using simple regression analysis on the importance level attached by the distributor to the critical factor (in this case core policies) and the change in attributed power from the response to the second questionnaire minus the response to the first questionnaire on Question #3, measuring the amount of influence the distributor has over decision variables.

Power as a Function of Importance

Hypothesis 1 states that: When a distributor attaches high importance to the core policies of the supplier, then if the supplier changes the core policies, the distributor will attribute more power to the supplier. This hypothesis was tested by regression equation of the change in attributed power with importance attached to the decision variable by the distributor. The "T" value for the null hypothesis being equal to 0 was .17, which was not significant at the .05 level (see Table 6). The fact that the hypothesis was not supported possibly may be due to the insignificant amount of influence the critical variable would have in relationship to the hypothesized result on the conduct of the day to day business transaction.

The second possibility is that the change invoked by the manufacturer may not have been perceived as significant enough from the standpoint of the distributor.

The third possibility is that the combination of the lack of importance attached to this critical variable and the perception of an insignificant change in the critical variable will combine to produce an insignificant change in the business relationship.

A fourth possibility is that there may have been a decay effect due to the time interval from announced change to questionnaire #2 response. This decay effect or effect of time could have reduced the amount of power perception attributed to the supplier by the distributor as a result of this change.

TABLE 6.--Simple Regression: Hypothesis 1.

<u>Dependent Variable: A</u>				
<u>Source</u>	<u>DF</u>	<u>Sum of Squares</u>	<u>Mean Square</u>	<u>Value</u>
Model	1	0.04411765	0.04411765	0.03
Error	28	44.655588235	1.59485294	
Corrected Total	29	44.70000000		
<u>Source</u>	<u>DF</u>	<u>Type I SS</u>	<u>F Value</u>	<u>PR > F</u>
	1	0.04411765	0.03	0.8691
	<u>PR > F</u>	<u>R-Square</u>	<u>C.V.</u>	
	0.8691	0.000987	1262.8749	
	<u>Std. Dev.</u>		<u>A Mean</u>	
	1.26287487		-0.10000000	
	<u>DF</u>	<u>Type IV SS</u>	<u>F Value</u>	<u>PR > F</u>
	1	0.04411765	0.03	0.8691
<u>Parameter</u>	<u>Estimate</u>	<u>T for H0: Parameter = 0</u>	<u>PR > /T/</u>	<u>Std. Error of Estimate</u>
Intercept	-0.29117649	-0.25	0.8057	1.17234294
	0.04411765	0.17	0.8691	0.26525678

Probability at .05, 29 Degrees of Freedom = 2.045 or Greater

Empirical Tests of Satisfaction Hypotheses

Measurement of Satisfaction

Measurement of the construct satisfaction is a difficult construct to measure. Previous literature such as Hunt and Nevin and Lusch have measured the construct in terms of expressed feelings in relationship to the specific situation. Distributor satisfaction is in fact made up of the specific responses to each part of the total business relationship between the distributor and the manufacturer.

Operational Definition

Distributor satisfaction with the manufacturer is made up of the distributor's expressed level of satisfaction with the manufacturer on specific items of the relationship. Question #2 of the questionnaire is intended to measure distributor satisfaction with each of the elements of the business transaction measured on a 5 point scale. The 5 points on the scale are: Very Dissatisfied - 1, Somewhat Dissatisfied - 2, Neutral - 3, Somewhat Satisfied - 4, Very Satisfied - 5. The measurement for satisfaction on the critical variable (core policies) was used for the measurement of distributor satisfaction.

Validity of Satisfaction

Content Validity. Distributor satisfaction with the manufacturer was made up of a domain of items over which the distributor can be satisfied or dissatisfied with the manufacturer. The development of the list of items along with pre-testing and the use of trade and marketing periodicals were used to develop the list.

Convergent Validity. Alternative measures of distributor satisfaction were obtained. The first was a scale measuring satisfaction as a response to a direct question (Question 2) and the response on a scale from Very Dissatisfied to Very Satisfied. The second measure was a direct question to the distributor, "If you had the chance today to renew the existing situation or cancel it with your supplier of engine parts, would you renew it or cancel it?"

This same type of response was solicited by Hunt & Nevin in their study of channel member satisfaction, and later on by Wilkinson in his study of power and satisfaction in the distribution channel. However, Dwyer's laboratory study of channel member satisfaction raises doubts about the potential correlation of this second measure.

Dwyer's hypothesis that satisfaction may in fact be in direct proportion to power perceptions, would not mean that these two measures are in fact convergent. Based on this study the two measures will not be considered convergent for a method of establishing validity in this presentation.

Distributor Satisfaction as a Function of Importance

One hypothesis was developed about the effect of the importance attached to the item to be changed and the resulting potential for satisfaction.

Hypothesis 2 stated that when the distributor attaches high importance to the critical variable (core policy) of the supplier, then if the supplier favorably changes the policies, the distributor will be more satisfied with the supplier. This hypothesis was tested by

TABLE 7.--Simple Regression: Hypothesis 2.

Dependent Variable: C

<u>Source</u>	<u>DF</u>	<u>Sum of Squares</u>	<u>Mean Square</u>	<u>Value</u>
Model	1	1.59235898	1.59235898	0.90
Error	29	51.11731844	1.76266615	
Corrected Total	30	52.70967742		
<u>Source</u>	<u>DF</u>	<u>Type I SS</u>	<u>F Value</u>	<u>PR > F</u>
	1	1.59235898	0.90	0.3497
	<u>PR > F</u>	<u>R-Square</u>	<u>C.V.</u>	
	0.3497	0.030210	1371.9095	
	<u>Std. Dev.</u>		<u>C Mean</u>	
	1.32765438		-0.09677419	
	<u>DF</u>	<u>Type IV SS</u>	<u>F Value</u>	<u>PR > F</u>
	1	1.59235898	0.09	0.3497
<u>Parameter</u>	<u>Estimate</u>	<u>T for H0: Parameter = 0</u>	<u>PR > /T/</u>	<u>Std. Error of Estimate</u>
Intercept	-1.24022346	-1.01	0.3203	1.22644796
	0.026256983	0.95	0.3497	0.27625450

Probability at .05, 30 Degrees of Freedom = 2.042 or Greater

performing simple regression on the equation using satisfaction as the dependent variable developed by Question 1, and importance as the independent variable from response to Question 2 from the after and before series of questionnaires. The "T" value obtained was .95 which was not considered significant for the null hypothesis (see Table 7). This hypothesis was therefore not supported in the research.

Non-support of this hypothesis may be due to several possible conditions. It is possible that the importance level attached to the critical variable (core policies) by the manufacturer was not perceived at the same level of importance by the distributor. By attaching significance to a variable not perceived to have importance to the distributor, the hypothesized reaction by the manufacturer would not be substantiated.

In addition, it is possible that a change in the critical variable was not perceived as having the same beneficial effect as postulated by the manufacturer, which then may cause no significant perceptual change in the amount of satisfaction developed by the distributor.

Empirical Tests of Conflict Hypotheses

Conceptual Definitions

Conflict is a term used to fit many situations and phenomenon. Four common definitions of conflict are usually encountered in the literature.

1. Latent conflict is defined as the antecedent conditions of conflictual behavior.

2. Perceived conflict is defined as the awareness of a conflictual situation.
3. Felt conflict is usually defined as the feeling of stress, tension, hostility, or anxiety toward another.
4. Manifest conflict is the activity dimension of conflict. Manifest conflict is defined as the behavior of an organization that is conflictual. This conflictual behavior is considered overt behavior, such as verbal or written exchanges.

Operational Definition

For the purpose of this study, conflict has been operationally defined as the frequency of disagreement over a series of items developed as the basis of a business relationship between a manufacturer and a distributor. Question 4 of the questionnaire is intended to measure conflict between distributors and manufacturers.

Validity of Conflict Measure

Content Validity. Conflict in a channel of distribution consists of a domain of issues over which there could be conflict between channel members. In order to determine the observable domain of conflict, an inclusive yet concise list of items of the elements of a business relationship between a manufacturer and a distributor were prepared. Through the use of pre-tests and trade publications this list was determined to be representative of that business relationship, and therefore items over which the manufacturer and distributor could have potential conflict. The measure of conflict was obtained in Question 4 of the questionnaire. This question attempted to measure conflict with the following question: "For each of the items below, circle the number

which expresses the frequency of disagreement you have with the supplier of engine parts over the items listed." The responses were No Disagreement - 1, Little Disagreement - 2, Some Disagreement - 3, Great Disagreement - 4, Almost Always Disagree - 5.

Distributor Conflict as a Function of Power and Satisfaction

There were three hypotheses developed about the effect of attributed power and satisfaction on distribution conflict. Hypothesis 3a was the first of these and stated that the decrease in conflict a distributor has with its supplier when the supplier favorably changes its core policies is directly related to how satisfied the distributor was with the supplier before the change. This hypothesis was tested by multiple regression using the response levels to Question 2 for satisfaction levels, Question 5 for attributed power levels, and a comparison in the after and before responses to Question 4 for a change in conflict.

The general linear model at 31 degrees of freedom determined a "T" value of $-.48$ which was not significant at $.05$. Since the null hypothesis at the $.05$ probability of being equal to zero must have a value greater than 1.95996 , no support for the hypothesis was obtained and it was rejected.

A possible explanation for the rejection of this hypothesis may come from the perception by the manufacturer that the change in

TABLE 8.--Multiple Regression: Hypotheses 3A, 3B, 3C.

Dependent Variable: D

<u>Source</u>	<u>DF</u>	<u>Sum of Squares</u>	<u>Mean Square</u>	<u>Value</u>
Model	3	9.43554093	3.14518031	2.63
Error	28	33.53320907	1.19761461	
Corrected Total	31	42.96875000		

<u>Source</u>	<u>DF</u>	<u>Type I SS</u>	<u>F Value</u>	<u>PR > F</u>
	1	5.83922354	4.88	0.0356
	1	2.81320042	2.35	0.1366
	1	0.78311697	0.65	0.4255

<u>PR > F</u>	<u>R-Square</u>	<u>C.V.</u>
0.0700	0.219591	3501.9385

<u>Std. Dev.</u>	<u>D Mean</u>
1.09435580	-0.03125000

	<u>DF</u>	<u>Type IV SS</u>	<u>F Value</u>	<u>PR F</u>
	1	0.27379168	0.23	0.6363
	1	1.68796019	1.41	0.2451
	1	0.78311697	0.65	0.4255

<u>Parameter</u>	<u>Estimate</u>	<u>T for H0: Parameter = 0</u>	<u>PR > /T/</u>	<u>Std. Error of Estimate</u>
Intercept	3.13986511	0.87	0.3892	3.58953612
	-0.43924053	-0.48	0.6363	0.91863066
	-0.90755812	-1.19	0.2451	0.76445494
	0.16045360	0.81	0.4255	0.19842423

Probability at .05, 31 Degrees of Freedom = 1.95996 or Greater

the core policy was felt to be a positive change. It could be stated that the change was unfavorable and caused the statistical readings as determined. However, this is logically inconsistent in that the core policy increased the amount of money to be given to the distributor and could not be logically considered an unfavorable change. Since Hypothesis 2 was also rejected but showed a potential increase in satisfaction due to the change in core policy the same type of influencing factors may have applied. It is possible that the core policy was not a source of conflict as perceived by the manufacturer. It is also possible that the lack of importance attached to the core policy meant the distributor did not perceive the change in core policy to be significant, which would then alter his perceptions of conflict within the distribution channel.

Hypothesis 3b stated that the decrease in conflict a distributor has with its supplier when the supplier favorably changes its core politics is directly related to the level of power the distributor attributed to the supplier before the change. This hypothesis was tested by using the levels of attributed power developed in Question 5 of the questionnaire, and a measure in the change in response to the Question 4 of the questionnaire from the after and before levels. The "T" value obtained was not significant, (-1.19 $PR=.2451$), and the hypothesis was not supported. It was therefore rejected for lack of support. The explanation for lack of support of this hypothesis may possibly lie in the perceived positive impact of the core policy change as perceived by the supplier not being recognized as such by the distributor. As stated previously, it is logically inconsistent to

assume the core policy change would be unfavorable for the distributor. It is also possible that the lack of perception of conflict on this variable and the resultant lack of change may possibly mean attributed power will have no effect.

Distributor Conflict as a Function of Satisfaction and Attributed Power

Hypothesis 3c stated that the decrease in conflict that a distributor has with its supplier when the supplier favorably changes its core policies is related to the interaction between satisfaction and attributed power. This hypothesis was tested by using the response levels for Question 2 to measure satisfaction, Question 5 to measure attributed power, and response levels of the after and before to Question 4 with the change in conflict. Using multiple regression on the variables, the "T" value obtained was only .81 and the hypothesis could not be supported. It was therefore rejected on the basis of lack of support. The possible explanations for rejection of this hypothesis follow the same lines of explanations for Hypotheses 3a and 3b. The rejection of the interaction between the variables of satisfaction and attributed power may possibly mean that even in combination these two variables did not have any significant effect on the conflict of the distribution channel in relationship to this critical variable (core policies).

Empirical Tests of Change Hypotheses

Conceptual Definition

The conceptual definition of change to be used in this group of hypotheses is the measured response level differential to the same question posed at two different periods of time. The response perception is that of the distributor to a situation occurring in the channel of distribution.

Operational Definition

The conceptual definition of change has been operationalized as follows. The change is the measured difference between response to the same series of questions posed at two different time intervals to distributors of a specific supplier within a channel of distribution. These responses are taken from questionnaires issued to the same distributors and the same questionnaires before and after a significant change was effected by the manufacturer to an item listed as a part of the total business transaction. Questions 1 through 7 were used to solicit specific interpretations of response to the repeated list of items involved in a day to day business operation.

Question 1 was intended to measure the level of importance of each of the items perceived by the distributor. Question 2 was intended to solicit the expressed satisfaction by the distributor with each of the items. Question 3 was intended to measure the level of self perceived power held by the distributor for each of the items. Question 4 was used to measure the frequency of conflict with the supplier the distributor would have on each item. Question 5 was

intended to measure the attributed power to the supplier by the distributor for each item. Question 6 was intended to measure the perception of mutual understanding with the supplier by the distributor for each item. Question 7 was used to measure the perception by the distributor of the need to change the items in the business transaction.

Validity of the Measures

Content Validity. Content validity is defined as the degree to which operationalization represents the concept about which generalizations are to be made. The interaction between the distributor and supplier in a channel of distribution involves a series of elements in the business transaction. To determine what set of decision variables constitute these elements a list was prepared. This list was then used in pre-tests and along with reference to trade publication and previously published literature a concise, yet complete listing was developed.

In the research conducted, the measures of the responses were structured as follows.

Question 1 addressing importance was set up as follows:

Almost No Importance - 1, Little Importance - 2, Some Importance - 3, Great Importance - 4, Very Great Importance - 5.

Question 2 addressing the satisfaction level was set up as follows: Very Dissatisfied - 1, Somewhat Dissatisfied - 2, Neutral - 3, Somewhat Satisfied - 4, Very Satisfied - 5.

Question 3 was established for level of self perceived power and the response level structured as follows: Almost None - 1, Little

Influence - 2, Some Influence - 3, Almost Great Influence - 4, Complete Influence - 5.

Question 4 addressed frequency of conflict and the response structure was as follows. No Disagreement - 1, Little Disagreement - 2, Some Disagreement - 3, Great Disagreement - 4, Almost Always Disagree - 5.

Question 5 addressed the attributed power to the supplier and the response structure was as follows: Almost None - 1, Little Influence - 2, Some Influence - 3, Great Influence - 4, Almost Complete Influence - 5.

Question 6 addressed the perception of mutual understanding and the response structure was as follows: Almost No Understanding - 1, Little Understanding - 2, Some Understanding - 3, Great Understanding - 4, Almost Complete Understanding - 5.

Question 7 addressed the perception of need to change an element and the response structure was as follows: Change Absolutely Necessary - 1, Change May Be Necessary - 2, No Feelings - 3, Change May Not Be Necessary - 4, No Change Necessary - 5.

Statistical Technique. The hypotheses were tested using Paired T Test analysis using the before and after response levels to each of the seven questions. If these results are significant in the direction hypothesized, probabilities at .05 with 30 degrees of freedom should yield a T statistic in excess of 2.042 and in the case of 31 degrees of freedom in excess of 1.95996. The summary of the Paired T Test results are shown in Table 9.

TABLE 9.--Paired T-Test Results.

<u>Hypothesis 4A:</u>	Diff:	1	Std. Dev.:	1.0626
	T Statistic:	-0.34	S.E.M.:	0.1908
	P Value:	0.738	Sample Size:	31
	DF:	30	Maximum:	2.0000
	Mean:	1.0626	Minimum:	-3.0000
<u>Hypothesis 4B:</u>	Diff:	2	Std. Dev.:	1.3556
	T Statistic:	0.13	S.E.M.:	0.2396
	P Value:	0.397	Sample Size:	32
	DF:	31	Maximum:	3.0000
	Mean:	0.0312	Minimum:	-3.0000
<u>Hypothesis 4C:</u>	Diff:	3	Std. Dev.:	1.6031
	T Statistic:	1.23	S.E.M.:	0.2879
	P Value:	0.227	Sample Size:	31
	DF:	30	Maximum:	4.0000
	Mean:	0.3548	Minimum:	-4.0000
<u>Hypothesis 4D:</u>	Diff:	4	Std. Dev.:	1.1773
	T Statistic:	0.15	S.E.M.:	0.2081
	P Value:	0.382	Sample Size:	32
	DF:	31	Maximum:	2.0000
	Mean:	0.0312	Minimum:	-3.0000
<u>Hypothesis 4E:</u>	Diff:	5	Std. Dev.:	1.2775
	T Statistic:	0.14	S.E.M.:	0.2295
	P Value:	0.889	Sample Size:	31
	DF:	30	Maximum:	2.0000
	Mean:	0.0323	Minimum:	03.0000
<u>Hypothesis 4F:</u>	Diff:	6	Std. Dev.:	1.4224
	T Statistic:	0.37	S.E.M.:	0.2514
	P Value:	0.712	Sample Size:	32
	DF:	31	Maximum:	3.0000
	Mean:	0.0937	Minimum:	-3.0000
<u>Hypothesis 4g:</u>	Diff:	7	Std. Dev.:	1.4252
	T Statistic:	-0.12	S.E.M.:	0.2519
	P Value:	0.302	Sample Size:	32
	DF:	31	Maximum:	3.0000
	Mean:	-0.0313	Minimum:	-3.0000

Probability at .05, 30 Degrees of Freedom = 2.042 or Greater

Hypotheses Testing. Hypothesis 4a states that when a supplier changes a major element in a business transaction, then the distributor will undergo a major behavioral change, specifically the distributor will change its perception of the importance of that element of the transaction to its profitability. This hypothesis was tested by the Paired T Test results of the levels of responses in the before and after Question #1. The T statistic value was $-.34$ with a P probability of $.738$. Since this result was not significant the hypothesis was not supported and was rejected.

Hypothesis 4b stated that when a supplier changes a major element in the business transaction, then the distributor will undergo major behavioral change, specifically the distributor will change its level of expressed satisfaction with the supplier on that element of the transaction. This hypothesis was tested by Paired T Test of the result of Question #2 on the critical element core policy. The T statistic was $.13$ with a probability value of $.897$. Since the value was not significant that hypothesis was not supported and was rejected.

Hypothesis 4c stated that when a supplier changes a major element in the business transaction then the distributor will undergo major behavioral change, specifically the distributor will change the level of self perceived power on that item of the business transaction. This hypothesis was tested by Paired T Test of the response levels of the critical element (core policy) in Question #3. The T statistic was 1.12 , however the probability value was only 2.227 . Since the statistic level was not significant the hypothesis was not supported and was rejected.

Hypothesis 4d stated that when a supplier changes a major element in the business transaction then the distributor will undergo major behavioral change, specifically the distributor will change its frequency of conflict with the supplier on that element of the business transaction. This hypothesis was tested by Paired T Test of the response levels of Question 4 on the critical element (core policy). The T statistic was 0.15 with a probability value of .882. Since the statistic value was not significant the hypothesis was not supported and was rejected.

Hypothesis 4e stated that when a supplier changes a major element in the business transaction then the distributor will undergo major behavioral change, specifically the distributor will change its attributed power to the supplier on this element of the business transaction. This hypothesis was tested by Paired T Test of the levels of response to Question #5 on the critical element (core policies). The T statistic was 0.14 with a probability value of .889. With the low statistical value the hypothesis was not supported and was rejected.

Hypothesis 4f stated that when a supplier changes a major element in the business transaction then the distributor will undergo major behavioral change, specifically the distributor will change its perception of the mutual understanding with the supplier on this element of the business transaction. This hypothesis was tested by a Paired T Test of the levels of response to Question #6 on the critical element (core policies). The T statistic was 0.37 with a probability value of .712. With the low statistical value the hypothesis was not supported and was rejected.

Hypothesis 4g stated that when a supplier changes a major element in the business transaction then the distributor will undergo a major behavioral change, specifically the distributor will change its perception of the need to change this element of the business transaction. This hypothesis was tested by Paired T Test of the response levels to Question #7 on the critical element (core policies). The T statistic value was negative 0.12 with a probability value of .902. With the small statistical value the hypothesis was not supported and was rejected.

CHAPTER V

SUMMARY, CONCLUSIONS AND IMPLICATIONS

Introduction

This dissertation has attempted to examine a specific channel of distribution in a specific industry. The channel of distribution and its distributor relationships were well established, the product retained a high amount of recognition, and the relationships had remained stable over an extended period of time.

The analysis involved measuring a potential change in perceptions about elements of the business transaction. This change in perceptions was hypothesized to be caused by a policy change initiated by the supplier to a major element of the business transaction.

The experiment was designed so that a questionnaire soliciting the responses to a series of questions about expressed views of the business transaction elements was applied prior to the change being announced. Once the change was announced a follow-up questionnaire was applied 60 days after the effective date of the change.

The second questionnaire was an exact duplicate of the first requesting the same information and the same response categories.

The hypotheses concerning the changes to the business elements were examined by the statistical methods of simple and multiple regression and paired T analysis. These statistical tests utilized the data supplied from the before and after questionnaire receipts.

Summary of Results

Four major hypotheses were tested using the data received from the questionnaire returns.

Hypothesis #1 stated that when a distributor attaches high importance to the core policies of the supplier, then if the supplier changes the core policies, the distributor will attribute more power to the supplier. Using the technique of simple regression, the hypothesis was tested to see if there was a change in the power levels attributed to the supplier by the distributor once the effect of the change announced by the supplier was noted. The regression factor for 29 degrees of freedom was .17, which was not significant and the hypothesis was rejected.

Hypothesis #2 stated that when a distributor attached high importance to the core policies of the supplier, then if the supplier favorably changes the core policies, the distributor will be more satisfied with the supplier. Using the statistical technique of simple regression the intent was to prove that the amount of satisfaction for the distributor will increase in relation to the intensity attached to a critical element (core policies) in the distributor's business relationship.

Simple regression was performed on the equation and the "T" value obtained was .95, which was not significant and the hypothesis was rejected.

Hypothesis #3 had three parts to it, centering around the core question that the decrease in conflict the distributor has with a supplier when the supplier favorably changes its core policies is:

- a. directly related to how satisfied the distributor was with the supplier before the change,
- b. directly related to the level of power the distributor attributed to the supplier before the change, and
- c. related to the interaction between satisfaction and the attributed power.

The hypothesis attempted to measure the relationship of the decrease in conflict with the variables of satisfaction and power individually, and satisfaction and power combined. Multiple regression was performed on the variables to test the hypothesis. The value received for Hypothesis 3a was -0.48 at 31 degrees of freedom, the probability assigned for the value was 0.6363. No support was obtained for the hypothesis and it was rejected. The value received for Hypothesis 3b was not significant at 31 degrees of freedom and the hypothesis was rejected. The reading obtained for Hypothesis 3c was not significant and the hypothesis was rejected (see Table 8).

Hypothesis #4 stated that when a supplier changes a major element within the business transaction then the distributor will undergo major behavioral change, specifically the distributor will witness a change in the elements of (a) importance, (b) satisfaction. (c) self-perceived power, (d) conflict, (e) attributed power to the

supplier, (f) mutual understanding, and (g) need for a change to the element. These hypotheses attempted to show a change in the before and after situation for each of the elements queried in the questionnaire. Paired T tests were performed on all of the elements to test the hypotheses.

The "T" statistic for Hypothesis 4a was $-.34$ with a probability of $.738$, which was not considered significant and the hypothesis was rejected.

Hypothesis 4b received a value of $.13$ with a probability value of $.897$, which was not significant and the hypothesis was rejected.

Hypothesis 4c received a value of 1.12 with a probability of 2.227 , which was not significant and the hypothesis was rejected.

Hypothesis 4d received a value of $.15$ with a probability value of $.882$, which was not significant and the hypothesis was rejected.

Hypothesis 4e received a value of $.14$ with a probability value of $.889$, which was not significant and was rejected.

Hypothesis 4f received a value of $.37$ with a probability of $.712$, which was not significant and the hypothesis was rejected.

Hypothesis 4g received a value of $-.012$ with a probability of $.902$, which was not significant and the hypothesis was rejected.

Conclusions

The hypotheses stated were predicated on the historical conceptions that the factors of conflict, power, and satisfaction are

inherent in a distribution channel. In addition, the impact of the level of these factors has been shown to be influential on the perceived levels of each of these factors.

The hypotheses dealt with perceived levels of major factors of conflict, power, and satisfaction, and the relative change that would be induced by a change of a critical factor in the business relationship.

In all cases, the hypothesized relationships were not supported and it may be constructive to assess the possibilities that may have contributed to the non-support of the hypothesized values. These assessments can be grouped into factors internal to the study and the mechanics of the application and to factors that were external or outside mechanics of the study.

Internal to the study, a possibility is that the sampled population is not representative of the total population of this industry's distributors. As was discussed in Chapter IV, percentage-wise, the representation approximated geographical distribution and totals almost 50% of the total population. It is possible that the relative size of the distributorships, both in sales volume and number of employees may vary dramatically, and that the implications hypothesized in the study may not apply equally. The data are not available to refute or support this possibility, however, and the regional comparative data seemed to indicate that the respondents approximated by percentage the representation by region. In addition, Appendix 7 lists the supportive data supplied in the questionnaire where respondents indicated relative size in sales volume, number of

outlets, and employees involved in their firm. From the data shown, respondents were not consolidated in any particular grouping and all areas seemed to have some representation.

Another possibility is that the answers supplied to the questionnaire responses are not truthful, and therefore not indicative of actual perceptive levels of the elements being hypothesized. Obviously, if responses are not actual perceptions, then attempts to measure change in those perceptions could be misleading. No data are available to refute or defend this possibility, but it appears that logically the possibility of this occurring would be somewhat difficult to interpret. Great care was utilized to protect not only the intent of the study, but the identity of the critical factor being manipulated. Also, due to the repeating of the questionnaire, the time period involved, and the ambiguity of the actual questionnaire intent, it would be somewhat difficult for distributors to misrepresent responses at the same level on two different occasions. While it is possible that only one set of answers is untruthful, again no data would be available to identify which case is involved.

Another possibility is that due to the erosive factor of time the effect of the change on the critical item being measured had dissipated to the point that it was no longer meaningful. The intent of the study was to measure perceptions prior to implementation of the change and at some point in time measure the same perceptions for comparison. It was determined at the inception that there would have to be some time period to elapse after the implementation of the change to identify if the change would have a more long term effect on the

distribution channel. It was decided that the second measurement device would not be implemented immediately after the change was announced, and the period of 60 days after distributor notification was utilized.

Another possibility is that the distributor misunderstood the question and therefore the responses were not true perceptions of the item to be measured. Care was utilized in attempting to phrase each question posed such that the recognition of the situation could be generalized. Through the use of pre-tests and individual interviews of the pre-testees it was determined that in fact the pre-test respondents had no difficulty in understanding the type of question and the response requested. The use of a 5-point scale to classify a full range of response has been utilized in prior research. Therefore, while this possibility exists, data are not available to refute or deny this possibility.

Another possibility is that different people responded to the questionnaire from the same distributorship between the first response and the second response. Thus, while responses from the distributorship were consistent, perceptions of individuals may have differed so that responses may not be valid comparisons. The questionnaires and the cover letters were personalized to a specific individual within the distributorship. Follow-up conversations to insure responses were only directed at the individual identified in the cover letter. However, no means are available to insure that the response returned was in fact answered by the same designated person on both occasions.

External to the mechanics of the research instrument, there are factors that possibly could contribute to the rejection of the hypothesized implications.

One possibility may be that core returns and cylinder business may be concentrated in a small percentage of the distributorships. If this is so, then the impact of core change policy would have far more effect on those particular distributorships than on the distributor population as a whole. No attempt was made at identifying respondents with specific volume of core returns or cylinder business. In order to determine if this possibility exists, additional analysis would have to be done on the respondents and compared to actual sales figures if they were available from the manufacturer. There is a possibility that the cylinder business is not a major factor for some of the distributor population. However, with the limited number of distributors by geographical location, any engine rebuilding done for that particular model aircraft should involve some degree of participation by that distributor.

Another possibility is that the cylinder business is being pursued by that distributor with a manufacturer other than the original equipment supplier. As was mentioned in Chapter III, additional sources of cylinder assemblies are available other than the original equipment manufacturer of the engine. The possibility therefore exists that cylinder business from a distributor is not being pursued with the manufacturer in question. A core change policy by the manufacturer would then not appear to be significant to the distributor as the manufacturer was not considered as a source for the cylinder assembly.

Availability of data identifying cylinder sleeve business, by distributor, would be necessary to investigate this possibility.

Another possibility is that the relationship on cylinder assembly sales is far more complex than the hypothesized relationship emphasizing core policies. The hypothesized relationships were directed towards emphasis on core policies as a major factor in the cylinder sleeve purchase decision. It may be possible that that relationship is far more complex than hypothesized. In order to investigate this point, a purchase decision study should be made on the cylinder sleeve sales history. It is possible that factors such as price of the cylinder assembly, perceived quality, availability, ability to purchase individual parts versus a supplied kit, shipping considerations, shipping costs, should be some of the factors considered. After such a study, it may be possible that core policy is not perceived as a significant item in the purchase decision process.

Another possibility is that as evidenced in Appendix 5, the light aircraft industry has undergone a precipitous decline in economic situation in the last 18 months. This dramatic decline in business may have possibly overshadowed the effects of any one particular element on a purchase decision history. It would appear that with a decline in economic fortunes the removal of the uncertainty of core returns would be considered an extremely beneficial move for the distributor. It would, therefore, seem to indicate that such a core policy change, as was initiated, would then have a greater impact than in optimistic economic situations. It is possible, however, that the economic situations of many of the distributors may have deteriorated

so severely it had the effect of clouding their perceptions of this particular element.

Of the internal and external possibilities offered above, several of them appear to have more potential for explaining the results of the research than some of the others do.

Since the measurement was a perceptual one, the possibility of the questionnaire being responded to by separate individuals in spite of the attempts in controlling the situation appears to be one possibility of great significance. If this possibility existed, it is also possible that each individual would have differing amounts of knowledge and/or involvement in the impact and/or knowledge of the core policy change. It is also possible that if different individuals responded to the questionnaire, the impact of the core policy change may not have been realized if that particular operation was not something with which they were intimately aware.

Another factor is the proposal that the relationship is far more complex than the hypothesized emphasis on one particular element. An affair being undertaken by one of the distributors against the manufacturer emphasized an element of the relationship that is different from the critical element defined of core policy. While this is certainly not conclusive, it does indicate that the critical element selected in the research has a possibility of being less crucial to the distributor than was originally hypothesized.

Another major possibility is that the amount or extent of cylinder business presently conducted with the manufacturer may have a significant effect on the importance attached to a core policy change.

As was stated, it is possible that the manufacturer utilized may not be considered a major supplier of cylinder sleeves in spite of the fact that he would be the original manufacturer of the engine. Also, as stated, it is possible that the emphasis on cylinder sleeve purchases and the need for core policy refunds may tend to be concentrated in the distributor population and surveying the total population is not indicative of the research.

Additional research topics are suggested by this list of possibilities that would in fact shed more light on the specific business situation being studied. With the emphasis on cylinder assembly sales being a major portion of the after market business of the OEM supplier, it is crucial that purchase decision information be available.

Implications for Channel Management

The implications for channel management should include the following possibilities.

The proposed change was based on the management belief of understanding the needs of the distributor. The first implication is that management was not correct in its assumptions and either misunderstood or were not informed of the distributor's needs. The causes for such misinterpretation could be in the areas of weak sales representation, improper contact frequency with the distributor, lack of formal and informal communication networks between distributor and supplier, lack of research on the market trends of the manufacturer, communication barriers to the free flow of information, rigidity of

ideas by the manufacturer, and general lack of contact with the distributor organization.

The second major implication is that the perceptions of management were in fact correct, but that the communication and/or recognition of the change itself was not carried out. The causes of such a condition would include many of the factors already mentioned, but in addition the following factors should be examined. Improper communication technique, improper target personnel, poor communications, improper timing, lack of follow-up, lack of communication to field sales representatives making them unaware of the change or not following up on sales calls, improper planning for the communication of such change, in general, lack of communication between the supplier and the distributor.

It is important at this point, to specifically reconstruct the changed situation and the time frame since the April 15th announcement. The manufacturer chose to use a distributor information bulletin format which is a one sheet, printed announcement, mass mailed to distributors. This same format and communication technique is used for many other types of information processing to distributors and does not have priority of importance.

The time factor involved in this situation is one that allows us to observe a short history of the channel operation. Eight months after the announcement of the change in the core policy, the Marketing Executive of the manufacturer determined in a casual conversation with its first and second largest total distributor of parts, that the President of those distributors was completely unaware of the

announced change. The implication of this realization was that the two largest distributors, and correspondingly largest users of engine cylinders, were not aware of an additional core allowance change. After some hurried examination, it was determined that the distributor information bulletin was directed in fact to the Sales Promotion Manager for these distributors and the proper parties were not even made aware of the change in policy. Another implication is that the manufacturer had no means of recognizing the improper communication and had not attempted to follow-up to determine if the communication had in fact been received.

Directly as a result of this information, several major changes were made in the manufacturer's marketing organization. One, individuals were reassigned with specific responsibilities covering the major regions to develop direct contact with each distributor. These individuals were responsible for insuring receipt of important communications, follow-up to insure understanding and effectiveness, and monitoring on a weekly basis the results of these communications. The second change involved a total reassessment of the marketing communications function, both in type of communications and mailing lists involved. As a result of this, more direct contact was initiated both in frequency and in structure.

The significance of this lack of communication signifies that a manufacturer made a major change in its marketing policy, which it felt was extremely significant to the distributor. This change was made on the pretense of improving distributor relations, improving manufacturer image with the intent of increasing potential sales for

engine cylinders. With all of this in mind, the manufacturer made the change in policy and had no means of following up or recognizing the fact that for eight months, the majority of the distributors had no knowledge that the change had even been announced. The significance of this situation should have severe implications for the ability of the manufacturer to adequately conduct its marketing function.

Implications for Future Research

The results of this study suggest an additional area of research into the analysis of distribution channels. Additional applications of this research design should be made to determine if the hypothesized relationships could in fact be supported.

Future research topics could also include if the addition of variables to the interactive process study, hinder or expand justifications of existing research. It may be, as has been suggested, that conclusions reached in past studies are not readily transferrable with the introduction of additional variables. Since so much literature has already been published on each of the variables and their relationship to a sufficiently narrow situation, it may be that extensive research is necessary to expand that horizon.

Another area of research that is a direct result of the conclusions in this dissertation would be into the area of communication barriers and its relationship to channel conflict. Certainly additional research into facilitating communications exchange and its relationship to channel member satisfaction and conflict level should be pursued. In addition, the topic of determining how many conflict

situations are related to communication problems, yet are perceived by members of the channel as being related to another factor, should also be considered.

By continuing the research along the lines suggested by this study, additional insight can be gained into the functioning of the channel process. An improved understanding of the variables of power, conflict, and satisfaction in channels of distribution would be an important contribution to our knowledge of the marketing process.

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APPENDICES

APPENDIX 1

STERN AND HESKETT'S HYPOTHESES

APPENDIX 1

STERN AND HESKETT'S HYPOTHESES

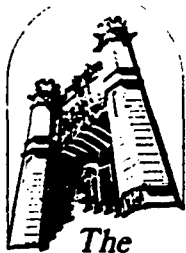
Stern and Heskett proposed a list of propositions for their hypothesized level of hostility.

1. The higher the level of perceived vertical conflict among channel members within any given channel system, the lower the probability of functional cooperation among the members.
2. The lower the probability of functional cooperation, the greater the duplication of efforts exists among channel members.
3. The higher the duplication of efforts which exist, the lower the performance of a channel system.
4. The more the channel members perceive the channel as a super ordinate system with super ordinate goals, the greater will be their efforts to resolve conflicts among themselves.
5. The greater the perceived exclusivity of domains among and between channel members, the lower will be the level of perceived vertical conflict within the channel.
6. The fewer the number of sources from which information is received by members of marketing channels, the less the differentiation of perceptions of reality among the members.
7. The less the differentiation of perceptions of reality among members, the lower will be the level of perceived vertical conflict within the channel.
8. The more uncertainty that is absorbed by one channel member for other channel members, the less will be the differentiation of perceptions of reality among the members.
9. Once in process uncertainty absorption by one channel member from other channel members will continue only as long as the inferences disseminated are perceptually credible to the members receiving them.

10. The minimum of anticipated or potential power is required to establish an effective uncertainty absorption point for a channel system.
11. The minimum anticipated or potential power held by the uncertainty absorbing member must be perceived by other channel system members to be greater than that held by any other member.
12. The centralizing of organizations will have obtained more power relative to other channel members because of:
 - a. Its greater anticipated ability to mediate rewards for other channel members, and
 - b. Its greater perceived knowledge or skills in the marketing of a given product.
13. Commitment on the part of a channel member varies directly with excess of rewards over contributions, however measured, which is perceived individually by the member.
14. Values placed on excesses of rewards over contributions will vary depending on the degree of the channel members stake in the given channel system.
15. Primary operating outcomes of a centralizing organizations activities within a channel system are:
 - a. The effective allocation of rewards, and
 - b. The maintenance of power relationships.
16. The enabling force for carrying out the effective allocation of rewards is power. Current power is a function of the use of which previously held power has been put in the process of managing critical relationships in a channel system.

APPENDIX 2

COVER LETTER MARCH 6, 1981,
DISTRIBUTOR QUESTIONNAIRE



The University of Oklahoma at Norman

College of
Business Administration
Division of Marketing

March 6, 1981

Keeling Supply Company
4227 E. 43rd Street
North Little Rock, AR 72115

Dear Sir:

The Distribution Research Program of the University of Oklahoma is conducting a major study on manufacturer/distributor relations. The purpose of this study is to gain better understanding of how the items that are part of daily business transactions are viewed by members of the distribution channel. The results will be used to develop ways of improving manufacturer/distributor relations.

Your firm has been selected as one of a small number of distributors for participation in this study and your personal opinions are very important. Not only will your participation greatly assist us in increasing our knowledge of this area, but it will allow you to express your feelings about the items.

Your answers will be kept in the strictest confidence for the data will be used for statistical calculations only and no individual firm will be identified.

The questionnaire takes only a few minutes to fill out, since most of the questions can be answered by simply checking an appropriate response. Your personal response is urgently needed for the success of this study.

Sincerely,

Rodney Evans
Research Director

encl.

APPENDIX 3

COVER LETTER JUNE 16, 1981

DISTRIBUTOR QUESTIONNAIRE



The
University of Oklahoma at Norman

June 16, 1981

College of
Business Administration
Division of Marketing

Mr. Louis W. Brown
South Alabama General Aviation, Inc.
Bldg. 901, Mobile Aerospace Airport
Mobile, Alabama 36615

Dear Mr. Brown:

We recently asked you to share your feelings about the business you conduct. The participation that you were so generous to share with us has given us some much needed insight into the business situation.

We do realize also that there is a possibility that things may change over a period of time. But, it is again very important that we understand your feelings of the present situation.

Would you please take the time, once more, to respond to us with your feelings about what is happening in your business situation. Your initial responses were very encouraging and we ask that you take just a little more time to help us.

Sincerely,

Rodney Evans
Research Director

encl.

APPENDIX 4

DISTRIBUTOR QUESTIONNAIRE

CONFIDENTIAL QUESTIONNAIRE

INSTRUCTIONS

These questions are designed to have you express your feelings about the relationship between the supplier of engine parts (Lycoming, Continental, Superior, etc.) and your distributorship. We are concerned only with how you feel and your opinions about the items questioned. These items will be kept strictly confidential and we ask that you express your true feelings about each item.

When you have finished the questionnaire, place it in the provided return envelope and mail it to the University of Oklahoma.

1. Some of the items of the everyday business transaction have more significance to the profitable operation of your business than other items do. For each of the items listed below circle the number which indicates how important you feel each item is to the profitability of your business.

	Almost No Importance	Little Importance	Some Importance	Great Importance	Very Great Importance
Number of years your distributorship has been associated with present supplier.	1	2	3	4	5
Discount structure of supplier's parts pricing.	1	2	3	4	5
Price level you pay for supplier's parts.	1	2	3	4	5
Minimum order quantities.	1	2	3	4	5
Invoice payment terms.	1	2	3	4	5
Supplier's freight policy	1	2	3	4	5
Size of sales territory.	1	2	3	4	5
Ability to obtain parts orders from 'off the shelf'	1	2	3	4	5
Speed of warranty claims settlement	1	2	3	4	5
Availability of supplier furnished service training	1	2	3	4	5
Frequency of salesman's visits	1	2	3	4	5
Supplier established financial quotas	1	2	3	4	5
Supplier participation in distributor operations.	1	2	3	4	5
Product quality.	1	2	3	4	5
Core policies	1	2	3	4	5
Supplier assurances of distributor operating rights for warranty claim work within sales territory	1	2	3	4	5
Supplier provided advertising.	1	2	3	4	5
Contact clauses specifying distributor operating responsibilities.	1	2	3	4	5
Manufacturer/Dealer communications.	1	2	3	4	5

2. For each item of the business transaction you may have some feeling of satisfaction or dissatisfaction with the way things are happening right now. It is also possible you have no feelings either way on the item.

For each of the items listed below circle the number which indicates your level of satisfaction with the present situation.

	Very Dissatisfied	Somewhat Dissatisfied	Neutral	Somewhat Satisfied	Very Satisfied
Number of years your distributorship has been associated with present supplier.	1	2	3	4	5
Discount structure of supplier's parts pricing	1	2	3	4	5
Price level you pay for supplier's parts.	1	2	3	4	5
Minimum order quantities.	1	2	3	4	5
Invoice payment terms.	1	2	3	4	5
Supplier's freight policy.	1	2	3	4	5
Size of sales territory.	1	2	3	4	5
Ability to obtain parts orders from "off the shelf"	1	2	3	4	5
Speed of warranty claims settlement.	1	2	3	4	5
Availability of supplier furnished service training.	1	2	3	4	5
Frequency of salesman's visits.	1	2	3	4	5
Supplier established financial quotas.	1	2	3	4	5
Supplier participation in distributor operations.	1	2	3	4	5
Product quality.	1	2	3	4	5
Core policies.	1	2	3	4	5
Supplier assurances of distributor operating rights for warranty claim work within sales territory.	1	2	3	4	5
Supplier provided advertising.	1	2	3	4	5
Contact clauses specifying distributor operating responsibilities.	1	2	3	4	5
Manufacturer/Dealer communications.	1	2	3	4	5

3. The day to day operation of the business transaction is made up of a series of items that are agreed upon between the supplier and your business on how each of these items will be conducted. Distributors will have some amount of influence as to how each of these items has been agreed upon. The amount of influence may be different for each item.

For each of the items listed below circle the number which indicates how much influence you feel you have on how each item has been determined.

	Almost None	Little Influence	Some Influence	Almost Great Influence	Complete Influence
Number of years your distributorship has been associated with present supplier.	1	2	3	4	5
Discount structure of supplier's parts pricing.	1	2	3	4	5
Price level you pay for supplier's parts.	1	2	3	4	5
Minimum order quantities.	1	2	3	4	5
Invoice payment terms.	1	2	3	4	5
Supplier's freight policy.	1	2	3	4	5
Size of sales territory.	1	2	3	4	5
Ability to obtain parts orders from "off the shelf"	1	2	3	4	5
Speed of warranty claims settlement.	1	2	3	4	5
Availability of supplier furnished service training.	1	2	3	4	5
Frequency of salesman's visits.	1	2	3	4	5
Supplier established financial quotas.	1	2	3	4	5
Supplier participation in distributor operations.	1	2	3	4	5
Product quality.	1	2	3	4	5
Core policies.	1	2	3	4	5
Supplier assurances of distributor operating rights for warranty claim work within sales territory.	1	2	3	4	5
Supplier provided advertising.	1	2	3	4	5
Contact clauses specifying distributor operating responsibilities.	1	2	3	4	5
Manufacturer/Dealer communications.	1	2	3	4	5

4. In the relationship between a distributor and a supplier, there is a possibility that disagreement may arise over items of the business transaction.

For each of the items below circle the number which expressed the frequency of disagreement you have with a supplier of engine parts over the items listed.

	No Disagreement	Little Disagreement	Some Disagreement	Great Disagreement	Almost Always Disagree
Number of years your distributorship has been associated with present supplier.	1	2	3	4	5
Discount structure of supplier's parts pricing.	1	2	3	4	5
Price level you pay for supplier's parts.	1	2	3	4	5
Minimum order quantities.	1	2	3	4	5
Invoice payment terms.	1	2	3	4	5
Supplier's freight policy.	1	2	3	4	5
Size of sales territory.	1	2	3	4	5
Ability to obtain parts orders from "off the shelf"	1	2	3	4	5
Speed of warranty claims settlement.	1	2	3	4	5
Availability of supplier furnished service training.	1	2	3	4	5
Frequency of salesman's visits.	1	2	3	4	5
Supplier established financial quotas.	1	2	3	4	5
Supplier participation in distributor operations.	1	2	3	4	5
Product quality.	1	2	3	4	5
Core policies.	1	2	3	4	5
Supplier assurances of distributor operating rights for warranty claim work within sales territory.	1	2	3	4	5
Supplier provided advertising.	1	2	3	4	5
Contact clauses specifying distributor operating responsibilities.	1	2	3	4	5
Manufacturer/Dealer communications.	1	2	3	4	5

5. Sometimes the supplier of parts to you (in this case engine parts) has varying amounts of influence over how each of the items in the business transaction will be conducted.

For the items below circle the number which indicates how much influence you feel the supplier has over how each item is determined.

	Almost None	Little Influence	Some Influence	Great Influence	Almost Complete Influence
Number of years your distributorship has been associated with present supplier	1	2	3	4	5
Discount structure of supplier's parts pricing.	1	2	3	4	5
Price level you pay for supplier's parts.	1	2	3	4	5
Minimum order quantities.	1	2	3	4	5
Invoice payment terms.	1	2	3	4	5
Supplier's freight policy.	1	2	3	4	5
Size of sales territory.	1	2	3	4	5
Ability to obtain parts orders from "off the shelf"	1	2	3	4	5
Speed of warranty claims settlement.	1	2	3	4	5
Availability of supplier furnished service training	1	2	3	4	5
Frequency of salesman's visits.	1	2	3	4	5
Supplier established financial quotas.	1	2	3	4	5
Supplier participation in distributor operations.	1	2	3	4	5
Product quality.	1	2	3	4	5
Core policies.	1	2	3	4	5
Supplier assurances of distributor operating rights for warranty claim work within sales territory.	1	2	3	4	5
Supplier provided advertising.	1	2	3	4	5
Contact clauses specifying distributor operating responsibilities.	1	2	3	4	5
Manufacturer/Dealer communications.	1	2	3	4	5

6. In the business transaction it is necessary that there be a clear understanding between the supplier and the distributor over how each item is to be conducted. It is also possible that there may not be a clear understanding of what each party is expected to do.

For each of the items listed below circle the number that indicates how clear a level of understanding you feel exists between you and the supplier over how each of the items is to be conducted.

	Almost No Understanding	Little Understanding	Some Understanding	Great Understanding	Almost Complete Understanding
Number of years your distributorship has been associated with present supplier.	1	2	3	4	5
Discount structure of supplier's parts pricing.	1	2	3	4	5
Price level you pay for supplier's parts.	1	2	3	4	5
Minimum order quantities.	1	2	3	4	5
Invoice payment terms.	1	2	3	4	5
Supplier's freight policy.	1	2	3	4	5
Size of sales territory.	1	2	3	4	5
Ability to obtain parts orders from "off the shelf".	1	2	3	4	5
Speed of warranty claims settlement.	1	2	3	4	5
Availability of supplier furnished service training.	1	2	3	4	5
Frequency of salesman's visits.	1	2	3	4	5
Supplier established financial quotas.	1	2	3	4	5
Supplier participation in distributor operations.	1	2	3	4	5
Product quality.	1	2	3	4	5
Core policies.	1	2	3	4	5
Supplier assurances of distributor operating rights for warranty claim work within sales territory.	1	2	3	4	5
Supplier provided advertising.	1	2	3	4	5
Contact clauses specifying distributor operating responsibilities.	1	2	3	4	5
Manufacturer/Dealer communications.	1	2	3	4	5

7. Sometimes it may be necessary to change the way the items of the business transaction are conducted. The need to change some of the items may be more important to you than others might be. It is also possible that you feel no changes are needed on each of the items.

For each of the items listed below circle the number which indicates how important it is to you to have the item changed.

	Change Absolutely Necessary	Change May Be Necessary	No Feelings	Change May Not Be Necessary	No Change Necessary
Number of years your distributorship has been associated with present supplier.	1	2	3	4	5
Discount structure of supplier's parts pricing.	1	2	3	4	5
Price level you pay for supplier's parts.	1	2	3	4	5
Minimum order quantities.	1	2	3	4	5
Invoice payment terms.	1	2	3	4	5
Supplier's freight policy.	1	2	3	4	5
Size of sales territory.	1	2	3	4	5
Ability to obtain parts orders from "off the shelf"	1	2	3	4	5
Speed of warranty claims settlement.	1	2	3	4	5
Availability of supplier furnished service training.	1	2	3	4	5
Frequency of salesman's visits.	1	2	3	4	5
Supplier established financial quotas.	1	2	3	4	5
Supplier participation in distributor operations.	1	2	3	4	5
Product quality.	1	2	3	4	5
Core policies.	1	2	3	4	5
Supplier assurances of distributor operating rights for warranty claim work within sales territory.	1	2	3	4	5
Supplier provided advertising.	1	2	3	4	5
Contact clauses specifying distributor operating responsibilities.	1	2	3	4	5
Manufacturer/Dealer communications.	1	2	3	4	5

8. The items in a business transaction have, in your opinion, a priority list assigned to each item. Based on the importance of each of the items to you for the profitability of your distributorship, rank the three most important items from the list below.

Use a (1) for the most important item, (2) for second most important and (3) for third most.

	Rank
Number of years your distributorship has been associated with present supplier.	()
Discount structure of supplier's parts pricing.	()
Price level you pay for supplier's parts	()
Minimum order quantities.	()
Invoice payment terms.	()
Supplier's freight policy,	()
Size of sales territory	()
Ability to obtain parts orders from "off the shelf"	()
Speed of warranty claims settlement	()
Availability of supplier furnished service training	()
Frequency of salesman's visits	()
Supplier established financial quotas.	()
Supplier participation in distributor operations.	()
Product quality.	()
Core policies.	()
Supplier assurances of distributor operating rights for warranty claim work within sales territory	()
Supplier provided advertising.	()
Contact clauses specifying distributor operating responsibilities.	()
Manufacturer/Dealer communications	()

9. The following items are needed to correctly classify your information.

A. How many competitive lines of _____ parts do you carry?

B. How many employees do you have?

(1 to 5)

(5 to 10)

(10 to 20)

(20 to 40)

(40 and over)

C. What is your approximate yearly sales volume?

(Under \$500,000)

(\$500,000 to \$1,000,000)

(\$1,000,000 to \$3,000,000)

(\$3,000,000 to \$10,000,000)

(\$10,000,000 and over)

D. How many outlets do you operate that handle the _____ competitive produce lines?

(1)

(1 to 5)

(5 to 10)

(More than 10)

To determine your general satisfaction with the existing situation we want you to complete the following.

If you had the chance today to renew the existing situation or cancel it with your supplier of Engine parts, would you

Renew it ()

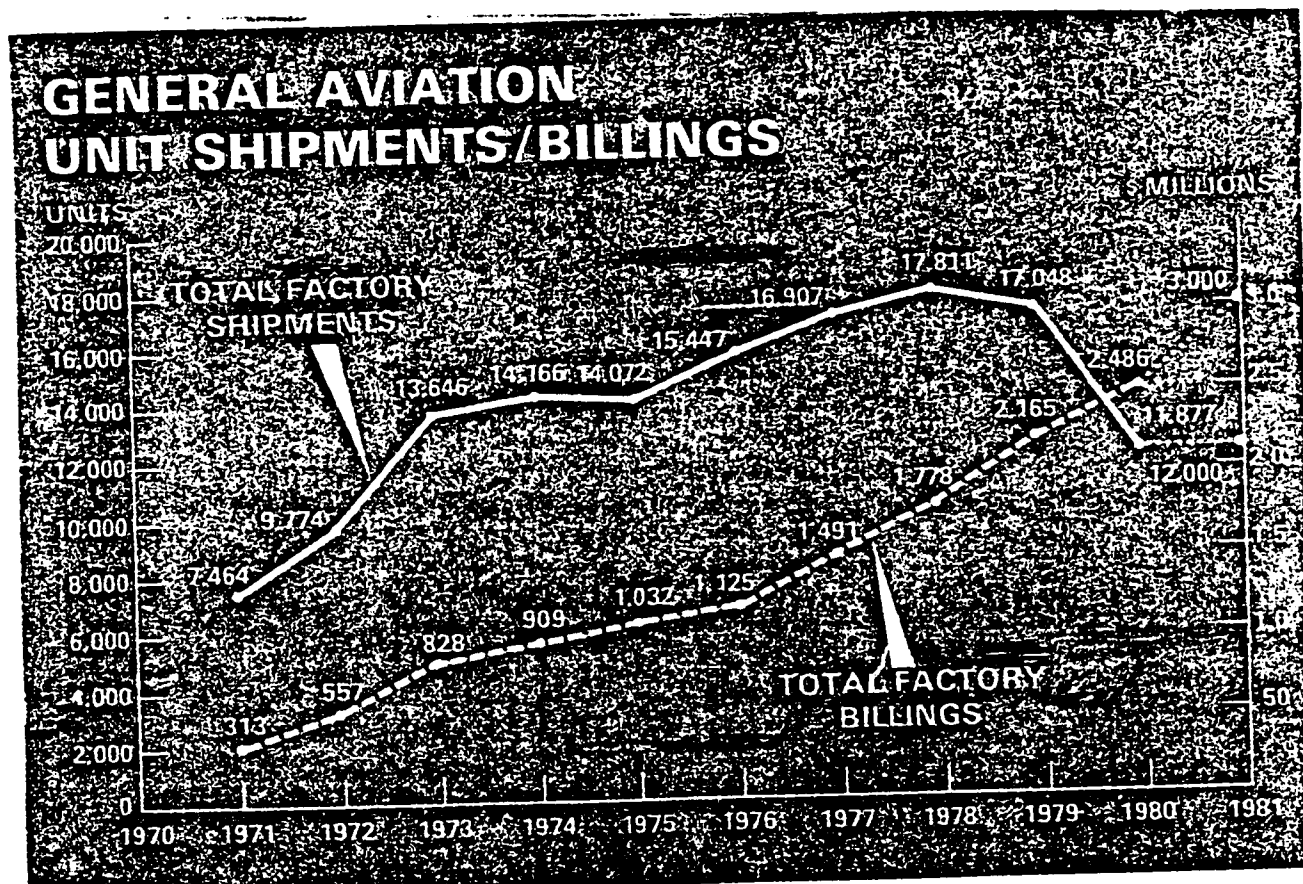
Cancel it ()

APPENDIX 5

SALES HISTORY LIGHT AIRCRAFT

APPENDIX 5

SALES HISTORY LIGHT AIRCRAFT



APPENDIX 6

COMPARATIVE INFORMATION OF RESPONDENTS

APPENDIX 6

COMPARATIVE INFORMATION OF RESPONDENTS

Number of Employees

<u>1-5</u>	<u>5-10</u>	<u>10-20</u>	<u>20-40</u>	<u>40+</u>
1.5%	10%	17.5%	20%	50%

Annual Sales

<u>Less than 500K</u>	<u>500K - 1000K</u>	<u>1000K - 3000K</u>	<u>3000K- 10000K</u>	<u>10000K Plus</u>
7.5%	12.5%	22.5%	17.5%	40%

Number of Outlets Operated by Respondent

<u>1</u>	<u>2-5</u>	<u>5-10</u>	<u>10+</u>
42.5%	35%	17.5%	5%