

**A STUDY ON THE VARIOUS DIMENSIONS OF CONFLICT AND ITS
IMPACT ON WORK RELATIONSHIP AND FINANCIAL
PERFORMANCE WITH SPECIAL REFERENCE TO INDIAN PUMP
INDUSTRY**

Synopsis of the Research Proposal

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1 INTRODUCTION:

1.1 WORK RELATIONSHIP:

According to James C. Anderson (1990), Manufacturer and distributor relationship or Partnership is defined as the extent to which there is mutual recognition and understanding that the success of each firm depends in the part of the other firm, with each firm consequently taking actions so as to provide a coordinated effort focused on jointly satisfying the requirements of the customer market place. The main purpose of any work relationship is to make the product available in the market and to serve the customers. To achieve this the manufacturer keep appointing new distributors to cover the market. However a point of diminishing returns arrives where appointment of new distributors does not yield any further return to the manufacturers due to market saturation. It might affect existing distributor profitability and often lead to service and price war. This result in the distributor focusing on other products which yield better return.

In General, Manufacturing is volume based business and the manufacturer can take any step to increase the volume by way of adding new distributor, sell at lower Margin or do direct sales. Meanwhile, Distribution sales is based on Margin based sales and they do not afford to sell at loss. Hence there exist a gap between the Manufacturer and distributor Goals although they are selling the same product. Bidirectional communication is very important in bridging the Gap between the Manufacturer and Distributors priorities. The sales team

of the Manufacturer play a vital role in facilitating the communication between the manufacturer and channel partners.

The research by Industrial Performance group on Manufacturer and Distributor Work relationship revealed that Most of the Manufacturer and Distributor are well aware of the fact that due to their Poor Work relationship, there are having negative effect on their sales and profitability. However, they are not ready to rectify the situation as both the parties lack the commitment and trust on each other.

Commitment is defined as the extent to which a manufacturer and distributor display a willingness to invest their resources (time,money & people) toward the accomplishment of a common goal. And trust is the confidence that develops in a working relationship when the actions of both the manufacturer and the distributor support this common goal. As you can see, a common goal forms the basis of productive and profitable manufacturer/distributor working relationships.

1.2 THE EIGHT ATTRIBUTES OF PEAK PERFORMANCE:

Survey data and field interviews from a four year study between 1997 and 2001 of 750 manufacturers and 500 distributors conducted by the Industrial Performance Group, a Northfield, Illinois, firm that specializes in supply chain and distribution channel management, identify eight attributes that determine the sales performance and profitability of manufacturer/ distributor working relationships.

The eight attribute are listed below:

- 1) The manufacturer and distributor share a clear and common understanding of the conditions that exist in their industry;
- 2) They have developed goals and plans for accomplishing these goals;
- 3) The manufacturer and distributor are highly sensitive to the ever changing needs of their mutual customers;
- 4) They have clearly defined the roles and responsibilities of each party;
- 5) They take action to assure that everyone involved has the knowledge and skills to effectively perform their assigned roles and responsibilities:
- 6) The manufacturer and the distributor engage in high-quality two-way communication;
- 7) They are both strongly committed to their relationship; and
- 8) There is a high level of cooperation between the manufacturer and the distributor.

An assessment of The Eight Attributes of Peak Performance in phase two of our research reveals that the root cause of the sales performance and profitability problems for manufacturers and distributors is primarily an overall lack of direction which is related with the leadership.

1.3 INDIAN PUMP INDUSTRY:

Indian Pump Industry is thickly populated with Major Centrifugal pumps players like Kirloskar, KSB and CRI pumps. Centrifugal pumps continue to dominate the Market, occupying around 95% of the Market share. Positive displacement pumps like Rotary, Reciprocating and Peristaltic hose pump occupy rest of the 5%.

Due to Global economic Slowdown, there was a noticeable fall in the sale of pumps in the pump Manufacturing Hub-Coimbatore. The industry is embracing new products and innovative methods of Manufacturing as a counter measure. Industrial Distributors who are connected with these manufacturers are facing tough time in pushing the products to new projects.

Though the quality of pumps has increased, it has its negative effect on replacement sales as most of the users are not replacing the pumps for noncritical applications.

1.4 KEY GROWTH DRIVERS:

In spite of current economic slowdown and its negative effect on Indian pump industry, there is promising future for Indian pump Industry as few of the key sectors like infrastructure continue to grow.

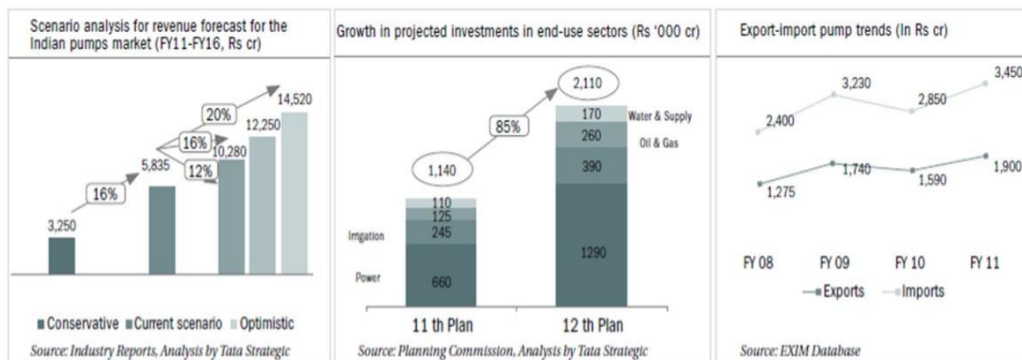
The government has announced investment of \$1 trillion into the infrastructure sector in the twelfth five year plan will boost the demand for pumps in the key end-use sectors.

Recently there is a phenomenal growth in Water treatment industry as the government is implementing more WTP/ETP plants with its stringent regulatory norms.

Pumps consumes 30% of the total Power. The overall cost of ownership of a non-energy efficient pump is very high due to its high operating cost. There is a growing demand for energy efficient pump and many pump manufacturers started closely working with institutions like the Bureau of Indian Standards and BEE and other government agencies.

New analysis from Frost & Sullivan, Analysis of the Centrifugal Pumps Market in India, finds that the market earned revenues of INR74, 643.0 million during 2013 and is expected to reach INR112, 504.4 in 2018 at a compound annual growth rate of 8.6 per cent. .

Figure 1 Estimated growth of Indian pump market



2 RELEVANCE OF THE TOPIC:

Previous research has shown that healthy work relationship between the manufacturer and Distributor has positive result in their sales and profit. Though both the parties are aware of this fact they are taking very little steps to improve the situation as both of them does not share common goal and lacks trust between them.

The topic gains its importance as it is focused towards the pump industry in a developing economy like India. Indian Pump industry is estimated to be a 10,000 Crore Market with the domestic sales expected to increase at the rate of 16 to 18% per year and export project continue to grow around 10 to 12%.

Inspite of its high Market potential, the market lacks scientific planning and controlling its distribution network. Most of the Market specific Agriculture sector is unorganized and lacks proper guidance and support.

More over the industry, also prone to be sensitive to the economic slowdown which has its negative effect on the Work relationship between the Pump manufacturer and distributor. Since lack of bidirectional communication is attributed to this poor work relationship, it also gives a different picture above the external Market. As most of the time manufacturer, complains the distributor for nonperformance rather than accepting the condition of external market slowdown. This increases the conflict between both the parties.

3 OBJECTIVES AND SCOPE:

1. To study the conflict Management between the manufacturer and distributor by improving the work relationship between them.
2. To analyse the factors influencing the manufacturer and Distributor Work relationship.
3. To find the Current State of Work Relationship between the Pump Manufacturer and Distributor in India.
4. To check whether external Market influences the Work relationship between the Manufacturer and Distributor.

4 CONCEPTS AND THEORIES:

The channel conflict can be broadly classified into two types- Horizontal Conflict and Vertical conflict.

4.1.1 HORIZONTAL CONFLICT:

This is the type of conflict where the members in the channel compete among themselves. This could be due to channel member selling beyond agreed areas. Because of cutthroat Competition poor price management, imperfect incentive mechanism, a bottleneck in sales management, the funds shortage even market revenge and so on, dealers sales beyond agreed areas, which brings about vicious results.

4.1.2 VERTICAL CONFLICT:

This type of conflict exist between the Manufacturer and the channel members. This kind of conflict firstly manifests the incompatible cost sharing. The distributors feel that the manufacturer has not supported them with good number of leads and better pricing support to compete in the market.

4.2 CAUSES OF CONFLICT:

Previous marketing research has identified three primary causes of conflict among channel members: goal incompatibility, domain dissensus, and differing perceptions of reality. (Luk 1997).

4.2.1 INCOMPATIBLE GOALS:

This can occur because of Goal incompatibility among the channel Members. This typically include profit Margins, Accessibility to product supply etc

4.2.2 DOMAIN DISSENSUS:

This arises due to the differences in the domain definition among the channel members. It includes critical elements like Clients to be served, Territory/Segment to be covered, Functions to be performed and the technology adopted.

4.2.3 DIFFERING PERCEPTION OF REALITY:

It is a type of threat perceived by the Channel member on the other Channel member whereas the reality might be different. It basically arises due to poor communication among the channel members. Due to which there won't be enough cooperation and coordination among the members.

4.3 CONFLICT RESOLUTION STRATEGIES:

There are basically four different types of Conflict Resolution strategies which are predominantly implemented. All these 4 represent the process approach towards Conflict resolution.

1. Problem Solving: This is the mostly widely used strategy where the members share the goal and they look for solution that satisfies the decision of both the parties.
2. Persuasion: Persuasion is the next technique which is used as an alternative to Problem solving. Here the members does not share any common goal. They are basically aimed at reducing the differences of the individual sub ordinate goals and bring the superordinate goals of the Marketing channel.
3. Bargaining: It is the option to be used when the channel members have Zero tolerance towards losing. They do not want the other member to win.
4. Politics: It is preferred when there is Zero Sum Orientation like in case of Bargaining with fixed disagreement. They won't be able to resolve the matter on their own and they seek third party assistance.

Figure 2 Conflict resolution strategies



4.4 FUNCTIONAL CONFLICT:

Although channel conflict is usually viewed as being dysfunctional and, therefore, unwanted, there are situations where it can be healthy and desirable. Often referred to as “functional conflict,” there is evidence that it is a result of trust in a channel relationship (Luk, 1997). The aim of channel conflict management should be not to avoid them completely but to minimise it so that it can be productive. The previous research shows that Channel conflict is positive and it triggers the members of the channel to be creative and vigilant as there other channel members who are working along them and can take up the market share. It also make sure that the end user gets the final benefit interms of price, Product and Service.

5 PREVIOUS RESEARCH WORK:

Managing Channel Conflict is not something new and lot of research work has been done in the past. Which can be categorised as Structural Approach and Process Approach. Techniques like subordinate goals, Exchange of Person program, Problem solving technique etc were used in the past to reduce the channel conflict. However careful Implementation is required to get the desired benefits of out it. In the current thesis focus is laid upon improving the work relationship to manage the conflict. The details of the literature reviewed and its relevance with the area of research is given in below in detail.

Table 1 Previous research findings and linkage to research

No	Literature Reviewed	Author/s & Publishing Year	Gist of Points Gained	Linkage to my research
1	An Examination of Multi-Dimensional Channel Conflict: A Proposed experimental Approach Source: Journal of Behavioral Studies in	J Barry Dickinson	Theoretical model describing relations among various variable Stages, Types of Conflict	Types of Conflict- Cognitive, Progressive and affirmative

	Business.			
2	Title: Organization Source: New York: John Wiley	March, J.G. and Simon, H.A. (1958)	4 Major type of Conflict resolution Strategies	Mostly Focused toward process approach. Reach on Structural Approach
3	Title: A Model of Distributor Firm and Manufacturing Firm Working Partnerships. Source: Journal of Marketing Vol. 54, No. 1 (Jan., 1990),pp. 42-58	James C. Anderson & James A. Narus (1990)	A model of manufacturer and distributor working partnership.	Definition of Working partnership. Multiple Informant Research Method involving both manufacturer and distributor.
4	Title: A Model of the Distributor's Perspective of Distributor	James C. Anderson;	Social Exchange theory is build and it is related	Distributor's perceptive of work

	<p>Manufacturer Working Relationships</p> <p>Source: Journal of Marketing, Vol. 48, No. 4 (Autumn, 1984), pp. 62-74</p>	<p>James A. Narus (1984)</p>	<p>with the channels of distribution.</p>	<p>relationship</p>
5	<p>Title: Conflict Resolution Strategies and Marketing Channel Relationships: Framework and Research Propositions.</p> <p>Source Link : http://www.jgbm.org/page/21%20C.%20M.%20Sashi.pdf</p>	<p>C. M. Sashi (2008)</p>	<p>Measure the relationship norms like trust and commitment after the Para Simulation technique among the channel members.</p>	<p>The paper discuss the theoretical Frame work linking Conflict perception ,relational norms, Conflict resolution strategies, and Relationship quality</p>

6	<p>Title: Managing conflict in Distribution Channels: A Laboratory Study. Source: Journal of Marketing Research Vol X (May 1973), 169-179</p>	<p>Louis W.Stern, Brain Sterntha i and C.Samuel Craig (1973)</p>	<p>Conflict does not occur only because of distribution channel settings (emphasizing on price and quality) there are other variables.</p>	<p>1.Laboratory study to test conflict Management mechanism. 2.Research is focused towards Intra Channel Distribution</p>
7	<p>Title: A use of Simulation in the study of Internation relations". simulation in social science: Source: Reading engle woods cliffs., N.J PrenticeHall 1962. 82-93</p>	<p>H. Guetzko W (1962)</p>	<p>9 Different types of Conflict management Mechanisms. Usage of Simulation technique to reduce the International Conflict by Conflict Management mechanisms.</p>	<p>Introduction of Para simulation technique in Research.</p>

8	<p>Title: Distribution Channels Conflict and Management Source: Journal of Business Management & Social Sciences Research (JBM&SSR) Volume 1, No.1,October 2012 ISSN No: 2319- 5614</p>	<p>Dr Vasanth Kiran, Dr Mousumi Majumd ar & Dr Krishna Kishore (2012)</p>	<p>1. Conflict can occur not only externally between the supplier firm and its channel partners, but also internally between the supplier's subunits responsible for managing all of the channels.</p> <p>2. 12 different strategies to Manage the channels.</p>	<p>Marketing research is focusing mainly on Channel Conflict with respect to Internet as separate channel. However the conflict among the Channel members in the intra channel Environment still Prevail especially in selling industrial Products.</p>
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9	<p>Title: Structural changes in China's distribution system.</p> <p>Source: International Journal of Physical Distribution & Logistics</p>	<p>Luk, S. T (1997)</p>	<p>1.Three primary causes of conflict among channel members: goal incompatibility, domain dissensus, and differing perceptions of reality.</p> <p>2.Sometimes Channel Conflict can be healthy and desirable. Often referred to as "Functional Conflict"</p>	<p>Channel Conflict need not to be ignore but it should be imported to get better. Convert any conflict to functional conflict.</p>
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10	<p>Title: The impact of the internet as a direct sales channel on established Distribution channels and the management of channel conflict: an exploratory study in the Taiwanese IT Industry</p> <p>Source: Doctoral Thesis, University of Edinburgh.</p>	Chang Jen-Yun (2009)	<p>Qualitative research approach to find out the motives behind having internet as a separate channel, Multi channel design and reduction of Conflict</p>	<p>Qualitative research approach to reduce the distributors conflict from top 25 IT companies in Taiwan</p>
11	<p>Title: The role of industrial distributor in marketing strategy</p> <p>Source: Journal of Marketing, Vol. 40 (July 1976), pp. 10-16</p>	Frederick E. Webster, Jr. (1976)	<p>Manufacturers who are having channel sales depends on industrial distributors for various reasons.</p> <p>Handling of large accounts, inventory management,</p>	<p>Definition of Industrial distributor and their types.</p> <p>Inclusion of the presence of multiple distributors as a factor in affecting the relationship</p>

			<p>managing distributors, overlapping territories of multiple distributors, distributor's margin and dilemma whether customer or supplier-who comes first? were considered to be the most important issue in distributor and supplier relationship.</p>	<p>between manufacturer and distributor. Inclusion of distributors' margin(financial performance) as a factor in affecting the channel relationship</p>
12	<p>Title: A study of effectiveness of distribution function in white goods industry.</p> <p>Sources: retrieved from</p>	<p>Ajay Bhambha (2011)</p>	<p>Different functions of distributor. Role of distributors in facilitating the</p>	<p>Different functions of a channel member in effective functioning of</p>

	<p>http://hdl.handle.net/10603/7856 on 18th Apr, 2018</p>		<p>product reach to the end consumer. Over view of different types of distributors and conflicts that arises between the various channel members which hampers their effective functioning.</p>	<p>the business.</p> <p>Review of various literatures on channel conflict and its bases for development including normative, rational and emotional reasoning.</p>
13	<p>Title: Indian pump and value industry: Time to go global.</p> <p>Source: Chemical engineering world , January 2015, pp. 40-42</p>	<p>Shripad Ranade and yogesh shivani (2015)</p>	<p>Growth and market potential of pump and value industry in India and global level.</p> <p>How Indian companies needs to be competitive in the global</p>	<p>Market potential of pumps and values in India is estimated to be Rs 17,500.</p> <p>The pump market in India was estimated as Rs 8,500 FY 14 and it is</p>

			<p>pump market to compete with international players. Quality and low cost production remain to be the key factors for the success.</p> <p>Inward and outward focus areas for indian manufacturers to boost the sales.</p>	<p>expected to grow at an annual rate of 7 to 10 percent in the upcoming years.</p> <p>The global pump market was estimated as USD 47 billion in 2014 and it reached USD 56 billion in 2017.</p>
14	Pumps market in India 2015 - 2019	Technavio's report (2015)	<p>The current situation of Indian pump industry and growth prospectus for the year 2015-2019. Discuss about the</p>	<p>According to technavio's analyst Pump industry in india is expected to grow at CAGR 12.76 from 2014 to 2019.</p>

			<p>challenges to market growth. SWOT analysis of the key vendors. Indepth experts and key vendors interview.</p>	<p>Market size and and market share of prominent vendors in India.</p>
15	<p>Global Marketing-A study with reference to motor pumps in Coimbatore city, India.</p>	<p>R. Rajashekara n and M. Esther krupa</p>	<p>Global marketing strategies implemented by Indian pump companies and the problems faced by them in exporting pumps.</p>	<p>History in pump companies operating in Coimbatore. Role of small scales pump companies in economic wellbeing of the country.</p>

6 PROBLEM STATEMENT:

1. Current state of Work relationship between the Manufacturer and distributor in Indian Pump Industry is not addressed so far. Indian Pump Industry, being a channel driven market occupying mostly Agriculture and Industrial Sector, it becomes mandatory to explore the current state of work relationship between the manufacturer and distributor.
2. The effect of External Market Slowdown on the current Work relationship between the manufacturer and distributor has not been researched in the past. It has to be checked whether External Market slowdown has any negative effect or no effect on the Work relationship. If it has any effect, we have to check under what circumstance it has its effect.

7 HYPOTHESIS: JUSTIFICATION

1. Pump Manufacturers and Distributors in India are very well aware of their current state of Work relationship.
2. Current State of Work Relationship between the Pump Manufacturer and Distributor in India is ideal one.
3. External Market Slow down does not have any impact on the Work relationship between the Pump Manufacturer and Distributor in India.

8 METHODOLOGY PROPOSED:

1. Quota sampling technique shall be used by segregating into different regions as East & Centre, West, North and South. Total of approximately 200 numbers of seniors Managers of Industrial pump Distributors shall be surveyed.
2. Pilot Study shall be conducted before the main Study.
3. Techniques like In-depth Telephonic interview, online survey and personal interview shall be used to collect data from the industrial pump distributors.

9 CHALLENGES / DIFFICULTIES ANTICIPATED:

Since the research involves paired sampling technique involving both manufacturer and distributor specific to pump industry, sourcing the pump manufacturer would be a challenging task. It also require good relation to be build between the pump manufacturers so that they can disclose their distributor to take survey from both the ends. 2. Due to its practical difficulty, we may not be able to adopt any probability sampling technique rather we might adopt Judgmental/snowball sampling technique to test the hypothesis.

10 PROPOSED TIME FRAMES FOR COMPLETION OF THE MAJOR MILE STONES:

Table 2 Proposed time frames for completion of the major mile stones

Major Milestone	Start Date	Time Estimated	End Date
Literature Review	July 2014	3 Years	Oct 2017
Problem Identification	Dec 2014	2 Months	Feb 2015
Hypothesis & Methodology Development	Feb 2015	6 Months	Aug 2015
Pilot Study	Aug 2015	3 Months	Nov 2015
Data Collection	Nov 2015	8 Months	July 2016
Data Analysis	July 2016	3 Months	Oct 2016
Thesis Wring	Oct 2016	12 Months	Oct 2017

11 HELP REQUIRED FROM UNIVERSITY:

1. Extensive Literature review is getting restricted as we are not the members of leading online Journals like Ebsco, Jstore etc. If the University provides the User name and Password for the Online Journals, it would be very helpful.
2. As an alternative, Since I am an alumini of ICFAI Bangalore, 2010 batch I can avail the option of accessing the online Journals from the Institution. If

IUJ can coordinate for the same by send email to the concerned authority it would be helpful.

3. Forums can be created so that scholars can share their knowledge and challenges regarding the particular areas of research.

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