This study integrates concepts and ideas from various disciplines to investigate and measure relationships between conflict and sets of multiple business goals in a channel of distribution. The relationships are examined empirically by means of a set of dyadic data. The results demonstrate the similarities and differences between channel members in their perceived conflict and in the role of business goals as a determinant of the conflict.

Multiple Business Goals Sets as Determinants of Marketing Channel Conflict: An Empirical Study

The importance of understanding and managing conflict in channels of distribution has been recognized increasingly by marketing scholars (Assael 1968, 1969; Brown and Day 1981; Cadotte and Stern 1979; Lusch 1976; Stern and Heskett 1969). The concept of managing conflict is critical because conflict is not always dysfunctional. Conflict may benefit overall channel performance if (1) moderate levels of conflict are not considered a cost by channel members, (2) divergent views produce ideas of better quality, and (3) any aggression in the situation is not irrational or destructive (Thomas 1976). If the conflict markedly restricts or precludes effective performance, it is detrimental and the channel system eventually may terminate itself (Boulding 1964). It is therefore not surprising that managers have been found to devote more than 20% of their time to conflict management, which they rate as equal in importance to other managerial activities (Thomas and Schmidt 1976). Thomas and Pondy (1977) suggest that conflict may be the dominant form of interaction between parties. Hence, significant inquiry and theorizing have been undertaken for understanding, predicting, and controlling conflict behavior, with particular interest in identifying major conflict determinants.

The topic of conflict and its management has attracted the attention of researchers in various disciplines. Social psychologists are concerned with intergroup relations and group decision making (Brandstatter, Davis, and Stocker-Kreichgauer 1982), psychologists with hostility and aggression (Zillmann 1979), behavioral and administrative scientists with organizational conflict (Thomas 1976; Thomas and Schmidt 1976; Thomas and Pondy 1977), and game-theorists, economists, and political scientists with bargaining solutions and arbitration procedures (Luce and Raiffa 1957). However, little effort has been made to draw upon concepts across disciplines in order to develop more comprehensive and testable models of conflict, as well as refined measurement procedures. We describe an attempt to do so.

One idea found useful in various disciplines is that the conflict parties are goals seeking entities. This notion implies that the goals pursued by the parties may be one of the chief determinants of the prevailing level of conflict (Pondy 1967). The treatment of channel members as goals seeking entities is also consistent with Reve and Stern's (1979) interorganizational behavior perspective. According to this view, a distribution channel in general, and a franchise system in particular, is a superorganization, that is, a multilevel hierarchical system designed to achieve a set of system goals through functional differentiation (specialization) and interdependence among its members. As in any organization, a channel member also may have a distinct set of operative goals which

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typically consists of a few goals arranged, like the system goals, in a hierarchy. This hierarchy can be captured explicitly by the member’s preference structure. For a channel system to function effectively, a certain degree of preference congruity with respect to each set of goals must be present between the members (Bailey and Boe 1976). However, total congruity is unlikely because each party has its own business philosophy and interests (Olson 1965). Hence, understanding, identifying, and classifying the various goals that may be present in the channel, and studying the nature and the extent to which they are related to the level of conflict perceived by each of the channel members, appear to be very important research issues. Our study closely examines these issues.

The basic objective of our study is to examine the impact of the different multiple business goals sets on the perception of the level of conflict prevailing in a marketing distribution channel setting. We emphasize measurement issues and explore similarities and differences between the channel members in their perceived conflict and in the role of the business goals as determinants of the perceived conflict. We use a complete set of dyadic data in a distribution channel. Relying on organizational behavior theory, we identify two major sets of organizational goals, system and operative. These sets of goals give rise to goal incompatibility and to perceptual differences. The construct of goal incompatibility is operationalized and measured through the notion of incongruent preference structures which is focal in economic and game-theoretic approaches to conflict situations. The measurement of the perceptual differences also is based on the concept of preference structure.

First we review the relevant literature that provides the necessary theoretical/empirical background and state the main research hypotheses. We then describe the method used to investigate the hypothesized relationships, and discuss measurement issues. Finally, we report the results of an empirical study, discuss the implications for channels conflict management, and provide suggestions for further research.

THEORETICAL BACKGROUND AND LITERATURE REVIEW

Organizational Goals in a Distribution Channel

It has been assumed traditionally, on the basis of economic theory, that business organizations seek to achieve a single goal—profit. This view is no longer acceptable. As Lilien and Kotler (1983) note, “Although profit in some firms is an overriding goal of the business, it is not the only factor that an organization considers when trying to decide among alternative plans of action. An organization is a complex hierarchical social system pursuing a variety of organizational and personal goals.” Kotler (1980) further notes that the most common sets of companies’ objectives include profitability, sales growth, market share, risk diversification, and innovation. Stagner (1969) surveyed 500 corporate vice presidents of 125 large firms. His data also indicate that goals other than profit maximization (e.g., managerial cohesiveness) are important in the decision-making process.

The use of an organization’s formal set of goals as a starting point for organizational studies and design has been suggested in the literature on organizations (Gouldner 1959; Gross 1969; Hall 1972). This approach is critical because the formally stated multiple goals set represents the organization’s attempt to cope with an uncertain, multidimensional, and dynamic environment and to direct managerial activities more effectively (Bailey and Boe 1976; Quinn 1977; King and Cleland 1979). Osteryoung (1977) refers to this approach as goal programming, a necessary link in the development of a realistic theory of the firm. However, complex organizations characteristically pursue more than a single set of goals, of which many must be inferred from broad and often politically oriented statements issued at various managerial levels (Connor and Bloomfield 1977). Lilien and Kotler (1983) note, “Generally the announced or published objectives of a company are of little operational help in choosing among alternative plans.” The existing sets of goals, however, are related to the parties’ business philosophies.

In many marketing distribution systems, such as those of focal interest in our research, the channel members operate under different business philosophies. For example, Wittreich (1962) finds many corporate management viewpoints and business philosophies to be characterized by a growth psychology. Wittreich claims, however, that this is not the psychology of the typical retail dealer, especially the individual who becomes an independent “owner-operator.” This person’s business philosophy is oriented toward reaching a point and leveling off into a continuously satisfying plateau. These different business philosophies may give rise to two different sets of multiple goals that are likely to be present in many marketing channels—the overall system goals set and the individual members’ informal but operationally tractable business goals set. The former set of goals is set forth by the channel administrator. The latter, which follows from Etzioni’s (1960) concept of real goals or what Perrow (1970) terms “operative goals,” typically contains a smaller number of goals that are being pursued actively by the organization’s members. This pursuit is reflected in the members’ activities and resource utilization patterns (Connor and Bloomfield 1977). We can reasonably assume that each set of goals may introduce different sources of conflict that are related directly to the level of conflict perceived by the channel members.

Perceived Conflict and Marketing Channel Goals

Considerable research in the behavioral sciences, marketing, and the modern mathematical approach to conflict situations—game theory—has addressed definitions and implications of conflict. In our study we adopt the viewpoint that dyadic conflict includes perceptions,
emotions, behaviors, and outcomes of the two parties. It is opponent-centered, based on incompatibility of goals, aims, or values of opposing firms, direct and personal, and the opponent or opposing firm is perceived to have some controls over goals desired by both parties (Fink 1968; Mack and Snyder 1957; Stern 1971; Thomas 1976). Implicit in this viewpoint are two necessary conditions for conflict, specialization and interdependence. Because these conditions characterize channels of distribution, conflict is likely to be pervasive enough that channel systems provide a robust setting for interorganizational research of this topic (Reve and Stern 1979).

Much of the research on channel conflict has relied on the work by Pondy (1967) and Thomas' (1976) process model which delineates four stages in the evolution of conflict episodes—frustration, conceptualization, behavior, and outcome. This model emphasizes that the process through which individuals conceptualize conflict (i.e., how individuals think about and attach meaning to conflict) is a key influence on their behavior. One of the major suggestions of the model for channels conflict researchers is that a conflict episode may be perceived differently by the channel members; thus, a subjective (perceptual) measure seems to be needed in studying it. Clearly, this conclusion has very important implications for data collection because it suggests that dyadic data might be needed for a thorough understanding of channel conflict.

Some progress seems to have been made on measuring perceived conflict in distribution channels. Various measures proposed by channel researchers have been used in both laboratory parasimulation (Hunger and Stern 1976; Stern, Sternthal, and Craig 1973) and cross-sectional field studies (Lusch 1976). Many of these measures are based on two dimensions of conflict, the frequency of disagreements and the intensity of disagreements about business policies and procedures (issues) in channels. A review of measures of perceived channel conflict as well as a comparative evaluation has been reported by Brown and Day (1981). However, no research has been reported in which the parties’ perceptions of the level of conflict on various business policy issues have been compared directly within a dyadic setting.

The conflict conceptualization stage in Thomas’ model has been theorized further by Louis (1977) and Thomas and Pondy (1977). Relying on attribution theory, they maintain that channel members may differ not only in their perceptions of conflict episodes, but also in the sources to which they attribute their perceived levels of conflict. The sources may be objective as well as subjective. These implications are significant for marketing channels conflict research. Logically, to understand and manage the channel conflict, we first must identify conflict determinants and sources that may have similar roles in their relationships with the individually perceived levels of conflict. The frequency with which the notion of the parties’ goals appears in the literature of various disciplines suggests that goals may be such a determinant.

The business goals sets in many marketing distribution systems may introduce two attributable, but not necessarily interdependent, sources of conflict, goal incompatibility and perceptual differences (Louis 1977; Stagner 1965; Thomas and Pondy 1977). In our study, goal incompatibility is the degree to which the various specific goals are incompatible with the members’ business philosophies, and hence are unattainable as a result of the decisions made by the channel members. It is related to interpersonal differences. The greater the goal incompatibility, the greater will be the likelihood of conflict because incompatibility will tend to promote incongruent decisions (Cadotte and Stern 1979). In our study, perceptual differences are considered to be discrepancies between each party’s stated (actual) intentions and positions on current goals and the other party’s perception and interpretation of the positions (Kelly 1974). Unlike other approaches suggested in marketing channels research, which appear to focus on differences in environmental variables, our method is to examine differences between variables within each of the conflict parties involved. This issue has received much attention by game theorists who have developed “incentive compatible” mechanisms that encourage each party to reveal its attitudes truthfully (see, for example, Myerson 1979). Isolating the two sources of conflict in marketing channels research is important for developing an appropriate conflict-resolution strategy.

The relationship between perceived conflict and goal incompatibility has been suggested to be positive (Stern and El-Ansary 1982) and a few attempts have been made to investigate it empirically. However, several issues are yet to be resolved in understanding this relationship. First, some studies did not treat the two constructs of conflict and goal incompatibility distinctly, but instead employed the source of the conflict as an instrument to operationalize and actually measure it (Rosenberg and Stern 1971). Second, in studies where perceived conflict and goal incompatibility have been treated somewhat distinctly (Schmidt and Kochan 1977; Etgar 1979), unfortunately simplistic and crude measures have been used. Moreover, no attempt has been made to examine closely and to specify the nature and type of goals that may be present in distribution channels, or their role in the individual’s perception of the level of conflict. Third, no reported research has evaluated the effect of operationalizing and measuring goal incompatibility at the perceptual (subjective) level in comparison with some actual (objective) measure. This distinction also may be important in developing an appropriate strategy for conflict resolution.

An explicit and subjective measure of goal incompatibility has been proposed by Cadotte and Stern (1979). According to their measurement procedure, two components must be assessed—the extent to which each of the goals is incompatible as judged by each of the parties involved and the relative importance of the goals. These two components are then proposed to be combined lin-
early to provide an overall index of goal incompatibility. The major advantage of this measure is that it treats each goal separately and explicitly, and thus may provide a step forward in developing a taxonomy of relevant channel members’ goals. There are, however, some problems with this measure. It requires an assessment of two perceptual components without adequate justification. In fact, it is possible that if a party is asked about its perceived goal incompatibility, the party may include in its response some aspects of goals importance, that is, aspects that should be captured by the second component (relative importance of the goals). Hence, a further measure of goals importance may introduce a confounding effect. In addition, no justification is given for the linear/additive combination of the two components, which is used to derive an index of overall goal incompatibility.

One promising possibility for developing theoretically based measures of goal incompatibility is to rely on a game-theoretic approach to conflict situations. This approach suggests that to characterize conflict situations, we need to understand and assess each party’s preference structure for the existing goals. Luce and Raiffa (1957) propose that the major aspects of the conflict of interest problem can be characterized as follows: “An individual is in a situation from which one of several possible outcomes will result and with respect to which he has certain personal preferences [italics added]. However, though he may have some control over the variables which determine the outcome, he does not have full control. Sometimes this is in the hands of several individuals who, like him, have preferences among the possible outcomes, but who in general do not agree in their preferences.” Similarly, Druckman and Zechmeister (1973) define conflict of interest between two parties as a “discrepancy between them in preference for outcomes of decisions on the distribution of a scarce resource.” In general, the game-theoretic viewpoint has been that of objective (actual) interpersonal preference incongruity, and its implications for behavior have been analyzed extensively (e.g., Luce and Raiffa 1957; Nash 1950; Schelling 1960). The game-theoretic approach is attractive because, through the concept of preference incongruity, it provides theoretical justification which enables us to capture clearly the impact of each set of goals that may be present in the distribution channel. It is also attractive because it is amenable to measurement at both the perceptual (subjective) and actual (objective) levels.

In general, two components must be measured to assess completely the party’s preference structure—the party’s relative importance of the goals and relative preference (value) for the various levels each goal can take. In certain situations, however, the goals can take only one of two levels (e.g., achieved or not achieved). In these cases, discrepancies in relative importance weights are sufficient to capture preference incongruities (Barclay and Peterson 1976; Ulvila and Snider 1980). A comprehensive discussion of preference structures and their assessments, as well as an interesting distinction between goals and objectives, is given by Keeney and Raiffa (1976).

In developing measures of perceptual differences, one must assess each party’s perception of the other party’s preference structure. Cognitive psychology teaches, however, that perception of people and their preferences on various issues is a theoretically valid concept whenever the perceiver has had stable and meaningful experiences with the other party pertaining to these issues (Schneider, Hastorf, and Ellsworth 1979), and the perceptual task is within the perceiver’s information-processing capability, especially in terms of the number of information items to be processed (Newell and Simon 1972; Slovic and Lichtenstein 1971). This appears to be the case with the set of operative goals. Daily experience and familiarity will be related more loosely to perceiving the other party’s preference structure for the system goals. In addition, because of the typically larger number of goals in this set, cognitive limitations would make any perception of the other party’s preference structure for this set of goals theoretically inappropriate. In fact, each party is unlikely to expend the effort to develop perceptions of the other’s preference structure for these goals. The research of Kahneman and Tversky (1972, 1973) and Tversky and Kahneman (1971, 1973, 1974) has been particularly influential in this context, not only in showing that people are poor statisticians in everyday life, but also in demonstrating that people have systematic ways of coping with data that lead to biased inferences and predictions.

Differences between stated and perceived preference structures are likely to occur for various reasons. For example, each channel member may be aware that the other member has a motivation for having his preference structure perceived in a certain way. This has been referred to as “impression management” in the marketing literature (Weitz 1978). Consequently, each member is likely to generate his or her own perception about the other’s “true” preferences. Thomas and Pondy (1977) note, “It is a common feature of conflict interactions that each party needs to know the other’s intent, but cannot fully trust the other’s statements on that topic.” (In our framework, the party’s intent can be inferred from its preferences). Another possible reason for discrepancies between stated and perceived preference structures is that the members communicate their true preferences, but their behavior is judged inconsistent with the stated preferences and therefore gives rise to a different perceived variable. In either case, the larger the perceptual difference, the higher will be the level of the perceived conflict, because it may lead each party to a higher level of distrust and frustration with the ongoing relationship.

Formal Research Hypotheses
A study was designed to investigate the following major hypotheses.

H₁: In a channel of distribution, the level of conflict perceived by the channel members on certain business
from his region. Hence, most often this procedure necessitated filling out two questionnaires by the regional manager. Of the 45 managers surveyed, a total of 43 responded for a 96% response rate. This high response rate reflects management concern for the franchisor-franchisee business relationship. It provided a set of about 80 dyadic data points for further analysis.

In evaluating the data collection procedure, note that a key informant method was used. The key informant method is a technique of collecting information in social settings by interviewing an arbitrarily selected number of participants. The rationale for choosing key informants was established by Campbell (1955). It is based on the premise that survey respondents who have special qualifications, such as particular status and knowledge, provide information at the aggregate or collective unit of analysis rather than reporting personal feelings, opinions, and behaviors. Recently several marketing scholars have expressed concern about this issue, arguing that the method may introduce potential source-of-measurement error (Phillips 1981; Phillips and Bagozzi 1981; Silk and Kalwani 1982). However, the key informant method appears not to be a major problem in our research. This conclusion is based on the fact that the regional managers are the only persons who keep a close and daily contact with their respective franchisees. The franchisees are the only parties who make managerial decisions, being the owners of their firms.

In conclusion, the setting chosen for testing the research hypotheses, owner-operated retail establishments, is particularly appropriate (Wittreich 1962). Moreover, the data we report are unique to distribution channels research because both sides of a specific dyad were surveyed (exceptions are studies by Rosenberg and Stern 1971; John and Reve 1982; Ross and Lusch 1982).

MEASUREMENT

Preference Incongruities and Perceptual Differences

Before the concepts of preference incongruity and perceptual difference are operationalized and measured, one must examine the relevant sets of goals present in the distribution system.

The franchisees’ set of operative business goals was identified, pretested, and found to include the following...
goals: maintain market share, maximize return on capital invested, minimize cost of operating business, maintain reputation, maximize sales volume, and increase profitability. The franchisor’s stated set of goals is conveyed clearly to the franchisees in the franchise agreement. This set includes the following goals: achieving profitability, capturing target market share in key trade areas, meeting local conditions, identifying and seizing attractive market opportunities, obtaining efficient cost of product, achieving uniqueness in product design and performance, achieving ability to expand or contract resources in response to economic swings, achieving reliable and prompt product delivery, maintaining pricing and cost effectiveness, maintaining competent and motivated employees with an effective organizational structure, and maintaining effective communication with the customers and employees.

To obtain measures of overall preference incongruities and perceptual differences, we used the following procedure. First, the franchisees were asked to rate the relative importance of the system set of business goals ($X_1$), as well as the operative set of business goals ($X_2$), by allocating 100 points among the goals in accordance with their own business interests. These variables are referred to as actual variables. In addition, a perceived variable was obtained from the franchisees. They were asked to specify how they believe the franchisor would like them to allocate the 100 points among the franchisees’ set of business goals on the basis of the franchisor’s business interests ($X_3$). Similarly, each regional manager was asked to rate the system goals on their relative importance to him ($X_4$). The regional managers also were asked how they would like ($X_5$) the franchisees to rate the franchisees’ operative business goals (actual ratings). In addition, a perceived variable was obtained from the regional managers by asking them how they believe the franchisees would rate the relative importance of the franchisees’ business goals ($X_6$). Table 1 summarizes the variables discussed.

Once the data had been collected, the franchisees were paired with their corresponding regional managers. A measure of overall actual preference incongruity on the system goals was obtained by subtracting the franchisor’s vector of importance ratings, $X_4$, from the corresponding franchisee’s vector, $X_3$, and by calculating the norm of the difference vector $(X_3 - X_4)$. The larger the norm of the difference vector, the larger is the preference incongruity. Similarly, a measure of overall actual preference incongruity on the franchisees’ operative goals was obtained by calculating the norm of the difference vector $(X_2 - X_5)$. Measures of overall perceived preference incongruities for the franchisees’ set of operative goals were obtained by calculating the norms of the appropriate difference vectors; $X_6 - X_4$ reflects the franchisor’s perceived preference incongruity and $X_2 - X_5$ reflects the franchisee’s perceived preference incongruity. Finally, the norms of the difference vectors $X_6 - X_4$ and $X_2 - X_5$ were used as measures of overall perceptual differences for the franchisor and the franchisee, respectively. The various measures and the corresponding research hypotheses they were used to test are summarized in Table 2.

### Table 1

**Variables of Goals Importance Used in the Study**

<table>
<thead>
<tr>
<th></th>
<th>Franchisees</th>
<th>Regional managers (franchisor)</th>
</tr>
</thead>
<tbody>
<tr>
<td>System goals</td>
<td>Franchisee’s operative goals</td>
<td>System goals</td>
</tr>
<tr>
<td>$X_1$ (Actual)</td>
<td>$X_3$ (Actual)</td>
<td>$X_4$ (Actual)</td>
</tr>
<tr>
<td>$X_1$ (Perceived)</td>
<td>$X_3$ (Perceived)</td>
<td>$X_4$ (Perceived)</td>
</tr>
</tbody>
</table>

**Question formats**

$X_1$: The franchisor has established corporate goals for its distribution system. How important to you is each of the following goals? To rate the goals, please allocate 100 points among them.

$X_2$: Please indicate the relative importance, to your business operation, of each of the following business goals. To rate the objectives, please allocate a total of 100 points among them. For example: you might rate Reputation = 50; Market Share = 30; Other = 20. If a goal is unimportant to you assign it a zero (0) value; if any goals are of equal importance, assign equal values to each.

$X_3$: If the franchisor rated your goals (on the basis of its business interests), how do you believe it would distribute the 100 points?

$X_4$: The franchisor has established corporate goals for its distribution system. How important do you feel each of the following goals is to the distribution system? Please allocate 100 points among them.

$X_5$: As a representative of the franchisor, how would you like to see the franchisee rate the relative importance of these business goals? Please distribute the 100 points.

$X_6$: Please indicate how the above franchisee would rate the relative importance (to his business) of each of the following business goals. To rate the goals, please allocate (as you feel he would) a total of 100 points among them. For example, you might rate Reputation = 50; Market Share = 30; Other = 20. If the goal is unimportant to him rate it zero (0); if any goals are of equal importance, assign equal values to each.

---

1 For two vectors $x = (x_1, \ldots, x_n)$ and $y = (y_1, \ldots, y_n)$, the norm, $N$, of the difference vector is defined by:

$$N = \sqrt{n \sum_{i=1}^{n} (x_i - y_i)^2}.$$
consistent with Rapoport's (1960) view of debate as a mode of conflict. Fink (1968) also interprets debate as "disagreement between the parties about 'what is' (facts) or 'what ought to be' (values)," i.e., clashes of convictions on "outlooks." A similar measure of conflict was used by Molnar and Rogers (1979).

The internal consistency of the multiple-item scales was estimated through Cronbach alpha reliability coefficients (Lord and Novick 1968). As suggested by other researchers (Churchill 1979), if a construct has several identifiable dimensions or components, coefficient alpha should be calculated for each dimension. Hence, the two measures of perceived conflict (frequency and intensity of disagreements) first were subjected to factor analysis (principal components) and rotation (varimax) procedures to identify common interpretable dimensions. For clear exposition and because of the relative ease of interpretation, attention is restricted to the first two major factors. The results are reported in Tables 3–6.

The regional managers’ (franchisor’s) perceptions of the frequency of disagreements (Table 3) resulted in two major factors that capture 40% of the total variance. These factors may be interpreted as project quality issues and customer-oriented issues. The first two major factors extracted from the franchisees’ perception of frequency of disagreements (Table 4) account for 29.7% of the total variance and may be interpreted as project support issues and promotional support issues. For the perceptions of the intensity of disagreements, the two major factors extracted from the franchisor’s data (Table 5) account for 35% of the total variance and may be interpreted as market penetration issues and project quality issues. For the franchisees, the results (given in Table 6) indicate that two major factors capture 36% of the total variance and may be interpreted as franchisees’ capabilities issues and market penetration issues. Items that loaded highly on each component were used in creating perceived conflict measures through simple-sum scores. These items as well

<table>
<thead>
<tr>
<th>Measure (norm of difference vector)</th>
<th>Research hypothesis the measure was used to test</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 - X4 Overall actual preference in congruity on system goals</td>
<td>H1</td>
</tr>
<tr>
<td>X2 - X5 Overall perceived preference in congruity on operative goals—regional manager (franchisor)</td>
<td>H2</td>
</tr>
<tr>
<td>X5 - X6 Overall perceived preference in congruity on operative goals—franchisee</td>
<td>H2</td>
</tr>
<tr>
<td>X2 - X3 Overall perceived preference in congruity on operative goals—regional manager (franchisor)</td>
<td>H2</td>
</tr>
<tr>
<td>X5 - X3 Overall perceptual difference—regional manager (franchisor)</td>
<td>H3</td>
</tr>
</tbody>
</table>

Table 3
FACTOR ANALYSIS OF FREQUENCY OF DISAGREEMENTS WITH VARIMAX-ROTATED FACTOR MATRIX—REGIONAL MANAGERS

<table>
<thead>
<tr>
<th>Business policy</th>
<th>Factor 1</th>
<th>Factor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing policies</td>
<td>.103</td>
<td>.590*</td>
</tr>
<tr>
<td>Record and reporting procedures</td>
<td>.308</td>
<td>.629*</td>
</tr>
<tr>
<td>Advertising copy and expenditures</td>
<td>.180</td>
<td>.065</td>
</tr>
<tr>
<td>Selection of sources of operating supplies</td>
<td>.638*</td>
<td>.154</td>
</tr>
<tr>
<td>Customer service and complaints</td>
<td>.114</td>
<td>.780*</td>
</tr>
<tr>
<td>Market forecasting and performance standards</td>
<td>.448</td>
<td>.244</td>
</tr>
<tr>
<td>Warranty decisions</td>
<td>.123</td>
<td>.733*</td>
</tr>
<tr>
<td>Personnel staffing and training</td>
<td>.585*</td>
<td>.105</td>
</tr>
<tr>
<td>Product delivery scheduling</td>
<td>.135</td>
<td>.654*</td>
</tr>
<tr>
<td>Construction/installation procedures</td>
<td>.527*</td>
<td>.486</td>
</tr>
<tr>
<td>Subcontracting agreements</td>
<td>.687*</td>
<td>.257</td>
</tr>
<tr>
<td>Number of dealerships</td>
<td>.086</td>
<td>.148</td>
</tr>
<tr>
<td>Location of dealerships</td>
<td>.151</td>
<td>.057</td>
</tr>
<tr>
<td>Trade areas</td>
<td>.194</td>
<td>.183</td>
</tr>
<tr>
<td>Size of building projects</td>
<td>.689*</td>
<td>.289</td>
</tr>
<tr>
<td>Building design capabilities</td>
<td>.793*</td>
<td>.031</td>
</tr>
<tr>
<td>Sales promotion materials</td>
<td>.569*</td>
<td>.468</td>
</tr>
<tr>
<td>Financial resources</td>
<td>.750*</td>
<td>.080</td>
</tr>
<tr>
<td>Builder reputation</td>
<td>.825*</td>
<td>.156</td>
</tr>
<tr>
<td>Offering competitors’ lines</td>
<td>.402</td>
<td>.339</td>
</tr>
<tr>
<td>Variance explained</td>
<td>.4785</td>
<td>3.226</td>
</tr>
<tr>
<td>Percentage of total variance</td>
<td>23.9</td>
<td>16.1</td>
</tr>
<tr>
<td>Reliability (coefficient alpha)</td>
<td>.90</td>
<td>.78</td>
</tr>
</tbody>
</table>

*Item included in the calculation of coefficient alpha.
Table 4
FACTOR ANALYSIS OF FREQUENCY OF DISAGREEMENTS WITH VARIMAX-ROTATED FACTOR MATRIX—FRANCHISEES

<table>
<thead>
<tr>
<th>Business policy</th>
<th>Factor 1</th>
<th>Factor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing policies</td>
<td>.274</td>
<td>−.008</td>
</tr>
<tr>
<td>Record and reporting procedure</td>
<td>.411</td>
<td>.089</td>
</tr>
<tr>
<td>Advertising copy and expenditures</td>
<td>.066</td>
<td>.710*</td>
</tr>
<tr>
<td>Selection of sources of operating supplies</td>
<td>.561*</td>
<td>.102</td>
</tr>
<tr>
<td>Customer service and complaints</td>
<td>.638*</td>
<td>−.013</td>
</tr>
<tr>
<td>Market forecasting and performance standards</td>
<td>.587*</td>
<td>.376</td>
</tr>
<tr>
<td>Warranty decisions</td>
<td>.539*</td>
<td>.094</td>
</tr>
<tr>
<td>Personnel staffing and training</td>
<td>.551*</td>
<td>.622*</td>
</tr>
<tr>
<td>Product delivery scheduling</td>
<td>.499*</td>
<td>.096</td>
</tr>
<tr>
<td>Construction/installation procedures</td>
<td>.536*</td>
<td>.124</td>
</tr>
<tr>
<td>Subcontracting agreements</td>
<td>.230</td>
<td>−.011</td>
</tr>
<tr>
<td>Number of dealerships</td>
<td>.114</td>
<td>.151</td>
</tr>
<tr>
<td>Location of dealerships</td>
<td>.028</td>
<td>.094</td>
</tr>
<tr>
<td>Trade areas</td>
<td>.253</td>
<td>.284</td>
</tr>
<tr>
<td>Size of building projects</td>
<td>.264</td>
<td>.446</td>
</tr>
<tr>
<td>Building design capabilities</td>
<td>.212</td>
<td>.471</td>
</tr>
<tr>
<td>Sales promotion materials</td>
<td>−.078</td>
<td>.762*</td>
</tr>
<tr>
<td>Financial resources</td>
<td>.342</td>
<td>.655*</td>
</tr>
<tr>
<td>Builder reputation</td>
<td>.472</td>
<td>.445</td>
</tr>
<tr>
<td>Offering competitors’ line</td>
<td>−.092</td>
<td>.277</td>
</tr>
<tr>
<td>Variance explained</td>
<td>3.044</td>
<td>2.902</td>
</tr>
<tr>
<td>Percentage of total variance</td>
<td>15.22</td>
<td>14.51</td>
</tr>
<tr>
<td>Reliability (coefficient alpha)</td>
<td>.78</td>
<td>.74</td>
</tr>
</tbody>
</table>

*Item included in the calculation of coefficient alpha.

as the corresponding estimated reliability coefficients are given in Tables 3–6. The coefficients range from .74 to .94. Because reliability measures in excess of .60 generally are regarded as sufficient for research purposes (Nunnally 1967), the perceived conflict measures used in our study can be considered reliable.

Table 5
FACTOR ANALYSIS OF INTENSITY OF DISAGREEMENTS WITH VARIMAX-ROTATED FACTOR MATRIX—REGIONAL MANAGERS

<table>
<thead>
<tr>
<th>Business policy</th>
<th>Factor 1</th>
<th>Factor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing policies</td>
<td>.331</td>
<td>.626*</td>
</tr>
<tr>
<td>Record and reporting procedures</td>
<td>.136</td>
<td>.242</td>
</tr>
<tr>
<td>Advertising copy and expenditures</td>
<td>.468</td>
<td>.101</td>
</tr>
<tr>
<td>Selection of sources of operating supplies</td>
<td>.214</td>
<td>.126</td>
</tr>
<tr>
<td>Customer service and complaints</td>
<td>−.152</td>
<td>.792*</td>
</tr>
<tr>
<td>Market forecasting and performance standards</td>
<td>.459</td>
<td>.669*</td>
</tr>
<tr>
<td>Warranty decisions</td>
<td>.438</td>
<td>.528*</td>
</tr>
<tr>
<td>Personnel staffing and training</td>
<td>.162</td>
<td>.193</td>
</tr>
<tr>
<td>Product delivery scheduling</td>
<td>.020</td>
<td>.782*</td>
</tr>
<tr>
<td>Construction/installation procedures</td>
<td>.237</td>
<td>.724*</td>
</tr>
<tr>
<td>Subcontracting agreements</td>
<td>−.015</td>
<td>.112</td>
</tr>
<tr>
<td>Number of dealerships</td>
<td>.899*</td>
<td>.138</td>
</tr>
<tr>
<td>Location of dealerships</td>
<td>.926*</td>
<td>.122</td>
</tr>
<tr>
<td>Trade areas</td>
<td>.885*</td>
<td>.033</td>
</tr>
<tr>
<td>Size of building projects</td>
<td>.206</td>
<td>.436</td>
</tr>
<tr>
<td>Building design capabilities</td>
<td>−.047</td>
<td>.076</td>
</tr>
<tr>
<td>Sales promotion materials</td>
<td>.286</td>
<td>.096</td>
</tr>
<tr>
<td>Financial resources</td>
<td>.029</td>
<td>.427</td>
</tr>
<tr>
<td>Builder reputation</td>
<td>.076</td>
<td>.166</td>
</tr>
<tr>
<td>Offering competitors’ lines</td>
<td>.213</td>
<td>.111</td>
</tr>
<tr>
<td>Variance explained</td>
<td>3.528</td>
<td>3.479</td>
</tr>
<tr>
<td>Percentage of total variance</td>
<td>17.64</td>
<td>17.39</td>
</tr>
<tr>
<td>Reliability (coefficient alpha)</td>
<td>.94</td>
<td>.83</td>
</tr>
</tbody>
</table>

*Item included in the calculation of coefficient alpha.
Table 6
FACTOR ANALYSIS OF INTENSITY OF DISAGREEMENTS WITH VARIMAX-ROTATED FACTOR MATRIX—FRANCHISEES

<table>
<thead>
<tr>
<th>Business policy</th>
<th>Factor 1 franchises' capabilities issues</th>
<th>Factor 2 market penetration issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing policies</td>
<td>-.000</td>
<td>.504*</td>
</tr>
<tr>
<td>Record and reporting procedures</td>
<td>.268</td>
<td>.089</td>
</tr>
<tr>
<td>Advertising copy and expenditures</td>
<td>.235</td>
<td>.309</td>
</tr>
<tr>
<td>Selection of sources of operating supplies</td>
<td>.523*</td>
<td>.410</td>
</tr>
<tr>
<td>Customer service and complaints</td>
<td>.302</td>
<td>.143</td>
</tr>
<tr>
<td>Market forecasting and performance standards</td>
<td>.565*</td>
<td>.338</td>
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<tr>
<td>Warranty decisions</td>
<td>.240</td>
<td>.235</td>
</tr>
<tr>
<td>Personnel staffing and training</td>
<td>.548*</td>
<td>.331</td>
</tr>
<tr>
<td>Product delivery scheduling</td>
<td>.127</td>
<td>.078</td>
</tr>
<tr>
<td>Construction/installation procedures</td>
<td>.645*</td>
<td>.002</td>
</tr>
<tr>
<td>Subcontracting agreements</td>
<td>.219</td>
<td>.177</td>
</tr>
<tr>
<td>Number of dealerships</td>
<td>.140</td>
<td>.866*</td>
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<tr>
<td>Location of dealerships</td>
<td>.116</td>
<td>.893*</td>
</tr>
<tr>
<td>Trade areas</td>
<td>.374</td>
<td>.720*</td>
</tr>
<tr>
<td>Size of building projects</td>
<td>.428</td>
<td>.264</td>
</tr>
<tr>
<td>Building design capabilities</td>
<td>.217</td>
<td>.276</td>
</tr>
<tr>
<td>Sales promotion materials</td>
<td>.266</td>
<td>.611*</td>
</tr>
<tr>
<td>Financial resources</td>
<td>.857*</td>
<td>.219</td>
</tr>
<tr>
<td>Builder reputation</td>
<td>.882*</td>
<td>.117</td>
</tr>
<tr>
<td>Offering competitors' lines</td>
<td>-.063</td>
<td>.102</td>
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<tr>
<td>Variance explained</td>
<td>3.640</td>
<td>3.555</td>
</tr>
<tr>
<td>Percentage of total variance</td>
<td>18.2</td>
<td>17.77</td>
</tr>
<tr>
<td>Reliability (coefficient alpha)</td>
<td>.90</td>
<td>.87</td>
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</tbody>
</table>

*Item included in the calculation of coefficient alpha.

RESULTS

To test the research hypotheses, we correlated the two measures of perceived conflict with the various measures of preference incongruity (perceived and actual), as well as with the perceptual differences measures. The results are reported in Table 7.

We first note that, in general, no significant symmetry is present between the two dyadic parties in terms of the hypothesized relationships. The data provide stronger support on the franchisor’s side. This conclusion can be made at the commonly acceptable levels of risk (i.e., .05 or less). However, the first hypothesized relationships, positive relationships between the level of conflict perceived by each member on a certain business issue and actual preference incongruity on the system goals, appear to be established more prominently on both sides of the dyad (but still statistically insignificantly on the franchisees’ side) when the perceived conflict is measured through the perception of the intensity of the prevailing disagreements. Although only one of the correlation coefficients (r = .32) is statistically significant at the .05 level and another (r = .22) is statistically significant at the .10 level, the others that approach acceptable significance levels have the hypothesized signs. Hence, the data suggest some support for H1.

For H2, positive relationships between perceived conflict on some business policy issue and both actual and perceived preference incongruity on the operative set of goals, the data indicate that no significant relationship is established on either side of the dyad through the actual measure of the preference incongruity. The relationship is established more prominently, however, with the perceived frequency measure of conflict and through perceptual measures of preference incongruity, in particular from the franchisor’s point of view (r = .30, p ≤ .01). This finding is consistent with Schmidt and Kochan’s (1972) support of the use of perceptual measures of goal incompatibility.

Finally, for H3, positive relationships between the perceptions of some conflict issues and perceptual differences, the respective correlation coefficients suggest that these relationships are established more prominently on both sides of the dyad when the perceived conflict is measured through the perception of the frequency of the prevailing disagreements. This relationship is established significantly only on the franchisor’s side (r = .29, p ≤ .01). The other estimated correlation coefficients are not statistically significant at the acceptable levels, but they have the hypothesized signs. Hence, the results should be viewed as suggestive and conclusions must be drawn cautiously.

To summarize, we note that the research hypotheses investigated were stated a priori rather strongly in the sense that the hypothesized relationships were expected to be established similarly on both sides of the distribution system. This expectation was consistent with the exploratory nature of the study. Although our measures are theoretically based and justified, the data do not support significantly the hypothesized relationships on both
Table 7
ZERO-ORDER CORRELATIONS BETWEEN PERCEIVED CONFLICT AND PREFERENCE INCONGRUITY/PERCEPTUAL DIFFERENCE

<table>
<thead>
<tr>
<th></th>
<th>Regional managers (franchisor)</th>
<th>Franchisees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency of disagreements</td>
<td>Intensity of disagreements</td>
</tr>
<tr>
<td>Actual preference incongruity on system goals</td>
<td>.03</td>
<td>-.01</td>
</tr>
<tr>
<td>Actual preference incongruity on operative goals</td>
<td>.06</td>
<td>.06</td>
</tr>
<tr>
<td>Franchisor’s perceived preference incongruity on operative goals</td>
<td>.23</td>
<td>.30</td>
</tr>
<tr>
<td>Franchisees’ perceived preference incongruity on operative goals</td>
<td>(1.99)</td>
<td>(2.65)</td>
</tr>
<tr>
<td>Franchisees’ perceptual difference</td>
<td>.29</td>
<td>.17</td>
</tr>
<tr>
<td>Actual preference incongruity on system goals</td>
<td>.03</td>
<td>-.08</td>
</tr>
<tr>
<td>Actual preference incongruity on operative goals</td>
<td>.04</td>
<td>.15</td>
</tr>
<tr>
<td>Franchisees’ perceived preference incongruity on operative goals</td>
<td>.11</td>
<td>1.06</td>
</tr>
<tr>
<td>Franchisees’ perceptual difference</td>
<td>.17</td>
<td>.12</td>
</tr>
</tbody>
</table>

*p in parentheses are t-values.

**SUMMARY AND DISCUSSION**

To our knowledge, our study constitutes the first attempt to investigate closely relationships between the level of conflict on certain business issues perceived by members of a marketing channel and one of conflict’s major determinants, the channel members’ business goals. These relationships were examined from the point of view of each of the dyadic parties involved. In general, the statistically significant results suggest that the relationships are not established similarly on both sides of the dyad. In addition, the relationships depend on the set of goals, the perceived conflict issue, and the measure used. These findings bear both managerial and research implications.

Managerially, the significant relationships between the franchisor’s representatives’ perceptions of the various conflict issues and the sources examined suggest that two distinct and important sources of conflict must be resolved—actual preference incongruity and perceptual preference incongruities/differences. Careful distributor selection based on preference compatibility on system (channel mission) goals may help to resolve the first issue. This step may require the intervention of a third party who will objectively identify the incompatible and conflicting goals. Furthermore, goals and preferences are dynamic concepts that may change over time because of changes in the channel’s environment or its management. Hence, system goals and their associated preference incongruities should be reviewed periodically. The second goals-related source of perceived conflict, perceptual preference incongruities/differences, may be resolved through open communication between the parties. We propose a theoretically based measurement procedure which is applicable for both sources of conflict.

Our findings challenge to some extent the view that the individual perception of conflict and its relationship to some major determinant represent dyadic and symmetric issues. The asymmetric relationships, as indicated by the statistical significance of our data, suggest that determinants other than business goals (e.g., domain dissensus) may better “explain” the franchisees’ perceived conflict issues. The parties’ perceptions of different conflict issues, as suggested by the findings, are related more generally to the degree of convergence between parties in a dyadic setting in their various perceptual measures. Recently, John and Reve (1982) found no adequate convergence in the perception of sentiments...
Determinants of Marketing Channel Conflict

variables (goal compatibility, domain consensus, evaluation of accomplishment, and norms of evaluation) by channel members. Clearly, these issues warrant further research attention.

As Tables 3–6 indicate, channel conflict, whether measured by the perception of frequency or intensity of disagreements, is a multiple-issue construct. Our study also demonstrates that the multiple issues of channel conflict can be characterized in business operational terms, i.e., business policy areas of management. Further, there may be some degree of commonality between channel members on dyadic conflict issues, although not necessarily a very high one. For instance, the franchisor’s perceived major conflict issues, measured by frequency of disagreement, included project quality and customer service, whereas the franchisees’ perceived conflict issues included project support and promotional support.

A comparison of the franchisor-franchisee perceptions of conflict issues, measured by intensity of disagreements, demonstrates a higher degree of similarity. A further step is to estimate the various correlation coefficients between the two parties for each of the conflict measures employed. The results are reported in Table 8.

We see a very low level of convergence between the franchisor and the franchisees in their perceptions of the frequency of the prevailing disagreements ($r$ ranges from $-.16$ to $.06$ and is insignificant). Presumably because of the greater similarity of the issues captured through the

<table>
<thead>
<tr>
<th>Table 8</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ZERO-ORDER CORRELATIONS BETWEEN VARIOUS PERCEPTUAL MEASURES</strong></td>
</tr>
</tbody>
</table>

<p>| Regional managers (franchisor) | Franchisees |
| --- |
| <strong>Perceived frequency of disagreements</strong> | <strong>Perceived intensity of disagreements</strong> | <strong>Perceived preference incongruity</strong> | <strong>Perceptual difference</strong> |</p>
<table>
<thead>
<tr>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 1</th>
<th>Factor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regional managers (franchisor)</strong></td>
<td><strong>Perceived frequency of disagreements</strong></td>
<td>Factor 1</td>
<td>Factor 2</td>
<td>Factor 1</td>
<td>Factor 2</td>
<td>Factor 1</td>
<td>Factor 2</td>
</tr>
<tr>
<td>-1.00</td>
<td>.51</td>
<td>.63</td>
<td>.34</td>
<td>1.00</td>
<td>.50</td>
<td>.39</td>
<td>1.00</td>
</tr>
<tr>
<td><strong>Perceived intensity of disagreements</strong></td>
<td>Factor 1</td>
<td>Factor 2</td>
<td>Factor 1</td>
<td>Factor 2</td>
<td>Factor 1</td>
<td>Factor 2</td>
<td>Factor 1</td>
</tr>
<tr>
<td>.26</td>
<td>.12</td>
<td>1.00</td>
<td>(.59)</td>
<td>(.72)</td>
<td>.63</td>
<td>.34</td>
<td>1.00</td>
</tr>
<tr>
<td><strong>Perceived preference incongruity</strong></td>
<td>Factor 1</td>
<td>Factor 2</td>
<td>Factor 1</td>
<td>Factor 2</td>
<td>Factor 1</td>
<td>Factor 2</td>
<td>Factor 1</td>
</tr>
<tr>
<td>.23</td>
<td>.30</td>
<td>.14</td>
<td>.10</td>
<td>1.00</td>
<td>.25</td>
<td>.30</td>
<td>.14</td>
</tr>
<tr>
<td><strong>Perceptual difference</strong></td>
<td>Factor 1</td>
<td>Factor 2</td>
<td>Factor 1</td>
<td>Factor 2</td>
<td>Factor 1</td>
<td>Factor 2</td>
<td>Factor 1</td>
</tr>
<tr>
<td>.29</td>
<td>.17</td>
<td>.02</td>
<td>.08</td>
<td>.31</td>
<td>.29</td>
<td>.17</td>
<td>.02</td>
</tr>
</tbody>
</table>

| Franchisees | **Perceived frequency of disagreements** | Factor 1 | Factor 2 | Factor 1 | Factor 2 | Factor 1 | Factor 2 |
| --- |
| -1.00 | -.10 | .10 | -.22 | -.02 | 1.00 | (.13) | (.81) | (.58) | (.85) |
| **Perceived intensity of disagreements** | Factor 1 | Factor 2 | Factor 1 | Factor 2 | Factor 1 | Factor 2 | Factor 1 | Factor 2 |
| .06 | -.10 | .34 | .28 | -.01 | .10 | .53 | 1.00 | (.48) | (.81) | (.20) | (.68) |
| **Perceived preference incongruity** | Factor 1 | Factor 2 | Factor 1 | Factor 2 | Factor 1 | Factor 2 | Factor 1 | Factor 2 |
| -.05 | -.05 | .14 | .27 | .09 | .20 | .52 | .57 | 1.00 | (.20) | (.32) | (.14) | (.32) |
| **Perceptual difference** | Factor 1 | Factor 2 | Factor 1 | Factor 2 | Factor 1 | Factor 2 | Factor 1 | Factor 2 |
| -.08 | -.08 | .65 | .23 | -.02 | .14 | .46 | .60 | .61 | 1.00 | (.32) | (.52) | (.40) | (.52) |

*Numbers in parentheses are t-values.

This estimated correlation coefficient and its significance level are presented in Table 7 and are shown here for comparison.

$p \leq .01$.

$p \leq .05$.

$p \leq .10$.

Note: Sample sizes for the correlation coefficients range from 25 to 74. Significance levels reported are for two-tail tests.
perceptions of the intensity of the disagreements, the estimated correlation coefficients suggest a higher level of convergence ($r$ ranges from .14 to .65). The finding that the multiple issues of channel conflict are member-specific suggests a need to collect dyadic data in channels studies, and a need for theoretical development of aggregation procedures across perceptual measures within the channel, to obtain composite measures that correctly characterize the interrelation in the channel. This problem is somewhat similar to the problem of pooling different experts' forecasts (opinions) about uncertain quantities. Some work that has been done in this area, especially in modeling the aggregation of dependent information sources (Winkler 1981), may provide social researchers in general, and channels researchers in particular, with helpful ideas, guidelines, and suggestions.

Comparisons of the cross-pairs (frequency versus intensity measures) of conflict issues between channel members are insignificant except for two—franchisor market penetration (intensity) versus franchisee promotional support (frequency) and franchisor project quality (intensity) versus franchisee promotional support (frequency). These cross-pairs of conflict issues correlate .34 and .28, respectively (Table 8). The finding that the franchisees' perceived frequency of disagreement over promotional support is correlated significantly with the franchisor's perceived intensity of disagreement for market penetration and project quality further substantiates the complexity of researching and managing channel conflict. Certain conflict issues can be appreciated only by comparing these cross-pair measures. In our study this conclusion is somewhat understandable because promotional support will be demanded by a franchisee who is attempting to manage market penetration and project quality policy, two areas where management requirements are likely to be intense.

The extent to which the two measures of conflict (frequency and intensity) capture similar conflict issues of a single channel member is also indicated by the correlation coefficients in Table 8. The franchisees' perceived conflict issues of project and promotional support (both measured by frequency of disagreement) and franchisee capability and market penetration (both measured by intensity of disagreement) suggest a moderate to high degree of convergence. Specifically, the correlations between these frequency/intensity pairs are .52 (project support/franchisee capability), .46 (project support/market penetration), .57 (promotional support/franchisee capability), and .60 (promotional support/market penetration). Each pair is significant at $p \leq .01$. The convergence (frequency versus intensity) of the franchisor's conflict issues is generally weaker but still positively correlated. The correlation coefficients are .26 (project quality/market penetration), .39 (project quality/project quality), .12 (customer service/market penetration), and .63 (customer service/project quality). These data support, to some extent, the inclusion of both measures of conflict in future research.

Two major explanations can be given for observing differences between one party's stated importance ratings and the other party's perception of the "true" ratings. We label the first "impression management." It corresponds to the case in which one party is intentionally concealing its true preferences and the other party is trying to infer them. In this sense, the differences reflect the parties' estimates of trust (Stagner 1965; Thomas and Pondy 1977). The extent of mutual trust in the channel we studied can be seen in Table 8. The corresponding correlation coefficient between the two perceptual differences is .20, suggesting a low/moderate degree of reciprocity in estimates of trust between the channel members. The other possible explanation for the occurrence of perceptual differences is based on the premise that in an open communication the party truly states its preferences. However, its conduct is not judged by the other party to be entirely consistent with the stated preferences. Given that the implied perceptual differences may be important sources of the perceived conflicts, theoretical and empirical studies which examine the two rival explanations will provide valuable insights to better understanding of channel conflict and its management.

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the Marketplace," *The Antitrust Bulletin*, 16 (Fall), 509–30.


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