

## **Managing Conflict in the Supply Chain (Case Study: Telecommunication Company in Indonesia)**

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**Abstract:** Managing conflicts in the supply chain was still need to be explored in term of causes, processes and results. There are many differences between conflicts in the organization and conflicts in the supply chain. This study was conducted in qualitative approach use case study method to obtain the holistic and meaning of organizational and managerial process. Data were collected use interview to 3 managers in the supply chain of telecommunication company, its supplier and its distributor. Data analysis was conducted for data reduction, data display and data verification and use Weft QDA Software to support. Findings are classified into 3 themes, causes, processes and results.

**Key words:** Conflict, supply chain, telecommunication, case study, telecommunication

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### **INTRODUCTION**

Conflicts may occur because of the interplay between sub-systems within the organization (Pondy, 1966). Causes of conflict were also due to many differences in understanding, personality, goal, performance, method, responsibility, authority or uncooperative (Thomas and Schmidt, 1976). In terms of the size of the organization, the greater the size of organization and more specialized activities, it were also more likely to conflict (Eisenhardt *et al.*, 1997). Conflicts also due to differences in personal traits, interests, values and ways of communicating (Lambert *et al.*, 2006).

Conflicts can be managed through 2 strategy, competitive strategy and cooperative strategy. From both strategies then elaborated into five approaches in managing conflict, domination, accommodation, avoidance, compromise and collaboration (Thomas, 1992). Conflict management with the cooperation strategy is an important contributor to effective (Chen *et al.*, 2005). However, differences in levels of leadership (top management, middle, bottom) as well as differences in gender (male and female) can affect the options strategy in conflict (Thomas *et al.*, 2008). The important thing is how to achieve constructive results (Tjosvold, 1998, 2008) that required good cooperative relationship and mutual openness between the parties (Tjosvold *et al.*, 2005, 2014).

There are many differences between conflicts in the organization with conflict between organizations: level of

interaction, mechanism of settlement, decision-making, incentives and motivation, improvement targets as well as the its consequences (Lumineau *et al.*, 2015).

Cooperative relationship between organizations are usually tied in a written cooperation agreement that mentions the scope, obligation, right, term of payment and other aspect related. Cooperative relationship between the participating companies are mutually agreed to achieve common goals by sharing information, resources, benefits while remaining accountable to each other in shared decision-making. The cooperative relationship between companies based on mutual trust, openness, sharing the risks and benefits in order to produce a better performance than if they do not cooperate. The success of cooperative relationships are reflected by improvements in terms of quality, cost, delivery, operation and coordination (Soosay *et al.*, 2008).

In the cooperative relationship between organizations, there are 4 elements; trust, commitment, interdependence and conflict (Mentzer *et al.*, 2000; Monczka *et al.*, 1998).

Trust is a mutual understanding of the character, motive, competence and decision making. Trust is rooted in professional credibility, good behavior and frequency of interaction. Commitment is expectation to maintain continuous relationship and a willingness to invest resources. Commitment is the will to mobilize all resources and efforts in the form of time, money and other facilities for the smoothness and successful relationship of cooperation. Interdependence is associated with the

achievement of common goals and performance improvements together. The interdependence occurs when one party can not completely control the other party under all the conditions necessary to perform a desired action. A conflict is a condition that prevents or disrupts the objectives and performance. The conflicts happened, if managed well will have an influence on the success of the cooperative relationship by providing a mutually beneficial solution (Mentzer *et al.*, 2000; Monczka *et al.*, 1998).

In the era of fourth-generation mobile telecommunications technology (4G/LTE) in Indonesia, marked by the presence of Indonesian Digital Revolution, currently there are five telecommunication companies which operate 4G/LTE technology; Telkomsel, Indosat, XL Axiata, Smartfren and H3I ([www.postel.go.id](http://www.postel.go.id)).

Telecommunication companies in Indonesia, achieve superior business performance through value creation based on the utilization of resources, development of new products and implementation of proper business strategy. The telecommunications company is expected to always understand any changes happens in the market such as user behavior and telecommunication technologies (Firmansyah, 2015). In terms of efficiency, telecommunications companies should be able conduct spending priorities well because the telecommunications company's capital expenditure has positive and significant impact on the increase in the number of customers, profits and return on investment (Firli *et al.*, 2015).

This case study was focused on managing conflict in the supply chain of telecommunication company, related with its supplier and distributor. The research topic on the conflict in the organization are many but a bit different when conducting research on managing conflict in the supply chain and especially in the service sector such as telecommunication. Furthermore, the proposed research problem is how to manage conflict in the supply chain? Then elaborated into research questions: why there is a conflict, how to manage and how its results, in the context of supply chain of telecommunication company.

## **MATERIALS AND METHODS**

**Research design:** Case study allow researchers to maintain a holistic and meaningful characteristic of a real-life events such as an organizational and managerial process. In the selection of cases, there are 8 types of cases such as individual, group organization, partnership, community, relationship, decision and project (Yin, 2013). In this case study aims to explore more deeply about the causes of conflict, the conflict management processes and the results.

There are many sources of data were collected in the case study; interviews, observation, documentation, records and artifacts. In collecting the data, there are 4 important principles; using multiple sources and triangulation, building a database of case study, understand the relationship between the evidence obtained and be careful in using the data from these multi sources (Yin, 2013). In this case study, data collection use by interviewing 3 managers were representing of 3 companies; telecommunication company, its supplier and its distributor. Topics of interview are about causes of conflict, management processes and results obtained. Data collection were collected in 2016 in Jakarta.

The steps in the analysis of the data include: organizing relevant files, reading of the entire text and make notes as required, describe the data into the appropriate code, using aggregation categorical to form a theme, interpret the data carried by using a straightforward interpretation, develop generalizations about the important lessons that can be drawn and make presentation of the report uses narrative, tables and images (Creswell, 2012). In this case study, data were analyzed from interviews using Weft QDA Software, following the steps of data analysis such as data reduction, data display and data verification. Then do the categorization and coding to obtain the general theme of the case.

## **RESULTS AND DISCUSSION**

Causes of conflicts in the supply chain are: decline in performance, differences of opinion, the goods/services do not correspond to reality, administrative problems, the price issue, the changes in the field, mechanism of claim has not been defined yet, the scope of work that no detail, not stated in the contract and the contract was violated by the parties. Based on these findings, then could be explained further that causes of conflicts in the supply chain can be grouped into two main themes differences interpretation of the content of the cooperation agreement and violating or breaching the cooperation agreement.

The management processes are need for meeting together, unite perception, discuss the solutions, escalating step by step (working level, group head, top management), documentation is tidy and orderly, attach evidence, commit and agree, good communication and negotiating for the contract changes. Based on these findings then could be explained further that the management processes can be grouped into two main themes to collaborate in the conflict resolution and to compete in the conflict resolution.

And the results obtained are positive impact, gain more knowledge, gain more experience, the same conflict does not have to happen again, there are loses, no element of constructive cooperation continues, improvements to its cooperation agreements and detrimental to the business at all. Based on these findings, then could be explained further that the results of conflicts in the supply chain, can be grouped into two main themes constructive (get a lot of benefits) and destructive (obtain damages).

### CONCLUSION

The telecommunications company has cooperative relationships with supplier and distributor. They are bound together in a cooperation agreement or the contract. Cooperative relationship between telecommunication company with the supplier is needed in the development of telecommunication infrastructure in order to evenly in urban and rural areas. Cooperative relationship between telecommunication company with the distributor is required in order to be equitable distribution of telecommunication services in urban and rural areas. This cooperative relationship are systematic and strategic process as well as they are working together in delivering service to customers. In case of conflicts in the supply chain, they are need to be managed in a good way, to the hope of a win-win solution.

### LIMITATIONS

This study was conducted only in one supply chain of telecommunication company with its supplier and its distributor. Another limitation is the data source that is focused interviews and has not been much use multi sources data such as observation, documentation, archives and physical artifacts, due to make triangulation. So, for future research may do a multiple case study for many supply chain and across industry in order to obtain a better finding.

### IMPLICATIONS

**Theoretical implications:** It were many differences, managing conflict in organization with managing conflict in the supply chain. Managing conflict between organization as supply chain emphasizes collective aspects as representatives of an organization that is facing other organizations, so that the power of cooperation is bound in an agreement or contract entered into with a certain period. These findings support what have been described by Rahim (2002) and Lumineau *et al.* (2015).

**Practical implications:** Managing conflicts in the supply chain need to be understood by the managers concerned. The managers need to pay attention to the causes of conflict so that it can perform previously anticipated. And if the conflict is happened, it have to be managed properly to deliver better results that give benefit to all parties.

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