MANIFEST CONFLICT IN FRANCHISE SYSTEMS AND 
THE IMPACT OF RESIDUAL CONFLICT

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ABSTRACT

Conflict within a channel relationship can impair the mechanisms by which cooperation results in mutually beneficial outcomes for channel partners. This conflict can exist as latent conflict—which is perceived yet unexpressed, manifest conflict—which becomes revealed as behavioral or legal actions that threaten the relationship, and residual conflict—which lingers as remnants of prior manifest conflict and which can undermine the relational climate and the effective functioning of channel operations. In this study spanning roughly ten years, a potentially devastating demonstration of manifest conflict in the form of a contentious class-action lawsuit within a large business-format franchise chain provides a rich opportunity to study the effects of conflict on later relational characteristics. Using path analysis and mediation tests of data collected from franchisees at two different periods (separated by over nine years), we examine how both the immediate and long-term impacts of conflict on channel partner perceptions evolve. We find that extensive examples of manifest conflict can have long-lasting negative impacts on franchisee relational opposition, satisfaction with the relationship, and willingness to comply with franchisor regulations, even when the original conflict was remediated in a manner that yielded highly positive outcomes to the aggrieved parties. As a result, our study yields unique and valuable insights to the study and practice of franchising, as well as to marketing channel management, and interorganizational relationships more generally.