A Study of Conflict and Resistant Behaviors in the Implementation of the Ecosystem Platform

Wei Hsi. Hung, National Chengchi University, Taiwan, fhung@nccu.edu.tw
Yen Sheng. Tsai*, National Chengchi University, Taiwan, daniel@jordon.com.tw

ABSTRACT

The physical retail market of the J Company is impacted by up-and-coming virtual market channels, resulting in constantly shrinking business performance. Hence the J Company was compelled to launch an innovative ecosystem IT platform to re-capture market advantages through new technology application and new retail methods. However, the promotion of the new innovative platform was met with expected and unexpected resistance and conflict from within and outside the company. This paper explored ways to prevent and solve the problems confronted during the course of implementation to increase success in promoting the ecosystem platform.

Keywords: up-and-coming, virtual market channels, innovative ecosystem IT platform, market advantages, resistance and conflict.

*Corresponding author

INTRODUCTIONS

The J Company has a private factory in Vietnam, and in the beginning, business was mainly wholesale to local stores in Taiwan. The company has since developed numerous models such as business-to-business (B2B), TV shopping, online shopping and multi-national sales, with original local stores accounting for only 20% of the overall revenue. Hence, to create a breakthrough for the business, the development of an innovative sales platform has become an urgent and pivotal task. To alleviate the pressure of storefront stockpile, technology is applied to sales method and retail where manufacturers assume the inventory and a cloud center is established so that inventory can be shared by all stores and distributors, thereby providing more exposure for a diversity of products and creating a win-win situation.

The launch of an innovative IT platform and the promotion and implementation of customary traditional models are bound to lead to contradiction, resistance, and conflicts. Very few studies have focused on how the company has transformed itself from traditional supply chain systems into an ecosystem platform where all distributers and wholesalers can be integrated into one single platform to share information. Since the launch of the Internet sharing platform, traditional retail store model has been changed into an innovative and online symbiotic platform. Business suppliers can collaborate with distributors and even to retail stores. In the business world, the one-to-one model has been changed into a one-to-many model, and the outright sales model has been changed into the “consignment sales” model which enabled all platform members to share inventory and client information. However, during the ecosystem platform implementation, various kinds of conflict and resistant behaviors are encountered. Despite a great deal of past literature covering discussions of how to cope with the events of resistance and conflicts, they mostly cover internal type of behaviors. The resistance and conflict encountered by the ecosystem platform also come from external members. In view of this, it is necessary to carry out research to discuss how to cope with internal and external resistance and conflict behaviors when implementing a sharing platform for product sales.

This study adopts a case study approach on J company in the clothing industry. The J company faced the internal and external resistance and conflicts when an ecosystem platform was launched. Unlike the internal conflicts encountered during regular information system implementation, the difficulties lie in the external conflicts. For example, for a new distributor, it might switch to the other supplier once the cooperation method is changed. However, for a partner of 20 or even 30 years of cooperation, even for implementing a destructive innovation, the collaboration is still strong. Thus, setting up platform regulations, ensuring collaborating partners follow, and cultivating new partners’ trust and involvement on the platform are critical to ensure successful platform development in a symbiotic manner.

The research objectives of current study include: 1. What internal and external resistant and conflict behaviors are? 2. How can we reduce resistant and conflicts behaviors? 3. How can we increase the user number of the ecosystem platform? Although resistance to the company’s innovative plans will undermine the adaptability and progress of the organization, resistance can also motivate both internal and external parties to discuss the pros and cons of the change, their present and future, and potentially result in better decisions.

LITERATURE REVIEW

Transformation to business platform

Blumenthal & Haspeslagh (1994) described three types of transformation in terms of single definitions and basic features. It is
noteworthy that in their early stage of transformation, many enterprises failed to distinguish the types of transformation, resulting in many problems. The types of transformation are:

(1) Operational improvement: Re-planning business processes to reorganize ideas, shift organizational scope and change work and information flow.

(2) Business reconstruction: Building organizational relationship and culture, which enables the company to continually adapt to changing situations and avoid future performance gaps.

(3) Strategy transformation: Re-establishing productivity that is consistent with core competitive advantage and market opportunities to recapture competitive advantage in the market.

Based on low-level continuous, high-level incremental or strategic changes, Manuela & Clara (2003) defined transformations in terms of first- and second-order transformation.

(1) First-order transformation: Certain small areas of the company are modified, with improvements made in existing methods while maintaining the usual operating structure.

(2) Second-order transformation: Radical changes are made and the basic organizational structure is completely changed to find new competitive advantages and impact the core competence of the organization.

Seven key steps in business transformation are suggested by the literature William (2005): (1) Challenge 1: Web-based management; (2) Challenge 2: Eliminate fixed pattern; (3) Challenge 3: Competition in new technology integration; (4) Challenge 4: Low "interaction costs" operation; (5) Challenge 5: Digitize production logistics; (6) Challenge 6: Reliance on personalized service; (7) Challenge 7: Rich talent pool. Risks of business transformation include William (2005) Davenport (1993): (1) Policy and legal risk; (2) Business positioning risk; (3) Transition stiffness risk; (4) Concept change risk; (5) Human resource allocation risk. The process where a business imports an information system can be regarded as a process of organizational change (OC).

**Lewin's force-field analysis**

Lewin (1945) developed a set of organizational development technology, called the force field analysis. Figure 1 shows how status quo is maintained by balancing obstructive forces with constructive forces, thereby achieving desired goals. The key lies in defining problems and developing a corrective plan Huse(1980).

Organizational transformation can be divided into two broad categories: Evolutionary change, which is incremental, gradual, and focused; and revolutionary change, which is rapid, intense and involves the entire organization. Many corporations are constantly promoting organizational transformation, and organizational strategies and employee attitude are the internal forces targeted for change. People often resist transformation because they believe that the changes are not in the best interest to them. Hence, organizations can reduce their resistance through education and communication. For example, when companies propose reorganization plans or innovations for their product lines, the resistance can be an impetus for discussing the pros and cons of the changes, and may even result in better decisions. However, resistance to change may also negatively affect the organization by undermining its adaptability and progress.

A platform business is defined as a platform that is constructed to connect the stakeholders on that platform, facilitate their mutual contribution of resources and create value for the participants, as shown in Figure 2.
Drivers of change in J company are listed in Table 1.

<table>
<thead>
<tr>
<th>Driver</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change of technology</td>
<td>As a variety of IT technologies in both software and hardware gradually mature and stable – such as (mobile devices, Wi-Fi, QR Code) – they will be incorporated into an application (IT Artifact).</td>
</tr>
<tr>
<td>Economic shock</td>
<td>The change in the economic environment.</td>
</tr>
<tr>
<td>Change in economic landscape</td>
<td>Ease of data accessibility and the rise of e-commerce.</td>
</tr>
</tbody>
</table>

**Resistance to system implementation**

Krantz (1999) indicates that failure in business transformation over the years can be attributed to resistance within the organization. Bovey & Hede (2001) also point out that in implementing transformation, the major challenge of controlling employee resistance is even more important than other transformational processes. Therefore, it is necessary to understand potential resistance factors in the transformation, and this study aimed to summarize resistance factors found in past research and establish an appropriate research direction.

Kotter (1995) believes that transformation processes are susceptible to failure, and in particular, the failure rate of "reconstruction" can be as high as 70%. Therefore, given that small and medium enterprises (SMEs) are subjected to many uncertainties, resistance to transformation is understandable. In addition, Agocs (1997) reports that most literature have found that resistance to transformation is one reason why many transformations fail during the initial stage. Manuela & Clara (2003) also summarized literature on resistance to transformation and pointed out that many scholars have found that resistance to transformation is one reason why many transformations fail during the initial stage. Therefore, it is important that organizations pay attention to and manage resistant behaviors brought about by the transformation in order to achieve the advantages of transformation.

In this study, resistance is defined as the frequent unwillingness of users to cooperate with the implementation of a system, thereby delaying the import or development of the system. Resistance includes not actively supporting the system or passively being uncooperative, such as being unwilling to participate in education and training, intentionally not using the system, complaining about the system, faulting the system, fearing the system or diverting the original purpose or function of the system, diverting resources away from the system, wastefully consuming the resources for system development, intentionally creating system information error and damaging the system (Dickson & Wetherbe. (1985)). When a business proposes change, its organizations and members will resist that change. Such resistance can be positive ensuring certain stability and predictability in behaviors, thereby avoiding random and chaotic conduct. Moreover, resistance can also generate constructive conflicts within the organization. As shown in the figure, resistance to change comprises individual and organizational factors.
(Stephen & Timothy (2001)).

<table>
<thead>
<tr>
<th>Individual resistance to change factors</th>
<th>Habitant norms</th>
<th>When people are accustomed to their methods of doing things, these formed habits become a barrier to change and a factor of resistance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sense of security</td>
<td>When people feel that their security is threatened, it will produce resistance.</td>
<td></td>
</tr>
<tr>
<td>Economic factors</td>
<td>When the content of work or program changes, employees often worry about their ability to adapt.</td>
<td></td>
</tr>
<tr>
<td>Fear of unknown</td>
<td>Change often leads to confusion and uncertainty.</td>
<td></td>
</tr>
<tr>
<td>Selective processing information</td>
<td>People will selectively deal with information to maintain the cohesion of their understanding. They only absorb the information that fits their world view, while turning a blind eye to others.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organization to resist change factors</th>
<th>Habitant norms</th>
<th>When organizations are accustomed to their methods of doing things, these formed habits are a barrier to change and a factor of resistance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural inertia</td>
<td>When organizations have built a number of mechanisms to maintain its stability, such as formal norms, these structural models will also play a counter-role and become a resistant to change.</td>
<td></td>
</tr>
<tr>
<td>Tendency to accept partial change</td>
<td>Organizations are made up of many interactive subsystems. When revolutionizing one of them, all branches will be affected. Hence it is ineffective to attempt only secular or local changes.</td>
<td></td>
</tr>
<tr>
<td>Groups inertia</td>
<td>Even if the individual wants to change the behavior, the group norms will still produce a fixed effect.</td>
<td></td>
</tr>
<tr>
<td>Threat to professionals</td>
<td>Changes in organizations can threaten specific professionals, depending on the case.</td>
<td></td>
</tr>
<tr>
<td>Threat to existing power relationship</td>
<td>Redistribution of decision-making power will threaten the existing power relations in the organization.</td>
<td></td>
</tr>
<tr>
<td>Threat to existing resource allocation</td>
<td>Those who hold considerable resources in the organization, will often view change as a major threat. They often want to keep their existing resources.</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3, Figure 4 Individuals and organizations to resist changes in the factors

Reasons for resisting change are many. The change threatens traditional norms and values, job skills and methods, and business interests. Resistance can be overt and immediate, such as complaining, which can be easily managed; or implicit and deferred, such as declining loyalty and morale, which are more difficult to identify and manage.

Strategies for reducing internal resistance include:
1. Communication and education: More convincing when used for correcting misinformation.
2. Input and participation: Leaders and participants pledge for change and assist with integration.
3. Reward and promotion: Mainly used for averting resistance.
4. Exchange views: Research and discuss issues arising from the change.
5. Authoritative or coercive: Used for securing timely change, but will lead to more resistance and conflict if used inappropriately.

**Conflict arising from system import**

According to Robbins & Judge (2001), a conflict is a process whereby one party believes that he is affected or is about to be adversely affected by another party in a matter of his concern. They also point out that the perception must stem from the parties in question, involve opposition or incompatibility on a common issue, and pertains to interactive concepts such as incompatible goals, different interpretations of a fact and contention over behavioral expectations. Rahim (1983) believes that conflict is caused by disparity in opinions over different goals, interests, expectations and values among two or more people within an organization. It is a difference in opinion by people or groups over a particular matter where they feel that their interest will be undermined. The differences in the goals, perceptions, emotions or behaviors among individuals, groups or organizations result in contradiction and antagonism, are defined as conflict. Conflicts within an organization significantly undermine the organization, and hence businesses must use organizational conflict management strategies to resolve the conflicts, and improve organizational structure to manage conflicts. Steers (1991) delineates four basic types of conflict: goal conflict, cognitive conflict, affective conflict and behavioral conflict. Goal conflict is differences in goals among two or more individuals; cognitive conflict is differences of opinions or ideas; affective conflict is emotional dislike or dissatisfaction; and behavioral conflict is dispute between two parties.

Lewin (1997) defined conflict as the motivational (psychological) contention arising from contradictory and incompatible motivations that co-exist simultaneously between individuals. There are four types: 1. Approach-approach conflict: Either...or, but not both. Individuals are faced with two attractive but mutually exclusive goals, and in choosing one must give up the other. 2. Double avoidance conflict: Between a rock and a hard place. Individuals face two repulsive goals and choose one to avoid the stress of the other. 3. Approach-avoidance conflict: Both attractive and negative. Individuals face a single goal where they are motivated to both accept and escape. 4. Double conflict: Hanju Pinyin VS Roman Pinyin. Individuals have two choices, and each choice will result in its particular approach-avoidance conflict.

Conflict management strategies can be divided into competition, concession, inactivity, problem-solving and compromise (K. W. Thomas, 1992): 1. Competition: A strategy of distribution or dominance. This strategy disregards the survival of others, protects only personal goals and interests, and defeats others by any means necessary. 2. Concession: An adaptation or coercion strategy. This strategy is not interested in or enthusiastic about pursuing personal interests, but instead helps fulfill or satisfy opponent demands. 3. Inactivity: A strategy of evasion or retreat. This strategy shows no interest in the conflict outcome for all parties involved. 4. Problem-solving: Is concerned about the conflict outcome for all parties involved and pursues a common win-win goal. 5. Compromise: Pursues the interests of all parties involved in the conflict and adopts a moderate attitude that strives to protect the interests of all parties.

---

**Figure 5: To resolve the strategy to resist conflict**
RESEARCH METHOD

Since the platform implemented by the case study is an innovative platform, the action research method was adopted. With the first edition of the online network platform as the basis, the in-depth interviews were carried out for data collection and analysis. The research participants include both internal and external members. Internally, there are 8 office staffs, while externally, there are 5 storeowners, 12 clients, and 15 store clerks. Before the platform implementation, the internal staffs conducted several planning meetings to outline the preliminary framework of the platform, including the issues of contract, payment, cash flow, IT expertise, potential barriers, etc. Both internal and external participants were interviewed to gain an insight into their daily experiences of using the system. Also, we discussed with frontline store clerks on how the platform can be changed to ensure higher interaction between the users and the platform itself. In terms of research process, we adopted the four steps of action research cycle: plan, act, observe, and reflect. A research cycle comprises the four steps. In each cycle, the experienced storeowners and store clerks were invited to act, observe and reflect on each action plan developed to ensure the system adaptation. In the low level, the usage behaviors in the store transactions through the platform were also observed, analyzed, and recorded. A series of interviews were conducted with participants to elicit opinions after they all used the ecosystem platform. Based on the information the users revealed, the system was revised and reloaded onto the Internet. Subsequently, the research plan was revised to begin a new action research cycle to solve the more complicated problems. The cycle was executed until no new finding or information was sought for the system implementation, marking the end of the research cycle.

RESULTS & DISCUSSIONS

This study adopts a case study approach on J company in the clothing industry. The J company faced the internal and external resistance and conflicts when an ecosystem platform was launched. Unlike the internal conflicts encountered during regular information system implementation, the difficulties lie in the external conflicts. For example, for a new distributor, it might switch to the other supplier once the cooperation method is changed. However, for a partner of 20 or even 30 years of cooperation, even for implementing a destructive innovation, the collaboration is still strong. Thus, setting up platform regulations, ensuring collaborating partners follow, and cultivating new partners’ trust and involvement on the platform are critical to ensure successful platform development in a symbiotic manner.

It was found through action research that internal and external conflicts and resistance occurred during the information system transformation into the ecosystem platform for commercial sales. In order to construct reasonable shared regulations as well as strengthen the trust of users from all sides on the platform, the case study continued to evolve and put forward effective measures, which are summarized into five dimensions and 24 useful guidelines to reduce internal and external resistant and conflicts behaviors and facilitate a smooth implementation of the ecosystem platform. In summary, there are five dimensions where we can reduce the resistant and conflict behaviors: forming internal consensus for resistance reduction, careful discussions before actions taken internally, resolving external cooperation resistance, eliminating conflicts and resistance from retailers and distributors, and expanding and paving for future platforms.
In line with these dimension, there are following principles to follow: to clarify the necessary of change, destructive innovation must be support internally, to understand the company's capabilities, to let internal staff to predict the implementation path, to predict the sweetness of success and the pain of failure, to unite the consensus, to review personnel turnover due to change and set of special team for this matter, IT staff training, design an easy-to-use platform, caring the internal and external resistance risks, developing the legal contract, contract and specification management, software and hardware change management, focusing on the dealership and giving resources to mutual communications, setting the template store for test base, to obtain excellent marketing experience, banks and logistics providers involvement, smooth invoices and financial flows, considering trading and tax behaviors to reduce law confliction, more interview meetings to gain access to expert advices, interviewing individuals to reduce potential conflicts, building deposit and trust mechanism, which are clearly defined in the platform specification, advertising platform to establish the accessibility, to encourage customers to introduce the platform, and developing alternative products to attract potential suppliers.

The five dimensions and 24 items are described below:

1. Form internal consensus: To reduce resistance, explain to employees that new pathways for newly discovered expansion and profits should involve a shift to innovative and differentiated products or attention to certain fast-growing markets for the survival of the business.
   (1) The operating principles of the company must change, and implementation of disruptive innovation requires internal support. To avoid changing customer value, new core competitions must be continuously established, and changing customer needs must be predicted and satisfied.
   (2) Evaluate the company's business capability and inform employees of expected implementation direction.
   (3) Boldly predict success and failure to garner internal consensus.
   (4) Review personnel change for employees who refuse change. Set up a temporary task group to overcome the constraints of the original organizational form and achieve a unity that is flexible and diverse to enhance the company's adaptability to external environment.
   (5) Through communication network technology, connect knowledge, information and talents needed to achieve business goals into a dynamic and integrated unit for the company's resource utilization. Break through tangible organizational boundaries and utilize certain external resources to realize business goals.

2. After careful discussion of internal actions, use Web management to eliminate fixed patterns and use new technologies to integrate competitiveness.
   (1) Conduct IT staff training.
   (2) Design easy to use platform and take into account internal and external resistance.
   (3) Complete study of legal contract.
   (4) Formulate contract and standards, paying particular attention to reasons and intent.
   (5) Make software and hardware changes that are compatible with store PCs or personal cell phones of retail employees.

3. Resolve external cooperation resistance and establish a favorable cooperation environment. Strive for consistency between the goals of partners and the company's goals.
   (1) Prioritize interviews and communication with key distributors since changes in sales patterns and request to use mobile devices for communication may result in concerns arising from unfamiliarity.
   (2) Test run on retail outlets to gain market experience since retail clerks may not be accustomed to the changes in the sales mode, such as immediately uploading the product ID of the sales item or not being able to immediately pick up merchandize.
   (3) Provide banks and logistics providers with software to increase platform convenience. However, cash flow system remains inconvenient and still requires the use of ATM or transfer.
   (4) Transaction habits and tax laws are taken into account in invoices and cash flow to avoid violating tax laws; however, retailers are not accustomed to immediately recording invoice numbers.

4. Eliminate conflicts and resistance between retailers and distributors.
   (1) Conduct focus interviews and obtain expert opinion. Conduct meeting between suppliers and program designers, retailers, business managers, warehouse group leaders and marketing staff to find solutions.
   (2) Conduct individual interviews to reduce future contradictions and conflicts, and seek the advice of accountants and lawyers.
   (3) Clearly define deposit and trust mechanisms in the platform specification.
   (4) Establish a clear inventory audit
   (5) Provide easily accessible instant information.

5. To pave the way for follow-up platform development and break away from traditional mode of competition, instead of confrontation, adopt cooperation, cooperative competition and competitive cooperation so that through a certain degree of cooperation and resource sharing, a competitive advantage can be found, thereby achieving a win-win situation.
   (1) Use direct retail simulation to help newcomers cooperate more confidently.
   (2) Advertise and promote the establishment of the platform niche.

The 17th International Conference on Electronic Business, Dubai, UAE, December 4-8, 2017
When a business proposes transformation, its organization and members will resist. This resistance has positive significance in maintaining a considerable degree of behavioral stability and predictability and preventing chaotic random behavior. It can also stimulate benign conflict within the organization. For example, when a business proposes a reorganization plan or innovations for its product line, the resistance to change will prompt discussions of the pros and cons of change, which may result in better decisions. However, resistance to change can also be negative by undermining organizational adaptability and progress.

Therefore, to ensure the support of cooperating partners and develop trust and participation of new partners, it is crucial to develop platform laws and regulations to secure successful joint development of the platform. Businesses today must use organization conflict management strategies to resolve internal and external conflicts, and manage the conflicts through improving organizational structure. This is because conflict arises from interdependence and differences in target interest, and hence can be managed by adjusting organizational structure. Moreover, existing authority structure can be examined to determine its compatibility with organizational needs. If an organization has lost its hierarchical control due to growth and differentiation, authority must be further clearly decentralized for conflict management. In implementing changes, conflict management can be approached by: (1) Developing a procedure for expressing dissatisfaction and understanding opposition ideas; (2) Entrusting a third party to negotiate and resolve conflicts between sub-units or stakeholders; (3) Rotating sub-unit members to enable role exchange and mutual learning.

CONCLUSION
An innovative ecosystem platform is the best choice for a retail business. The successful of a platform demands the full support of business operators and needs to enable platform members to coexist in harmony. Possible conflicts and resistance are foreseeable, especially resistance coming from the outside, which remain scarcely studied in the past literature. The five dimensions and 24 principles found in this study may help manage conflicts and resistance that rise during the new system implementation, thereby enhancing the support and trust of internal and external platform members and maximizing opportunities leading to platform success.

With the development of IT Artifact, manufacturers and consumers can coordinate mismatched information by using real-time information and effective data analysis to directly and accurately connect supply and demand, and satisfy the many changing market needs. As a result, the bullwhip effect is eliminated, which directly lowers operating costs and enables ideal real-time response to customer needs. Business transformation in Taiwan should consider customer to customer (C2C) and business to business to consumer (B2B2C) strategies, and seek manufacturing innovations based on customer needs. However, the failure rate of innovative platforms is extremely high, and this study aimed to help prevent obstacles or risks and reduce potential conflicts and resistance to increase the chance of a successful implementation of the ecosystem.

REFERENCE