

## Conflict, leadership, and market orientation

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### Abstract

While conflict is generally viewed as something to avoid, some conflicts benefit organizations. Against this backdrop, this article explores how a particular type of leadership (i.e., transformational) affects (a) the two dimensions of interfunctional conflict (i.e., task and relational), (b) market orientation and performance, and (c) the task/relational conflict–market orientation and performance relationships that allow for nonlinear effects. Data collected from CEOs and marketing managers show that the relationship among task/relational conflict, transformational leadership, market orientation, and performance is more complex than previously thought. The authors discuss the relevance of nonlinear effects in the context of how firms might improve their market orientation and performance.

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### 1. Introduction

Both academics and practitioners support the importance of forming market orientation (MO) to achieve firm success (e.g., Lear, 1963). Several studies show that MO provides superior returns for firms (e.g., Narver & Slater, 1990). For example, Kirca, Jayachandran, and Bearden (2005) suggest that MO not only leads to superior firm performance, but also to more committed employees and satisfied customers. More recently, Cano, Carrillat, and Jaramillo (2004), in an extensive study that spanned 23 countries across five continents, confirmed that there is a strong positive effect of MO on business performance. Therefore, the formation of MO should represent a central priority for marketing managers and academics alike.

Kohli and Jaworski (1990), Jaworski and Kohli (1993), and Kirca et al. (2005), among others, argue that interfunctional conflict and senior management focus serve as important antecedents to MO. Because the development and formation of MO is an organizational issue, interdepartmental dynamics can determine its success. Furthermore, previous research under-

scores the significance of senior management in forming MO (Felton, 1959; Levitt, 1969; Webster, 1988).

Previous research in marketing and management suggests that not all conflicts are hazardous to organizations (Amason, 1996; Jehn, 1997; Menon, Bharadwaj, & Howell, 1996); they posit that while relational or affective conflict has negative effects, task or functional conflict can be positive. Thus, to simply claim that conflict is detrimental to MO ignores the different effects of varying types of conflict.

Previous researchers such as Kohli and Jaworski (1990) and Jaworski and Kohli (1993) merely highlight the importance of senior management and consider senior management focus as a broad, general construct. To provide a more fine-grained picture of senior management focus, we extend their research to the more concrete context of leadership. Narver, Slater, and Tietje (1998, p. 244) assert that “Top management plays a critical leadership role in changing a culture in general, and in creating a market orientation in particular.” Transformational leadership (TL) in particular offers excellent grounds for demonstrating senior management focus. We investigate TL, as opposed to other types of leadership such as transactional, because it forms a strong bond with and rallying point for employees to support and nurture MO (Harris & Ogbanna, 2001; Narver et al., 1998). In doing so, we adopt the following definition of TL: leadership that exerts influence over its followers by changing their values,

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beliefs, and attitudes through *internalization or identification*, so they align their values and goals with the broader objective of the organization (Kelman, 1958).

Our goal is to shed light on two particular antecedents of MO: interfunctional conflict and TL. We depart from prior research on several points. Specifically, we posit a tripartite role for TL in (1) affecting interfunctional conflict (i.e., task and relational), (2) influencing MO, and (3) moderating the interfunctional conflict–MO relationship. In addition to exploring MO as the final dependent variable, we also investigate firm performance. To this end, we examine the relationship among interfunctional conflict, TL, and MO/performance, allowing for nonlinearities.

In the next section, we provide our proposed conceptual framework for the relationships among our key constructs, including interfunctional conflict and TL. Subsequently, we develop our hypotheses and report empirical results. We used a multiple respondent design, in which functional managers responded to questions about TL and interfunctional conflict and CEOs answered items relating to MO, to minimize common method bias. For firm performance, we used an objective measure of the firms' return on assets (i.e., net profit after tax, expressed as a percentage of total assets). We conclude by discussing some managerial and theoretical implications, limitations, and future research directions.

## 2. Conceptual framework

The extant literature suggests that interfunctional conflict and TL affect MO. Our integrated model also argues that TL influences interfunctional conflict and moderates the interfunctional conflict–MO relationship.

### 2.1. Transformational leadership

TL may be accomplished if the leader convinces followers to transcend their self-interests for the sake of the organization as a whole (MacKenzie, Podsakoff, & Rich, 2001; Podsakoff, MacKenzie, Moorman, & Fetter, 1990) – that is, through intrinsic as opposed to extrinsic motivation. Unlike transactional leadership, which uses rewards for performance outcomes to achieve goals, TL strives to accomplish performance goals by providing vision, inspiration, stimulation, and coaching, commonly referred to as the four key behaviors of TL (Howell & Avolio, 1993). In a similar vein, Avolio, Waldman, and Yammarino (1991) emphasize the 4Is (i.e., *i*ndividualized consideration, *i*ntellectual stimulation, *i*nspirational motivation, and *i*dealized influence or charisma) to distinguish TL from transactional leadership. In other words, TL is a multidimensional construct comprised of four subdimensions: inspirational motivation, intellectual stimulation, individualized consideration, and charisma (Bass & Avolio, 1994).

Inspirational motivation captures the ability of leaders to instill a sense of vision by setting high work standards and expectations. Intellectual stimulation refers to the support leaders offer in nurturing creative and innovative solutions to old problems. Individualized consideration reflects an inclination to provide personal attention to employees. Finally, charisma captures the

leader's efforts to impart a collective sense of mission and purpose. As TL increases, it may produce contrasting results. First, as a result of intellectual stimulation, divergent and conflicting ideas, processes, and solutions can emerge because followers receive more autonomy and empowerment to expand their decision-making latitude. Consequently, considerable disagreement and conflict may surface. Second, despite such disorder, one of the strongest benefits of TL is its capacity to integrate and bond divergent views into a holistic and consensual mindset. Inspirational motivation, individualized consideration, and charisma collectively foster greater cohesiveness, communication, and collaboration, which all contribute to a unified roadmap for the organization.

Among the few studies that have explored its role in marketing, MacKenzie et al. (2001) found that, in a sales context, TL contributes to less role ambiguity, more trust in managers, and, ultimately, greater sales performance and citizenship behavior. Similarly, Harris and Ogbanna (2001) indicate that participative and supportive leadership, which is similar but not identical to TL, positively affects MO, whereas instrumental leadership negatively influences it.

One of the central themes that seems to cut across the TL literature relates to its influence on the culture of an organization (Bass & Avolio, 1993). Deshpande, Farley, and Webster (1993, p. 24) suggest that culture represents “the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with the norms for behavior in the organization.” Logically, TL should influence culture because the leader of an organization takes a primary position in setting the standard and model for others to follow.

Bass and Avolio (1993) developed a typology of organizational cultures on the basis of a mix of transformational and transactional leadership. In this typology they argue that a predominantly TL-oriented organization enables employees to unleash their empowerment, creativity, innovativeness, and problem-solving skills in a decentralized and highly expressive environment. In essence, they claim that TL can define and dictate organizational culture, and therefore MO, which is often described as a culture (Deshpande et al., 1993; Homburg & Pflesser, 2000; Narver & Slater, 1990; Slater & Narver, 1995).

### 2.2. Interfunctional conflict

Conflict in general has come under careful scrutiny in discussions of organizational theory (Jehn, 1995, 1997) and channels management in the marketing literature (Geyskens, Steenkamp, & Kumar, 1998). Interfunctional conflict reflects a perception of incompatibility between two or more members/parties or a difference in opinion, value, or goals (Boulding, 1963). We focus on interfunctional conflict, which relates to conflict between departments, such as between marketing and R&D.<sup>2</sup>

<sup>2</sup> Conflict can be intra- and/or interfunctional. Intrafunctional conflict pertains to conflict within a particular department, such as within marketing or within R&D, whereas interfunctional conflict relates to conflict between departments, such as between marketing and R&D. We focus on interfunctional conflict in our discussion of TC and RC.

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