

Customer orientation, conflict, and innovativeness in Japanese sales departments

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Abstract

There has been an argument over whether customer orientation enhances innovation; moreover, the customer orientation/innovation mechanism remains unclear. This study investigated how customer orientation influences innovativeness through three types of conflict using a sample of 193 sales departments in Japanese firms. A structural equation modeling revealed that (1) customer orientation was positively related to task conflict and negatively related to process conflict, and that (2) task conflict was positively related to innovativeness, while process and relationship conflict was negatively related to innovativeness. The results suggest that customer orientation influences innovativeness by enhancing positive conflict and reducing negative conflict.

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1. Introduction

Marketing research has shown that firms are more successful when they focus on their customers' needs (Donavan et al., 2004; Kennedy et al., 2003). Although some empirical studies have investigated the relationship between customer orientation and innovation (e.g., Gatignon and Xuereb, 1997; Han et al., 1998; Lukas and Ferrell, 2000), they have failed to show the mechanism by which customer orientation promotes innovation. This study explored how customer orientation affects innovativeness, or a perceived work environment that encourages innovative behavior, by examining conflicts in the sales departments of Japanese firms.

One example indicating the importance of customer orientation in generating creative conflict within an organization is the case of Nissan. Nissan's CEO Carlos Ghosn commented: "The firm can continue to exist by getting rid of barriers between departments and acting from customer's

point of view (Ghosn, 2001a)." When different opinions clash among members at an executive meeting in Nissan, Ghosn always tries to encourage members to make decision in terms of customer satisfaction and profit (Ghosn, 2001b). This indicates that customer orientation plays an important role in integrating organizational members who have diverse perspectives in different sections.

There are two reasons why this study is focused on the conflict in explaining the relationship between customer orientation and innovativeness. First, positive conflict or tension within an organization is essential for encouraging members to come up with innovative ideas, while negative conflicts often hinder their creativity (Brown and Duguid, 1991; Dougherty, 1992; Leonard-Barton, 1995; Leonard-Barton and Straus, 1997). Second, customer orientation, as a shared belief or value, can restrain negative conflicts within an organization and integrate members' diverse perspectives and ideas (Dougherty, 1992; Eisenhardt and Santos, 2002). Despite the importance of the relationship between customer orientation, conflict, and innovation, it has not been examined in past research.

Sales departments were chosen because salespeople, as boundary spanners, play critical roles in the service-delivery

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process; a capable sales department, therefore, can be one source of competitive advantage (Dubinsky et al., 1996; Singh, 1998; Shepherd, 1999; Weitz and Bradford, 1999). According to Anderson and Narus (1995), excellent manufacturing companies tend to profit from providing additional service, rather than through the product itself. By studying the customer orientation/innovativeness relationship through conflicts in sales departments, it may be possible to find a mechanism for customer-oriented service innovation.

2. Conceptual framework

2.1. Customer orientation/innovation linkage

There has been no consensus about the effect of customer orientation on innovation. Some researchers insist that customer orientation sometimes inhibits innovative product development and R&D research activities. Critics have suggested that listening too closely to current markets can constitute a barrier to commercializing technology (Leonard-Barton, 1995). Christensen and Bower (1996) have reported that some firms lose their leadership positions in industry during periods of industry discontinuity because they listen too carefully to their customers. This implies that listening to customers' voices too closely leads firms to maintain the status quo, and thus cannot imagine the benefits of emergent technologies and new materials (Ulwick, 2002). They suggest that firms need to go beyond being 'customer-led' (Hamel and Prahalad, 1994).

Despite the argument, only a few studies have examined empirically the relationship between customer orientation and innovation (Lukas and Ferrell, 2000). In a survey of US firms, Gatignon and Xuereb (1997) found that customer orientation promotes product innovation when demand is uncertain. Han et al. (1998) examined US banks and reported a positive relationship between customer orientation and technical and administrative innovation. Using a sample of US manufacturing firms Lukas and Ferrell (2000) demonstrated that customer orientation increases the introduction of new-to-the-world products and reduces the launching of me-too-products. These findings indicate that innovation mediates the relationship between customer orientation and performance, while the actual mechanism by which customer orientation enhances innovation remains unclear.

This study contributes to the literature in two respects. First, we explored the process by which customer orientation influences innovation in terms of conflict. The customer orientation/conflict relationship was pointed out in prior research (e.g., Dougherty, 1992; Eisenhardt and Santos, 2002), but never examined empirically. Second, this study classified the conflict into three types and found the characteristics of conflict influence innovativeness within an organization. Although past research in intra-group conflict reported the conflict/performance relationship, few

studies have investigated the relationship between conflict and innovativeness.

2.2. Customer orientation

Narver and Slater (1990) defined customer orientation as "the sufficient understanding of one's target buyers to be able to create superior value for them continuously" (p.21). Similarly, customer orientation is defined as "the set of beliefs that puts the customer's interest first" (Desphande et al., 1993, p.27), or "firm's ability and will to identify, analyze, understand, and answer user needs" (Gatignon and Xuereb, 1997, p.78).

Narver and Slater (1990) conceptualized customer orientation as the part of market orientation that consists of three behavioral components: customer orientation, competitor orientation, and interfunctional coordination. Market orientation, which has a broader meaning than that of customer orientation, refers to "the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers" (Narver and Slater, 1990, p.21). Of the three components of market orientation, this study focuses on customer orientation, because customer orientation is the most fundamental aspect of market oriented corporate culture (e.g., Desphande et al., 1993; Lawton and Parasuraman, 1980), and it is based on a marketing concept that promote putting the interests of customers first (Han et al., 1998). Desphande et al. (1993) regard customer orientation and market orientation as synonymous.

2.3. Innovativeness

Organizational innovation is generally viewed as the adoption of an internally generated or purchased device, system, policy, program, process, product, or service that is new to the adopting organization (Damanpour, 1991; Damanpour and Gopalakrishnan, 2001). According to this definition, products and services are not necessarily new to the market or industry. Even when a firm imitates another firm's product or system, it can be recognized as an organizational innovation if it is new to the adopting firm. Conversely, organizational innovativeness can be distinguished from organizational innovation. Hurley and Hult (1998) view innovativeness as the organization's orientation toward innovation (p.44). In previous research, innovativeness has been one of the central dimensions used to describe organizational climate or culture (e.g., Chatman and Jhen, 1994; Hult et al., 2002; Koys and DeCotiis, 1991; O'Reilly et al., 1991).

Past studies have suggested that innovativeness facilitates innovative behaviors in an organization. For example, Scott and Bruce (1994) conceptualized the 'psychological climate for innovation' as "the degree to which individuals viewed the organization as open to change, supportive of new ideas from workers, and tolerant of worker diversity"

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