

**THE EFFECT OF CUSTOMER ORIENTATION AND INTRA-  
ORGANIZATIONAL COMPETITION ON INNOVATIVENESS:  
GENERATING CREATIVE CONFLICT**

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**ABSTRACT**

This paper explores how creative conflict is generated in an organization. Using data collected from sales departments of 206 firms in Japan, the antecedents and consequences of three types of conflict were examined. The findings suggest that (1) an innovative department tends to have more task conflict and less process conflict, (2) customer orientation has a positive effect on task conflict, and (3) process competition has a negative effect on process conflict. The results indicate that enhancing customer orientation and process-based competition play key roles in generating creative conflict.

Organizational innovation is generally defined 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 & Gopalakrishnan, 2001). A variety of organizational characteristics that facilitate innovation and creativity have been studied, including structure, communication, pressure, autonomy, slack resources, technology, culture, encouragement of creativity, managerial attitude toward change, and risk taking (Damanpour, 1991; Woodman et al., 1993; Amabile et al., 1996; Glynn, 1996). Recently, research into organizational innovation and learning has focused on the role of creative conflict, such as ‘creative chaos’ (Nonaka & Takeuchi, 1995), ‘creative abrasion’ (Leonard-Barton, 1995), ‘productive conflict’ (Jehn, 1995), and ‘challenging tasks’ (Amabile et al., 1996).

Nonaka and Takeuchi (1995) argue that the leaders of top Japanese firms sometimes try to evoke a sense of crisis among members by proposing challenging goals, which increases tension within the organization and focuses the attention of members on defining the problem and resolving the crisis situation. Leonard-Barton (1995) suggests that sparks produced when different ideas rub against each other could be creative in a well-managed process. She comments that “creative abrasion is an antidote to core rigidities because it forces the constant re-examination of whatever perspective dominates at the time in the organization (p.89).” Amabile et al. (1996) argue that some degree of pressure can have a positive influence on innovation if it is perceived as arising from the urgent, intellectually challenging nature of the problem itself. These studies suggest that creative conflict or pressure encourages members to reassess familiar practices, identify the problems within an organization, and come up with creative solutions if the conflict is linked to a challenging task.

Although these studies indicate the importance of creative conflict, few systematic empirical studies have examined the process of how creative conflict is generated within an organization. My interest lay in finding (1) what types of conflict promote innovation within a department and (2) what factors facilitate creative conflict within a department. To address these research questions, this study focused on the three types of conflict, and the effects on them of intra-organizational competition and customer orientation. I chose sales departments as the research subject because salespeople, as boundary spanners, play a critical role in the service-delivery process, and a capable sales department is one source of competitive advantage (Anderson & Narus, 1995; Dubinsky et al., 1996; Singh, 1998; Shepherd, 1999; Weitz & Bradford, 1999).

In the following sections, I begin with a brief review of previous work on intra-group conflict, and formulate some specific hypotheses. Then, I focus on the role of intra-organizational competition and customer orientation in promoting creative conflict, and develop hypotheses based on previous studies.

## **CONCEPTUAL BACKGROUND AND HYPOTHESES**

### **Conflict and Innovativeness**

Conflict is defined as an awareness on the part of the parties involved of discrepancies, incompatible wishes, or irreconcilable desires (Boulding, 1963). Previous research has shown that conflict is multidimensional, and can be classified into three types: relationship (or emotional), task (or cognitive), and process conflicts (Jehn, 1995; Amason, 1996; Pelled et al., 1999; Jehn & Mannix, 2001). Jehn & Mannix (2001) define these conflicts in the following way. Relationship conflict is the

awareness of interpersonal incompatibilities, including affective components, such as feeling tension and friction. Task conflict is the awareness of differences in viewpoints and opinions pertaining to a group task; it is related to conflicts about ideas and to differences in opinion about the task. Process conflict is the awareness of controversies over aspects of how tasks will be accomplished. This conflict involves issues of duty and resource delegation.

Of the three types of conflict, several studies have reported that task conflict is associated with greater group performance (Pelled et al., 1999; Jehn & Mannix, 2001), and improved strategic decision quality, understanding, and affective acceptance by upper management (Amason, 1996). Task conflict contributes to performance, because task conflict makes members more receptive to new information, increases the range of alternatives considered, motivates assumption questioning, and allows assumptions and recommendations to be systematically evaluated (Mason & Mitroff, 1981; Schweiger et al., 1986; Schwenk, 1990; Amason, 1996). By contrast, relationship and process conflicts are detrimental to individual and group performance, because relationship conflict makes members anxious, which inhibits cognitive functioning, and process conflict interferes with task content quality, and misdirects focus to irrelevant discussions of members' ability (Jehn, 1995, 1997; Amason, 1996; Pelled et al., 1999; Jehn & Mannix, 2001).

Conflict research suggests that task conflict could be beneficial to group performance, while relationship and process conflict could be detrimental. However, few studies have examined the relationships between these three types of conflict and innovativeness within a group. Innovativeness, or innovative climate, is generally defined as a perceived work environment that encourages innovative behavior. Amabile

et al. (1996) assumed that the work environment in the psychological sense influences creative behavior, and reported that organizational and supervisory encouragement of creativity promotes individual creativity. Scott & Bruce (1994) also reported that the climate for innovation influences innovative behavior.

Based on previous studies of conflict, I predicted that task conflict enhances the innovativeness of a department through the synthesis of diverse perspectives and increased understanding, while relationship and process conflict disturb the innovativeness of a department by interfering with task content quality by misdirecting focus onto non task-related discussions. Accordingly, I propose:

Hypothesis 1a. Task conflict in a department is positively related to its innovativeness.

Hypothesis 1b. Relationship conflict in a department is negatively related to its innovativeness.

Hypothesis 1c. Process conflict in a department is negatively related to its innovativeness.

### **Competition and Conflict**

If these hypotheses are correct, it is necessary to promote task conflict and restrain relationship and process conflict in order to generate creative conflict in a department. In exploring the determinants of the three types of conflict, I focused on the role of intra-group competition and customer orientation. A competitive structure is defined as a situation in which individuals are rewarded, so that one receives the maximum reward, while the other receives the minimum reward (Kelley and Thibault, 1969; Johnson et al., 1981). Since conflict is considered as perceived incompatibilities, groups in which members compete with each other may involve conflicts among members.

Past studies of group processes in experimental psychology suggest that competition is a double-edged sword. Some researchers have reported that competition enhances task performance (White et al., 1977; Jackson & Zedeck, 1982; Shalley et al., 1987), while others have reported that it inhibits performance (Deutsch, 1949; Shaw, 1958; Campbell & Furrer, 1995). Locke (1968) and Locke & Latham (1990) insist that competition encourages individuals to remain committed to goals that they might otherwise abandon in the face of fatigue and difficulty, and that it encourages the setting of goals that might not have been set at all in the absence of the other party. By contrast, Deutsch (1949) and Campbell & Furrer (1995) argue that competition produces greater personal insecurity or anxiety, which interferes with the person's cognitive processes.

These studies suggest that intra-group or intra-organizational competition is both beneficial and distractive to group performance. However, the conditions producing positive and healthy competition have yet to be revealed. One reason is that the type of intra-group competition is not identified. As mentioned earlier, competition is operationally defined as a situation in which a member's performance is evaluated in comparison with that of others (Shaw, 1958; White et al., 1977; Shalley et al., 1987), but the performance is evaluated in terms of task outcome. For example, Brown et al. (1998) measured the competitive climate in a sales department as the degree to which salespeople are concerned with the sales rankings and compare their sales results with those of others. Thus, the competition is described as "outcome-based competition". With regard to the system used to evaluate the sales force, Anderson & Oliver (1987) classified the system controlling salespeople into "output-based control", which evaluates salespeople based on objective results, and "behavior-based control", which

evaluates salespeople based on their activities and sales strategies. Oliver & Anderson (1994) reported that in a control system that was more behavior-based than outcome-based, individual salespeople had a higher level of organizational commitment and job satisfaction, cooperated as part of a sales team, and perceived the organizational culture as more innovative and supportive.

Following the work of Anderson & Oliver (1987), competition can be classified into “outcome competition” and “process competition”. This classification is based on the difference in the criteria used for performance evaluation. In outcome competition, members are evaluated in terms of their outcome, such as sales volume or gross margin, and receive rewards based on their relative performance. In process competition, members are evaluated in terms of their process, such as sales behavior or their proposals to customers, and receive rewards based on their relative performance. Since process competition directs members’ attention towards the content of their task, it promotes task conflict, and curbs relationship and process conflicts. In contrast, there is a lack of direction in outcome competition, which directs members’ attention towards their results, rather than the task. Thus, we predict that outcome competition lowers task conflict, and causes relationship and process conflict. Accordingly, I propose:

Hypothesis 2a: Process competition in a department is positively related to task conflict.

Hypothesis 2b: Process competition in a department is negatively related to relationship and process conflict.

Hypothesis 2c: Outcome competition in a department is negatively related to task conflict.

Hypothesis 2d: Outcome competition in a department is positively related to relationship and process conflict.

## **Customer Orientation and Conflict**

Market orientation characterizes an organization's disposition to deliver superior value to its customers continuously (Han et al., 1998; Kohli & Jaworski, 1990; Slater & Narver, 1994). Narver & Slater (1990) noted that market orientation consists of three behavioral components: customer orientation, competitor orientation, and interfunctional coordination. Of the three components, this study focused on customer orientation, because it seems to play a key role in directing an organization towards market orientation. Narver & Slater (1990) define customer orientation as sufficient understanding of one's target buyers to be able to create superior value for them continuously. Gatignon & Xuereb (1997) mentioned that a customer-oriented firm has the ability and the will to identify, analyze, and answer user needs.

Although the linkage between customer or market orientation and innovation is controversial (Lukas & Ferrell, 2000), some researchers insist that customer or market orientation promotes innovation by providing a unifying focus for the efforts and projects of individuals and departments within the organization (Kohli & Jaworski, 1990; Dougherty, 1992; Atuahene-Gima, 1996). Dougherty (1992) argued that a realistic customer focus overcomes differences in the thought worlds that keep innovators from synthesizing their expertise. Without a unifying focus or some redundancy, it may be difficult to communicate about or discuss a task constructively (Nonaka & Takeuchi, 1995), and the discussion may develop into relationship or process conflict. Hence, I propose:

Hypothesis 3a: Customer orientation in a department is positively related to task conflict.

Hypothesis 3b: Customer orientation in a department is negatively related to relationship and process conflict.

## METHODS

### Sample

The population examined in this study consisted of the sales departments of large and medium-sized Japanese companies. The main reason this study focused on sales departments is that salespeople, as boundary spanners, play a critical role in the service delivery process and in the formation of long-term buyer-seller relationships (Dubinsky et al., 1996; Singh, 1998; Shepherd, 1999).

The sample was drawn from the companies listed in the first section of the Tokyo Stock Exchange. Surveys were mailed to the managers of the main product or service divisions of companies that had their headquarters in Tokyo or Osaka in 2002. Four weeks later, a postcard reminder was sent to the firms that had not responded. A total of 1,000 questionnaires were mailed, and 213 were returned. Of these, 206 questionnaires were considered usable after removing missing answers (final response rate: 20.6%). The firms were broken down by industry (manufacturers 72.1%; non-manufacturers 27.9%) and number of employees (< 999: 34.6%; 1,000 - 5,000: 47.3%, > 5,000: 17.5%).

### Measures

**Conflict.** Three types of intra-organizational conflict were measured using the scales developed by Jehn & Mannix (2001). Principal component analysis with oblique rotation (Table 1) produced three factors: task conflict, process conflict, and relationship conflict, which are consistent with Jehn & Mannix (2001). Each item measured conflict on a seven-point Likert scale (1 = not at all, 7 = a lot). Cronbach's alphas for task,

relationship, and process conflict were .75, .73, and .84, respectively.

**Competition.** Two types of competition were measured: output competition and process competition. The scales were based on the Competitive Psychological Climate scale developed by Brown et al. (1998), which deals only with output competition that measures the degree to which salespeople are concerned about their results or sales rankings. Therefore, I developed a process competition scale that measures the degree to which salespeople are concerned with sales proposals or behavior, based on the scale of Brown et al. The principal component analysis with oblique rotation (Table 2) produced two factors, as expected. Each item measured conflict on a seven-point Likert scale (1 = strongly disagree, 7 = strongly agree). Items within each factor were averaged to form scales measuring output competition ( $\alpha = .90$ ) and process competition ( $\alpha = .87$ ).

**Customer orientation.** I used the customer orientation scale developed by Narver & Slater (1990). The scale consists of six items (customer commitment, create customer value, understand customer needs, customer satisfaction objectives, measure customer satisfaction, after-sales service). Each item measured customer orientation on a seven-point Likert scale (1 = strongly disagree, 7 = strongly agree), and items were averaged to produce a measure of customer orientation ( $\alpha = .88$ ).

**Innovativeness.** To measure the innovativeness of a department, the scale of the climate for innovation developed by Scott & Bruce (1994) was used. The original measure contained two subscales: (1) support for innovation, and (2) resource supply. I did not use the resource supply subscale in this study, because the construct overlaps process conflict conceptually. The 16 items were subjected to a principal component

analysis with oblique rotation, and three factor solutions resulted (Table 3). Factor 1 (7 items) was named *tolerance of differences*; it measures the degree to which members are expected to think and deal with problems in different ways. Factor 2 (6 items) was named *support for innovation*; it measures the degree to which members are encouraged to be creative and open to change. Factor 3 (3 items) was named *breaking the status quo*; it measures the degree to which members do not stick to previous ways of working. Each item measured innovativeness on a seven-point Likert scale (1 = strongly disagree, 7 = strongly agree). Items within each factor were averaged to form scales measuring *tolerance of differences* ( $\alpha = .82$ ), *support for innovation* ( $\alpha = .83$ ), and *breaking the status quo* ( $\alpha = .74$ ). In order to examine the validity of these measures, financial performance was measured based on the work of Jaworski & Kohli (1993) and Deshpande et al. (1993). The scale consists of five items: sales growth, profitability, market share, return on investment, and overall performance relative to competitors within three years. Each item measured performance on a seven-point Likert scale (1 = poor, 7 = excellent), and items were averaged to produce a measure of performance ( $\alpha = .88$ ). Table 4 shows that the three subscales of innovativeness (*tolerance of differences*, *support for innovation*, and *breaking the status quo*) were significantly correlated with performance ( $r = .25, .28, \text{ and } .30, p < .05$ ). The results suggest the criterion-related (or predictive) validity of the innovativeness scales.

**Control variables.** Task variety is a control variable in this study, because previous research has found that the nature of a group task often influences group interactions and performance (Jewell & Reitz, 1981). The task variety measure consisted of three items drawn from Daft & Macintosh (1981). Each item measured customer orientation on a seven-point Likert scale (1 = strongly disagree, 7 = strongly

agree); items were averaged to produce a measure of task variety ( $\alpha = .69$ ). I used the size of a department as another variable that can affect conflict and innovativeness, because group size is a key variable influencing group dynamics and performance (e.g., Brewer & Kramer, 1986). In this study, the number of employees in each department was used as an indicator of department size.

TABLE 1  
Factor Loadings of Conflict Items <sup>a</sup>

Items	Factor Loadings		
	Task Conflict	Process Conflict	Relationship Conflict
1 How much conflict of ideas is there in your department?	<b>.74</b>	.03	-.21
2 How often do people in your department have conflicting opinions about the task you are working on?	<b>.85</b>	-.02	.06
3 How frequently do you have disagreements within your department about the task you are working on?	<b>.86</b>	.00	.08
4 How often are there disagreements about who should do what in your department?	.00	<b>-.90</b>	.03
5 How much conflict is there in your department about task responsibility?	.08	<b>-.80</b>	-.02
6 How often do you disagree about resource allocation in your department?	-.06	<b>-.89</b>	.05
7 How much relationship tension is there in your department?	-.08	.03	<b>-.81</b>
8 How much emotional conflict is there in your department?	-.09	-.08	<b>-.76</b>
9 How often do people get angry while working in your department?	.03	-.01	<b>-.81</b>
Eigenvalues	3.33	1.78	1.23
Percentage of variance explained	36.98	19.77	13.68

<sup>a</sup> Oblieue rotation was performed.

TABLE 2  
Factor Loadings of Innovative Climate <sup>a</sup>

Items	Factor Loadings		
	Tolerance of differences	Support for innovation	Breaking the status quo
1 . The main function of members in this department is to follow orders which come down through channels. <sup>b</sup>	<b>.66</b>	.14	.10
2 . Around here, a person can get in a lot of trouble by being different. <sup>b</sup>	<b>.71</b>	.20	-.06
3 . A person can't do things that are too different around here without provoking anger	<b>.64</b>	.07	.05
4 . The best way to get along in this department is to think the way the rest of the group does. <sup>b</sup>	<b>.67</b>	.08	.22
5 . People around here are expected to deal with problems in the same way. <sup>b</sup>	<b>.66</b>	-.06	-.16
6 . The people in charge around here usually get credit for others' ideas. <sup>b</sup>	<b>.46</b>	.13	.29
7 . This department publicly recognizes those who are innovative.	<b>.43</b>	.39	.43
8 . Creativity is encouraged here.	.00	<b>.84</b>	.01
9 . Our ability to function creativity is respected by the leadership.	.03	<b>.86</b>	-.05
10 . Around here, people are allowed to try to solve the same problems in different way	.29	<b>.67</b>	-.16
11 . This department can be described as flexible and continually adapting to change.	.14	<b>.65</b>	-.03
13 . This department is open and responsive to change.	.06	<b>.60</b>	.19
14 . The reward system here encourages innovation.	-.11	<b>.65</b>	.08
15 . This place seems to be more concerned with the status quo than with change. <sup>b</sup>	.19	-.05	<b>.83</b>
16 . The reward system here benefits mainly those who don't rock the boat.	.20	-.09	<b>.54</b>
Eigenvalues	6.04	1.79	1.15
Percentage of variance explained	37.74	11.19	7.17

<sup>a</sup> Oblieue rotation was performed.

<sup>b</sup> Item was reverse-coded.

TABLE 3  
Factor Loadings of Intra-organizational Competition <sup>a</sup>

Items	Factor Loadings	
	Process competition	Output competition
1 Everybody is concerned with attracting attention by their sales behaviors.	<b>.60</b>	.11
2 Everybody is concerned with attracting attention by their sales proposals.	<b>.83</b>	-.09
3 Managers frequently compares salespeople's behaviors.	<b>.63</b>	.25
4 Managers frequently compares salespeople's proposals.	<b>.84</b>	-.08
5 Coworkers frequently compares salespeople's behaviors.	<b>.75</b>	.14
6 Coworkers frequently compares salespeople's proposals.	<b>.90</b>	-.07
7 Everybody is concerned with finishing at the top of the sales rankings.	.03	<b>.87</b>
8 Managers frequently compares salespeople's results.	-.05	<b>.94</b>
9 Coworkers frequently compares salespeople's results.	.07	<b>.90</b>
Eigenvalues	4.85	1.41
Percentage of variance explained	53.86	15.65

<sup>a</sup> Oblieue rotation was performed.

TABLE 4  
Descriptive Statistics and Correlations<sup>a</sup>

Variable	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11
1 Customer orientation	4.85	1.13											
2 Outcome competition	4.73	1.50	.23 **										
3 Process competition	5.02	0.92	.37 **	.54 **									
4 Task conflict	4.84	0.95	.21 **	.09	.13								
5 Relationship conflict	3.79	1.08	.02	.16 *	.14 *	.35 **							
6 Process conflict	3.47	1.23	-.14 *	-.15 *	-.18 **	.18 **	.35 **						
7 Tolerance of differences	4.73	0.97	.25 **	.07	.17 *	.31 **	-.09	-.32 **					
8 Support for innovation	5.14	0.94	.56 **	.25 **	.40 **	.38 **	.09	-.19 **	.51 **				
9 Breaking the status quo	4.43	1.10	.31 **	.15 *	.21 **	.28 **	-.10	-.32 **	.58 **	.50 **			
10 Task variety	5.60	0.86	.16 *	.10	.26 **	.09	.18 **	.15 *	-.11	.20 **	-.13		
11 Department size	362.73	643.72	.05	.17 *	-.05	.07	-.02	.01	.04	.03	.01	.05	
12 Performance	4.42	1.11	.26 **	.13	.18 **	.11	.01	-.13	.25 **	.28 **	.30 **	-.01	-.06

<sup>a</sup>N=205

\*p<.05

\*\*p<.01

## RESULTS

Table 4 presents descriptive statistics and correlations for all the variables in the study. Tables 5 and 6 present the results of the regression analysis. Standardized coefficients are reported. The maximum variance inflation factor (VIF) associated with any of the independent variables in the regression equations was 1.74, which is well below the 10 cut-off recommended by Neter et al. (1983), indicating little influence of multicollinearity on the results.

## The Effects of Conflicts on Innovativeness

Hypothesis 1a states that task conflict in a department is positively related to its innovativeness. This hypothesis was supported for three types of innovativeness. The regression analysis (Table 5) suggested that task conflict is positively related to the *tolerance of differences* ( $\beta = .42, p < .001$ ), *support for innovation* ( $\beta = .43, p < .001$ ), and *breaking the status quo* ( $\beta = .40, p < .001$ ), indicating that a sales department with task conflict tends to be innovative. Hypothesis 1b predicts that the relationship conflict in a department is negatively related to its innovativeness. This hypothesis was not supported. The regression analysis (Table 5) did not find a significant relationship between relationship conflict and the three types of innovativeness. Hypothesis 1c, which states that process conflict in a department is negatively related to its innovativeness, was supported. The regression analysis (Table 5) suggested that process conflict is negatively related to *tolerance of differences* ( $\beta = -.36, p < .001$ ), *support for innovation* ( $\beta = -.29, p < .001$ ), and *breaking the status quo* ( $\beta = -.33, p < .001$ ), indicating that a sales department with process conflict tends not to be innovative.

TABLE 5  
Results of Regression Analysis: The Influence of Conflicts on Innovativeness<sup>a</sup>

Variables	Dependent Variables					
	Tolerance for differences		Support for innovation		Breaking the status quo	
	<i>f</i>	<i>t</i>	<i>f</i>	<i>t</i>	<i>f</i>	<i>t</i>
Control variables						
Department size	.01	.17	-.01	-.03	-.02	-.30
Task variety	-.08	-1.16	.16	2.45 *	-.08	-1.24
Conflicts						
Task conflict	.42 ***	6.18	.43 ***	6.29	.40 ***	5.76
Relationship conflict	-.10	-1.35	.03	.37	-.11	-1.46
Process conflict	-.36 ***	-5.33	-.29 ***	-4.17	-.33 ***	-4.74
R <sup>2</sup>	.27		.26		.24	
Adjusted R <sup>2</sup>	.25		.24		.22	
F	13.35 ***		12.48 ***		11.29 ***	

<sup>a</sup> N=186.

\* p<.05

\*\* p<.01

\*\*\* p<.001

## **Competition and Customer Orientation on Conflict**

Hypothesis 2a predicted that process competition in a department is positively related to its task conflict. The regression analysis (Table 6) did not find a significant relationship between process competition and task conflict ( $\beta = .01$ , n.s.). Thus, hypothesis 2a was not supported. Hypothesis 2b states that process competition in a department is negatively related to its relationship and process conflict. The regression analysis (Table 6) suggested that process competition is negatively related to process conflict ( $\beta = -.26$ ,  $p < .01$ ), while there was no significant relationship with relationship conflict ( $\beta = .01$ ,  $p < .01$ ). This indicates that a sales department with a high level of process competition tends to have a low level of process conflict, but it has no effect on relationship conflict. Thus, hypothesis 2b was partially supported.

Hypothesis 2c predicted that outcome competition in a department is negatively related to task conflict. The regression analysis (Table 6) did not find a significant relationship between outcome competition and task conflict ( $\beta = -.02$ , n.s.). Thus, hypothesis 2c was not supported. Hypothesis 2d states that outcome competition in a department is negatively related to relationship and process conflict. The regression analysis (Table 6) found no significant relationship between outcome competition and relationship conflict ( $\beta = .11$ , n.s.) or process conflict ( $\beta = -.02$ , n.s.). Thus, hypothesis 2d was not supported.

Hypothesis 3a predicts that customer orientation in a department is positively related to task conflict. The regression analysis (Table 6) suggested that customer orientation is positively related to task conflict ( $\beta = .22$ ,  $p < .01$ ), indicating that a customer-oriented sales department tends to have a high level of task conflict. Thus, hypothesis 3a was supported. Hypothesis 3b states that the customer orientation of a

department is negatively related to relationship and process conflict. The regression analysis (Table 6) found no significant relationship between customer orientation and relationship ( $\beta = -.04$ , n.s.) or process ( $\beta = -.10$ , n.s.) conflict, so hypothesis 3b was not supported.

TABLE 6  
Results of Regression Analysis: The Influence of Customer Orientation and Competition on Co

Variables	Dependent variables					
	Task conflict		Relationship conflict		Process conflict	
	$f$	$t$ , "	$f$	$t$ , "	$f$	$t$ , "
Control variables						
Department size	.05	.61	-.05	-.66	-.02	-.20
Task variety	.08	1.08	.23 **	2.98	.25 **	3.40
Conflicts						
Customer orientation	.22 **	2.81	-.04	-.47	-.10	-1.35
Outcome competition	-.02	-.19	.11	1.26	-.02	-.24
Process competition	.01	.09	.01	.03	-.26 **	-2.86
R <sup>2</sup>	.06		.07		.12	
Adjusted R <sup>2</sup>	.04		.04		.09	
F	2.41 *		2.57 *		5.03 ***	

<sup>a</sup> N=185.

\* p<.05

\*\* p<.01

\*\*\* p<.001

## DISCUSSION

In order to reveal how creative conflict is generated, I examined (1) what types of conflict promote innovation within a department and (2) what factors facilitate creative conflict within a department. This study found that customer orientation and process competition play important roles in generating creative conflict.

The results indicated that task conflict facilitates innovativeness within a department, while process conflict lowers it. These results are in line with previous work on conflict. That is, task conflict, or conflict about ideas or opinions about a task, enhances a sales department's innovativeness by making salespeople more receptive to

new information, increasing the range of alternatives considered, and motivating assumption questioning (Mason & Mitroff, 1981; Schweiger et al., 1986; Schwenk, 1990; Amason, 1996). By contrast, process conflict, or conflict on issues of duty and resource delegation, hinders the innovativeness of a sales department by misdirecting salespeople to focus on non-task-related discussions (Jehn, 1995, 1997; Amason, 1996; Pelled et al., 1999; Jehn & Mannix, 2001).

Contrary to my hypothesis, relationship conflict was not associated with the innovativeness of a sales department. Concerning this point, Jehn (1995) and Pelled et al. (1999) also found no relationship between emotional (relationship) conflict and group performance. They explained this by suggesting that the members involved in the conflicts may have found ways to avoid working with those with whom they experience emotional conflict. Amason (1996) and Pelled et al. (1999) also pointed out that task conflict and relationship conflict often occur together. My study found a correlation between task and relationship conflict ( $r = .35, p < .01$ ), which suggests that each type of conflict tends to accompany the other. That is, relationship conflict is inevitable when task conflict occurs. The detrimental conflict is process conflict rather than relationship conflict.

This study also suggested that customer orientation promotes task conflict. This suggests that customer orientation provides a common goal or a unifying focus for the efforts and projects of individuals within a department (Kohli & Jaworski, 1990; Dougherty, 1992; Atuahene-Gima, 1996). Customer orientation may direct salespeople's attention to their task, and help conflicts to be constructive and creative. Without a unifying focus, it may be difficult to synthesize the diverse perspectives needed to generate innovation. However, there was no negative relationship between

customer orientation and relationship or process conflict. As mentioned earlier, relationship conflict might be an inevitable phenomenon in an organization. With regard to process conflict, there was a significant negative correlation between process conflict and customer orientation ( $r = -.14, p < .05$ ), although the coefficient of the regression analysis was not significant ( $\beta = -.10, n.s.$ ). This means that customer orientation tends to reduce process conflict.

In this study, I classified competition into outcome and process competition, and process competition appeared to lower process conflict. Unlike outcome competition, which directs salespeople's attention to their sales ranking or margin growth, process competition encourages salespeople to compete based on their sales activities and proposals. In such a situation, process conflict may be repressed within a department, because a struggle for human resources or budget funds would lead to a negative reputation that lowers a salesperson's evaluation. Anderson & Oliver (1987) pointed out that a behavior-based control system has an advantage in directing salespeople to perform certain behaviors as part of a company strategy, without the need to convince each salesperson that the strategy is valid.

This study suggested that in order to build an innovative sales department, sales managers should try to enhance task conflict and lower process conflict by promoting customer orientation and process competition. Since there is a significant positive correlation between customer orientation and process competition ( $r = .37, p < .01$ ), process competition may be linked to an evaluation system that emphasizes customer satisfaction. Therefore, a sales manager could enhance the innovativeness of a department by introducing an evaluation system that stresses both customer satisfaction and process competition.

## **Limitations**

The interpretation of these results is subject to a number of limitations. First, the study was cross-sectional in design. It is difficult to infer causality from the results. Thus, I can only claim associations between variables. Second, the data were obtained from a single informant in each department. Further research should test causal relationships using longitudinal data from multiple informants. Finally, the data were limited to Japanese sales departments. The study needs to be extended to an international context and to other functional departments in order to generalize the findings.

This work examined how creative conflict is generated, and found that customer orientation and process competition play key roles. The empirical evidence reported here may provide a stimulus for studies on conflict and innovation. Continued research into the mechanism should advance our understanding of conflict and innovation processes within organizations.

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