The influence of organizational culture and conflict on market orientation

Rex E. McClure
Lewis College of Business, Marshall University, Huntington, West Virginia, USA

Abstract

Purpose – This study aims to review three recognized culture types: bureaucracy, supportive, and innovative, then to develop a model describing how intra-organizational conflict mediates the relationship between these cultures and market orientation.

Design/methodology/approach – Using survey data from over 200 corporate managers, a model of the mediating effect of conflict was examined. First, the model was tested using structural equation modeling, and then a series of linear regressions was used to confirm mediation.

Findings – The study found that conflict mediated the relationship between culture and market orientation. The findings also suggested that conflict was positively associated with bureaucratic organizations and negatively associated with innovative and supportive organizations.

Practical implications – The results point out potential pitfalls that some organizations may encounter in maintaining market orientation or in trying to become market-oriented. The results suggested that innovative and supportive organizations were less likely to experience dysfunctional conflict, and thereby would be better able to maintain market orientation.

Originality/value – The study offers a model that extended previous research on the relationship between organizational culture and market orientation by examining the mediating role of conflict. By including conflict, the study offers insight into the importance of the interaction of culture, conflict and market orientation.

Keywords Organizational culture, Conflict, Market orientation

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this article.

Introduction

Market orientation has garnered ample and well-deserved attention since its introduction to marketing academics and practitioners. Meta-analyses have shown that organizations that are more market-oriented tend to be more innovative, and have greater customer loyalty and better financial performance (Ellis, 2006; Kirca *et al.*, 2005). Studies have also shown that intra-organizational and inter-departmental conflict can impede an organization's ability to be market-oriented (Jaworski and Kohli, 1993; Lancaster and van der Velden, 2004; Menon *et al.*, 1996; Pulendran *et al.*, 2000). To gain deeper insight into the relationship between conflict and market orientation, it is a worthy endeavor to consider possible sources of conflict. Understandably, conflict can develop from a variety of events such as downsizing, mergers, acquisitions, and management turnover. Rather than looking toward events, this study looks at the organization itself as a possible source of conflict. More specifically, this study considers organizational culture as a source. The classic works on organizational culture offer three generic types:

1 bureaucratic;
2 innovative; and
3 supportive (Litwin and Stringer, 1968; Ouchi, 1980; Wallach, 1983; Weber, 1947).

Each of these cultures has distinctive characteristics, a unique set of role perceptions, and prescriptions for relationships among its members. Previous research has shown that certain cultures may be predisposed to higher levels of conflict, while others attenuate it (Brotheridge and Lee, 2006; Chuang *et al.*, 2004; Lait and Wallace, 2002; Rahim, 2002). This suggests a causal chain where culture impacts conflict, which in turn impacts market orientation.

As an antecedent to market orientation, interdepartmental conflict has received considerable attention from scholars (Jaworski and Kohli, 1993; Menon *et al.*, 1996; Pulendran *et al.*, 2000). The findings of these authors suggest that conflict is antecedent to market orientation and acts as an impediment to its development. Additionally, conflict has been studied as a consequence or byproduct of organizational culture (e.g. Brotheridge and Lee, 2006, Chuang *et al.*, 2004; Lait and Wallace, 2002; Rahim, 2002). The findings of these studies suggest that each cultural type has a differing likelihood of experiencing conflict and prescriptions for addressing it. This study offers an incremental addition to the market orientation literature by integrating culture, conflict and market orientation in a single model. While previous research has studied all of the relations presented here on an individual basis, no known study has presented

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and empirically tested a model incorporating these all of these factors. Understanding the interplay of market orientation and organizational culture is essential for organizations attempting to become more market-oriented, and highlights opportunities for this type of transformation and pitfalls as well. Additionally, it will help scholars to develop richer, more explanatory models of the organization, external orientation, internal communications, performance, and the relationship between cultures and behaviors.

This study is an empirical examination of how market orientation can be employed, with varying success, across these three generic cultures. More specifically, a description will be offered of how a corporate culture can facilitate or impede market orientation. First, an examination of the various typologies and characteristics of corporate culture will lay the groundwork for the relationship of cultural typologies to market orientation. Next, the interaction of culture and conflict will be discussed; describing the way each culture encounters and addresses conflict. Finally, by bringing cultural typologies, conflict, and market orientation together, this study will explain how these cultures can enhance or impede market orientation.

A typology of organizational culture

Several authors have offered a cultural classification schema, and there is a general consensus that three distinct types of corporate culture exist. Litwin and Stringer (1968), Ouchi (1980), Wallach (1983), and Weber (1947) separately address the question of culture and offer parallel categorizations. Although the labels they use differ, the phenomena they describe are remarkably similar. Specifically, they offer bureaucratic, innovative, and supportive cultures. The consensus among these authors is that a bureaucracy is a power-oriented culture characterized by a high degree of formalization, a rigid structure and clearly defined superior-subordinate relationships. Bureaucratic organizations tend to be organized around functional departments. Interactions between lower-level employees of other departments is kept to a minimum and replaced with vertical channels of communication to accommodate interdepartmental interaction. Akaah (1993) examined Wallach's typology empirically and offered the characteristics listed in Table I as the most fitting descriptors of each type.

Wallach's (1983) supportive culture closely parallels Weber's (1947) and Ouchi's (1980) clan culture, and Litwin and Stringer's (1968) affiliation-oriented organization. Here the organization plays the role of an extended family and there tends to be a high level of reciprocal commitment between the organization and the individual. Employment is often a mutual and life-long commitment between the employee and the organization. Weber's depiction of the clan describes the decision making process as one of consensus, as opposed to the authoritarian decision making process in a bureaucracy. Litwin and Stringer emphasized the development of warm and close relationships within the organization coupled with personal freedom and support.

Table I Characteristics of corporate culture typologies

Bureaucratic	Innovative	Supportive
Hierarchical	Risk taking	Collaborative
Procedural	Results-oriented	Relationship-oriented
Structured	Creative	Encouraging
Ordered	Pressurized	Sociable
Regulated	Stimulating	Personal freedom
Established/solid	Challenging	Equitable
Cautions	Enterprising	Safe
Power-oriented	Driving	Trusting

Source: Akaah (1993, p. 60)

A similar parallel can also be drawn between innovative, achievement-oriented, and charismatic organizations. Wallach's innovative culture stresses creativity and results-oriented drive from employees, with less emphasis placed on failure and great attention paid to stellar successes. Weber's charismatic culture emphasizes results-oriented accomplishments aimed at pleasing the central charismatic figure. Both the charismatic and the innovative cultures tend to lead to stress within the organization itself. The innovative culture can lead to early burnout, difficulty resolving conflicts and increased competition for resources. The charismatic culture creates stresses by placing greater importance on the proximity of an individual to the leader and recognition by the leader, hence perpetuating a constant struggle for position and acknowledgment (Weber, 1947). Calculated risks are encouraged and rewards flow to those who attain outstanding achievement (Litwin and Stringer, 1968).

While these three organizational types have been well recognized, the literature suggests that market orientation can also be viewed as a culture (e.g. Deshpandé and Webster, 1989; Narver and Slater, 1990). A degree of confusion exists in the literature regarding the relationship between market orientation and culture. Market orientation has been viewed as a culture within the firm, suggesting that it can be considered a fourth type (e.g. Deshpandé *et al.*, 1993). Others have viewed it as a separate construct (e.g. Farley *et al.*, 2008). Still others have offered mixed models of both culture and behavior (Carr and Lopez, 2007). Deshpandé and Webster (1989) outline a myriad areas where marketing and culture may intersect, from which a rich tapestry of literature has been developed. This study takes the position that market orientation is a set of behaviors that are driven by, or coexist with, various organizational types (Harris and Ogbonna, 1999). It is not the purpose of this study to consider market orientation as a fourth type of culture; rather, this study intends to examine it as a pattern of behaviors which exists in varying degrees within the organizational types discussed above.

Cultural factors influencing market orientation

Attention extended to market orientation began in earnest in 1990 with the contributions of Kohli and Jaworski (1990) and Narver and Slater (1990). They offered a new way of looking at the marketing concept, how it could be effectively implemented throughout the firm, and a method for measuring it. For academics and practitioners alike, marketing shifted from a "sales 4and advertising" orientation to being an integral part of the firm as a whole.

Kohli and Jaworski (1990) described market orientation as consisting of three behavioral constructs:

1 intelligence generation;
2 intelligence dissemination; and
3 responsiveness.

In essence, market orientation compels the firm to look beyond its walls and toward gathering information from its environments. This information can then be shared within the firm, bringing a broader level of awareness to key actors. Ultimately, this information is utilized to effectively anticipate the needs of the market, reacting to competitors' actions, and meeting the needs of existing customers.

Narver and Slater (1990) offered a slightly different interpretation of market orientation, though closely corresponding to Kohli and Jaworski's. Again market orientation comprises three components; however, their conceptualization centered on cultural factors:
1 customer focus;
2 competitor focus; and
3 interfunctional coordination.

In this case, the behavior of intelligence generation was replaced by customer and competitor focus, and information dissemination and responsiveness was replaced by inter-functional coordination. Nevertheless, these two groups of researchers arrived at a fairly unified concept via independent means.

Jaworski and Kohli (1993) offered an empirical examination of the antecedents and consequences of market orientation. Their results showed that top management emphasis, inter-departmental connectedness, inter-departmental conflict and reward systems were consistent predictors of market orientation. Similarly, a firm's level of market orientation predicts overall performance, organizational commitment and *esprit de corps*. Later, Jaworski and Kohli (1996) revisited the relationship between commitment, *esprit de corps* and market orientation, suggesting that the relationship may be reciprocal – feeding off each other in ever-increasing circles. Thus, it is reasonable to view these two concepts as antecedents as well.

Gebhardt *et al.* (2006) offer an ethnographic description of market-oriented change within a limited number of organizations. Their findings suggest that some organizations more readily embrace market orientation than others. They go on to describe the transformation processes used by the successful firms and argue that the success of the transformation is rooted in culture. Successful transformations occurred in organizations that shared goals and more readily accepted entrepreneurial drive. Less successful transformations were associated with cultural inflexibility and a disconnection between the initiatives offered by senior management and the activities carried out by subordinates. A key implication of their study is that market orientation and the ability to become market-oriented may be more deeply rooted in an organization's culture than in factors easily manipulated by management. Factors that have been offered as antecedents to market orientation – such as top management emphasis, reward systems and centralization – may play a less prominent role than the existing culture (Jaworski and Kohli, 1993; Menon *et al.*, 1996; Pulendran *et al.*, 2000).

As illustrated in Table I, each organizational type has unique characteristics. These characteristics affect operational procedures as well as the way in which personnel interact on a day-to-day basis. Because several of these characteristics appear to support aspects of market orientation, it is expected that certain types of organizations will be better able to develop and maintain market-oriented culture. Expanding on this idea, in the next section propositions will be developed which explain how the relationship between market orientation and culture is mediated by conflict.

The effect of culture on interdepartmental conflict

Two fundamental types of conflict have been recognized in the literature:
1 functional; and
2 dysfunctional.

Functional conflict can be viewed as disagreements between organizational actors which can be resolved and ultimately has a positive effect on processes, decision-making, and the tenor of the organization. Dysfunctional conflict has the opposite effect; disagreements cannot be resolved and organizational processes are impeded, if not halted altogether (cf. Menon *et al.*, 1996). The present study focuses on dysfunctional conflict occurring between departments.

A number of studies have addressed the manner in which conflict develops, its pervasiveness, and strategies for resolution. Relatively few have done so in conjunction with organizational culture. Lait and Wallace (2002) studied conflict in bureaucratic organizations; they found formalization and procedural rigidity did not induce conflict in business-as-usual situations. In situations calling for coordinated and innovative solutions, the rigidity of a bureaucratic culture became an impediment to implementation. This resulted in conflict between those seeking to implement the solution and those who felt their best interests were served by maintaining the status quo. Koza and Dant (2007) studied conflict within two culture types:
1 bureaucratic; and
2 trust-based.

They found that bureaucratic control structures tended to impact several organizational facets including increased conflict, less equitable conflict resolution, restricted communication, and information distortion. Considering a bureaucratic culture in the context of market orientation, which calls for the sharing of information and responsiveness to marketplace events, one would expect both a higher degree of conflict and lower market orientation.

Chuang *et al.* (2004) offered a model of conflict based on the homogeneity of members' values within an organization. They argued that organizations whose members held diverse interpretations of organizational values were more likely to experience conflict than organizations with a more homogenous set of value interpretations. This suggests a dichotomy that is salient to this study: conflict is more likely to develop in innovative organizations than other types. The characteristics of innovative organizations, i.e. individual achievement and entrepreneurial drive, suggest a diversity of values and personal goals create an environment for conflict to develop. Supporting this contention, Goncalo and Staw (2006) found that organizational cultures stressing individual achievement and creative innovation were more likely to experience destructive conflict and opportunism. Based on these studies, innovative organizations are expected to have a

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higher incidence of conflict relative to bureaucratic and clan organizations.

Brotheridge and Lee (2006) examined conflict in the context of both families and organizations. They found that dysfunctional conflict was less likely to develop and more likely to be resolved in family-like settings, including both business organizations and families. They go on to describe a family-like organization as one where members have emotional bonds, share resources, and work together to improve the welfare of the system as a whole. They assert that family-like organizations are rooted in a trusting and openly social climate, a description that closely parallels clan organizations. Koza and Dant's (2007) description of trust-based organizations suggests a lower degree of conflict, more equitable resolutions to conflict, greater concern for others, and increased information sharing. Extrapolating these results from family-like and trust-based organizations to clans, one would expect lower levels of conflict and higher levels of market orientation in clan organizations.

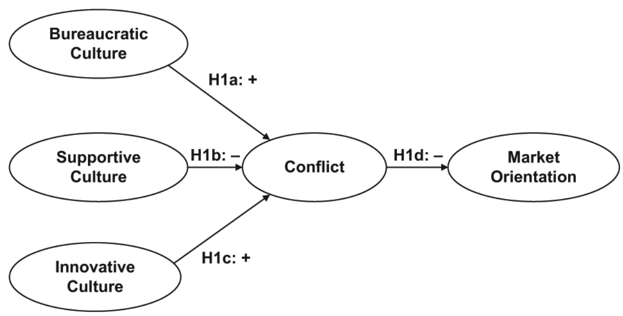
Inter-departmental conflict has a negative effect on the ability to disseminate and respond to intelligence, and in a more global sense, to be market-oriented (Jaworski and Kohli, 1993; Menon *et al.*, 1996, Pulendran *et al.*, 2000). In-fighting, distrust, and a lack of responsiveness are possible forms and sources of conflict. When personnel responsible for the day-to-day execution of functions become cut off from other departments, progressively less work is performed toward common goals. Each department becomes an island unto itself and other departments become, in essence, adversaries.

Previous research has shown that interdepartmental conflict can have a negative influence on market orientation. Jaworski and Kohli (1993) found that conflict acts to impede market orientation. Lancaster and van der Velden (2004) also studied the relationship between conflict and market orientation, suggesting that it can hamper key organizational characteristics such as communication, common values, and the ability to resolve disagreements. The degree to which conflict exists in an organization, as argued above, may be a natural consequence of organizational culture. The relationship between culture, conflict and market orientation (see Figure 1) is summarized in the following hypotheses.

H1a. The relationship between organizational culture and market orientation is mediated by conflict, where:

H1b. a bureaucratic culture will be positively related to conflict;

Figure 1 Hypothesized mediating effect on the culture-market orientation relationship



H1c. a supportive culture will be negatively related to conflict;

H1d. an innovative organization will be positively related to conflict; and

H1e. conflict will be negatively related to market orientation.

Research methodology

Data collection

All of the constructs discussed in this study were operationalized using established Likert-type scales. Interdepartmental conflict was assessed via a seven-item scale originally developed and validated by Jaworski and Kohli (1993). Menon *et al.* (1997) reported a coefficient α of 0.87 for this scale. Market orientation was assessed using a scale originally developed and validated by Jaworski and Kohli (1993) and later refined by Oczkowski and Farrell (1998); the latter authors reported a coefficient α of at least 0.80 for each of the three subscales. Culture type was assessed using a 24-item scale developed by Wallach (1983) and based on the cultures described by Litwin and Stringer (1968), and later used by Oliver and Anderson (1994). The scale consists of three subscales, eight items in each, which assess the presence of key attributes in bureaucratic, innovative and supportive organizations. This scale asked respondents to describe their organization relative to the 24 words listed in Table I. A four-point scale was used, anchored by "does not describe my organization" and "describes my organization most of the time" Oliver and Anderson reported coefficient α values of 0.74, 0.83, and 0.78 for the bureaucratic, innovative, and supportive subscales respectively.

Data were gathered via a professional data collection agency, eRewards. eRewards maintains a pool of approximately 100,000 business practitioners from a variety of functional areas, organization sizes, and industry types. For the purposes of this research, eRewards was able to narrow the pool of potential participants along several dimensions. The first dimension considered was the size of the organization. Larger organizations (greater than 1,000 employees) were considered to be more valid, as it is more likely that these firms will be organized departmentally, implying an internal landscape through which day-to-day operations must be orchestrated. Further, there is evidence to suggest that larger organizations are more likely to exhibit both manager-employee conflict and co-worker infighting (Hodson, 2004). The second dimension considered was the functional area of the respondents. It was important to this study that the respondents be engaged in the design, development, delivery, and servicing of the organizations' products. For this reason, persons employed in finance or accounting were eliminated; however, those in marketing, sales, market research, customer service, research and development, advertising, and product management were included. The final dimension considered was rank within the organization. Those whose positions were considered "top management" (vice president and higher) were not included in this study because their position removes them from the myriad minor struggles and problems encountered on a daily basis by mid-level personnel. Additionally, non-management personnel were not included in this study as this type of organizational role would more likely be isolated from crossfunctional interactions. From this narrowed pool, eRewards was able to identify 6,243 potential respondents.

Prior to the actual collection of data, eRewards sent an e-mail to each of the potential respondents from the narrowed pool. This e-mail was essentially a pre-qualification which sought to assess if they held a position which qualifies them for inclusion this study, and if they were willing to participate. From this pre-qualification, eRewards received 972 responses from willing and qualified respondents. eRewards then sent an e-mail to each of the 972 qualified respondents; this e-mail directed them to a website dedicated to the collection of data for this study. In all, 266 completed questionnaires were received for a response rate of 27.4 percent. Because eRewards was under contract to deliver 250 responses, data collection was halted after that number was reached (plus a reasonable number of overages). Respondents received compensation for their participation in this study in the form of $24 worth of credits redeemable through one of eRewards partner organizations (e.g. Hilton, Hertz, United Airlines, etc.).

Among the 266 returned questionnaires, several had fairly large amounts of missing data, or had responses that did not vary, indicating a lack of diligence on reverse-scaled items. Eleven respondents submitted questionnaires that had more than 50 percent of the items left blank, and were subsequently deleted from the data set. Fifteen respondents submitted questionnaires where the responses did not vary (i.e. they responded "7" to all items regardless of reverse scaled items); these too were deleted from the data set. An additional factor further reduced the number of respondents; this was the nature of the responses to the corporate culture scale. Ideally, every respondent would have identified one type as dominant in their organization; however, some respondents identified two or all three as dominant. While it is reasonable to suspect that a given organization may have a hybrid culture – where the characteristics of two are present – it is unlikely that an organization will have characteristics of all three in equal amounts. The data revealed that some respondents identified all three in equal amounts. Because certain aspects of these cultures are diametric opposites, it is reasonable suspect these subjects did not accurately assess their organizations and were deleted from the analysis. In total, 38 respondents offered indistinct descriptions of their organizations, leaving 202 subjects in the final analysis and an effective response rate of 20.78 percent.

To assess non-response bias, data were collected from 20 non-respondents on key variables via phone interviews. Non-respondents were first screened to assure they met the desired respondent profile, and then asked several demographic questions (gender, education, and tenure in their current position) and key questions from the survey. No significant differences were found between these two groups (t-test results for gender: $t = -0.64$, $p = 0.53$; tenure: $t = -0.11$, $p = 0.99$; education: $t = 0.32$, $p = 0.76$; information gathering: $t = 0.26$, $p = 0.80$; information dissemination: $t = -1.41$, $p = 0.17$; responsiveness: $t = 0.52$, $p = 0.65$; conflict: $t = 0.60$, $p = 0.56$). The demographic profile of respondents was also compared against the profile of employed persons published by the US Bureau of Labor Statistics published in 2006, the year the data were collected. The sample obtained was 37.2 percent female (2.2 percent chose not to report gender); the Bureau of Labor Statistics (2006a) reported 36.7 percent of the managerial workforce was female in 2006. The average length of service for the sample was 11.46 years, with a median of eight years and a mode of six years. The Bureau of Labor Statistics (2006b) reported that persons in managerial positions had median employment tenure of 6.0 years. Comparison of these statistics suggests the sample profile obtained was similar to the broader managerial population.

The sample demographics were also assessed in terms of the industries represented. Table II shows the breakdown of which industries were included in the sample and the number of responses for each. Comparing the sample demographics to employment data offered by the Bureau of Labor Statistics shows that responses for high technology industries and telecommunications firms were disproportionally high. While over eighteen percent of the responses came from high technology, BLS data shows the actual percentage of US employment to be closer to 2.5 percent (Bureau of Labor Statistics, 2006c). Similarly, telecommunications firms's representation in the sample was about four times higher than its representation BLS employment data. To determine if the disproportionally high representation may bear an effect on the analysis, a series of ANOVAs were used to compare the responses from high-technology companies against the remainder of the sample. The same was done for responses from telecommunication companies. No significant differences were found on the aggregated scales used for the majority of the analyses; however, some differences approached significance for one item in the market orientation scale ($p = 0.084$ and $p = 0.067$ for high-tech and telecoms, respectively). Specifically, this item assessed immediate response to aggressive competitor action. Since no significant differences were found it was concluded that these disproportionally high representations did not affect the analysis.

Sample demographics were also examined in terms of the reported organizational culture. Among those in the final sample, 37.76 percent reported that their organizations were predominantly bureaucratic, 30.61 reported an innovative culture, and 31.63 reported a supportive culture. These relatively small differences suggest that each culture was well represented in the data. Eight respondents reported hybrid cultures where two cultures were present in equal amounts. Ideally it would be desirable to check this demographic profile against national averages; unfortunately, no reliable published data could be found for comparison.

Means, standard deviations and alphas for the data are given in Table III. Confirmatory factor analysis was performed on the measurement model revealing poor model fit ($\chi^2 = 1,939.56$ on 1,117 degrees of freedom, $\mathrm{NFI} = 0.808$, $\mathrm{IFI} = 0.818$, $\mathrm{AGFI} = 0.820$). Closer examination revealed that several items correlated with items from differing scales and different constructs. Subsequent exploratory factor analysis confirmed the existence of cross-loading (e.g. the supportive item "the word 'collaborative' describes my organization" loaded on its intended scale in addition to negatively loading on the conflict scale and positively loading on information dissemination). Because each scale had acceptable convergent reliability (as measured by Cronbach's α) and deleting these items would lessen the overall information presented in the model, all the items with each scale were averaged to form a single

Table II Sample demographics by industry and comparison with US employment

Industry	Number of responses	Percentage of sample	Percentage of US employment[a]
Hardware, software and consumer electronics	37	18.32	2.52
Healthcare and pharmaceutical	25	12.38	9.42
Industrial supplies	18	8.91	4.83
Telecom	12	5.94	1.43
Retail (non-food)	11	5.45	8.56
Conglomerates	10	4.95	–[b]
Credit card services and banks	8	3.96	2.37
Business services	7	3.47	4.11
Consumer food and drink manufacturer	6	2.97	1.69
Truck and automotive manufacturer	5	2.48	2.11
Airlines	4	1.98	0.87
Personal products	4	1.98	2.05
Insurance	3	1.49	1.26
Entertainment	3	1.49	0.74
Grocery stores	3	1.49	1.79
Petroleum	2	0.99	0.38
Publishing	2	0.99	0.91
Lumber and wood-related products	2	0.99	0.79
Wholesale electronics and electrical	1	0.50	0.75
Aerospace and defense	1	0.50	0.31
Trucking	1	0.50	1.13
Household appliances	1	0.50	0.05
No response given	31	15.35	

Source: [a]Bureau of Labor Statistics (2006c). [b]Employment percentages for conglomerates cannot be calculated from BLS data

Table III Alphas, standard deviations and correlations for constructs

			Correlations				
Construct	Number of items	Coefficient α	Market orientation	Conflict	Bureaucratic	Innovative	Supportive
Market orientation	21	0.91	1.12				
Conflict	7	0.82	-0.482^{***}	1.16			
Bureaucratic	8	0.79	-0.182^{**}	0.161^{*}	0.64		
Innovative	8	0.85	0.667^{***}	-0.364^{***}	-0.161^{*}	0.59	
Supportive	8	0.91	0.656^{***}	-0.522^{***}	-0.119	0.684^{***}	0.72

Notes: $n = 202$. Standard deviations appear on the main diagonal. $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

numerical value. Bagozzi and Heatherington (1994) suggest that aggregation of scales in this manner is an acceptable way to capture the underlying property being measured and allows for the examination of the theoretical model free from anomalies in the measurement model. The aggregate values were then used as the input into EQS to test the overall adequacy of the hypothesized model. In order to control for identification problems associated with this type of procedure, $1 - \alpha$ was input for the associated error for each indicator.

H1a-H1e predicted a set of relationships where conflict mediated the relationship between organizational culture and market orientation. To assess the hypotheses, first the hypothesized model was examined where the relationship between the cultures and market orientation was mediated by conflict (see Table IV). Next, a rival model was examined where direct paths from the organizational types to market orientation were included along with mediating paths to conflict. The results suggested acceptable model fit for both; however the direct paths from the cultural types to market orientation were not significant (see Table V). Moreover, the full model did not fit significantly better than the hypothesized model suggesting that the direct paths did not offer additional explanatory power to the model ($\Delta\chi^2 = 2.183$ on three degrees of freedom, $p = 0.544$). To confirm the presence of a mediating effect, a series of regressions were performed for each cultural type using the method described by Freedman and Schatzkin (1992) and recommended by MacKinnon *et al.* (2002) for having accurate Type I error rates. The Freedman-Schatzkin technique assesses the reduction in the regression coefficient of the direct path between the independent and dependent variables due to the presence of the mediating variable. This technique produces a t-value to test the significance of the reduction of regression coefficient. In all three cases the direct path was significantly reduced suggesting the presence of a mediating effect of conflict ($t = -6.657$, $t = 3.080$, $t = 4.965$ for the mediating

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Table IV Results of SEM on culture, conflict and market orientation[a]

Hypothesis	Standardized path coefficient	*t*-value	Standard error	significance
H1b. **Bureaucratic positively related to conflict**	0.18	2.29	0.18	$p < 0.05$
H1c. **Supportive negatively related to conflict**	−0.62	−10.96	0.09	$p < 0.001$
H1d. **Innovative positively related to conflict**	−0.47	−6.99	0.14	$p < 0.001$
H1e. **Conflict negatively related to MO**	−0.55	−9.43	0.06	$p < 0.001$

Notes: [a]$\chi^2 = 7.232$ (6 df), $p = 0.299$; NFI = 0.978, IFI = 0.996, AGFI = 0.967, RMSEA = 0.032

Table V SEM path coefficients for the rival model with direct and mediating effects[a]

Path	Standardized coefficient	*t*-value	Standard error	Significance
Bureaucratic → Conflict	0.16	1.85	0.20	$p > 0.05$
Bureaucratic → Market orientation	−0.61	−0.33	0.19	$p > 0.05$
Supportive → Conflict	−0.62	−8.84	0.11	$p < 0.001$
Supportive → Market orientation	−0.08	−0.45	0.29	$p > 0.05$
Innovative → Conflict	−0.45	−4.96	0.20	$p < 0.001$
Innovative → Market orientation	−0.06	−0.35	0.36	$p > 0.05$
Conflict → Market orientation	−0.51	−2.71	0.23	$p < 0.01$

Notes: [a]$\chi^2 = 5.049$ (3 df), $p = 0.683$; NFI = 0.985, IFI = 0.994, AGFI = 0.952, RMSEA = 0.059

effect of conflict on bureaucratic, supportive and innovative cultures, respectively; $p < 0.001$ in all cases).

Significant results were found for all hypotheses confirming the mediating effect of conflict; however, *H1d* was contradicted. This hypothesis stated that innovative organizations would be positively related to conflict. The results showed there was a negative relationship: innovative cultures were negatively related to conflict. In sum, this study has provided evidence suggesting that organizational culture influenced conflict within an organization, which in turn influenced market orientation. The results suggested that culture was able to predict the level of conflict in an organization, which in turn affected its ability to generate and disseminate intelligence, as well as respond to it. Further, the results suggested that innovative and supportive cultures were better able to carry out these behaviors than bureaucratic organizations. The next section will examine these results in greater detail, how they impact marketing theory and marketing practice.

Discussion

This study offered a model which integrated organizational culture and dysfunctional intra-organizational conflict, and market orientation. While previous studies have tended to focus on antecedents and consequences of market orientation, this study investigated organizational cultures occurring simultaneously with market orientation. The evidence suggested that certain organizational types may, by their nature, enhance the processes which embody market orientation. These results extend the findings of Green *et al.* (2005) by integrating artifacts of cultural orientation into a multiple-aspect description of culture. Green *et al.* (2005) found that formalization, an organizational aspect commonly associated with bureaucratic organizations, was positively related to market orientation. The present study found that a bureaucratic structure, as a whole, was not as effective in maintaining market orientation. Leisen *et al.* (2002) investigated internal and external orientations in relation to market orientation. Their findings suggested these orientations significantly influenced marketing effectiveness; however, dimensions of culture have varying influence on marketing effectiveness. The results presented here add to the findings of Leisen *et al.* (2002) by exploring marketing and cultural variables in greater detail.

An unexpected result suggested that innovative organizations were negatively related to conflict. Because this type of organization was expected to be highly driven and competitive, it was expected that this would spillover into intra-organizational conflict. The result suggested that conflict may be less likely to develop, or that it can be effectively resolved. Considering that this type of organization is oriented around results and driven, it was likely that the measure for dysfunctional conflict did not capture the true nature of conflict. Menon *et al.* (1996) found that organizational attributes that correspond to innovative organizations, namely lower communication barriers and decentralization, also lessen dysfunctional conflict.

This study examined the direct influence of culture on market orientation and how conflict acted as a mediator between the two. As a mediator, conflict had a significant role in explaining how organizational culture influenced market orientation. This finding was consistent with Menon *et al.* (1996, 1997), who found that certain organizational characteristics that are controllable, such as centralization and hierarchical levels, can lead to higher levels of conflict. Additionally, the results suggested that conflict may play the role of the spoiler, acting to inhibit the key behaviors needed to maintain a market-oriented culture. In sum, the results offered a model of organizational characteristics which can act together as an impediment to market orientation.

These results suggested that there may be certain organizational characteristics that enable the flow of information across departmental lines, and certain

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characteristics may inhibit it. Koza and Dant (2007) offered an examination of trust-based and bureaucratic organizations, finding that information was shared more readily in trust-based organizations and was impeded in bureaucracies. Moreover, the results suggested that innovative and supportive organizations were better able to respond to changes in their business environment. Taken together, these results suggested that culture can be viewed as a resource capable of enhancing an organization's competitive position. Indeed, Hunt and Morgan (1995) argued that competitive advantage lies in an organization's ability to leverage resources, and that market orientation can be considered a resource. This study builds on Hunt and Morgan's arguments, offering culture as a resource that can enhance an organization's competitive position.

In a similar vein, Dickson (1992) argued that clan/supportive cultures are better suited to uncertain markets and bureaucratic cultures are best suited to stable markets. The findings of this study provide empirical support for Dickson's arguments. The results suggested that supportive cultures are more capable than bureaucratic cultures at using available information to formulate market responses. Adding a new dimension to Dickson's argument, innovative organizations may also have the same advantage as supportive in turbulent markets owing to their similar abilities to disseminate and respond to information.

From a methodological standpoint, the ability of culture to predict market orientation was fairly good. In general, culture was able to explain approximately half of the variance in market orientation. Taking this finding in conjunction with previous research on the antecedents of market orientation, a richer picture of market orientation and the organization emerges. In a meta-analytic summary of the antecedents of market orientation, Kirca *et al.* (2005) found certain organizational elements to be consistently predictive of market orientation, while others were not. Specifically, they found interdepartmental connectedness, top management emphasis and reward systems to be consistent predictors, and found formalization, centralization and conflict to be non-significant or inconsistent predictors. By including culture as a variable in a larger and more inclusive model, researchers may be able to take an incremental step closer to understanding all the factors that influence market orientation within an organization.

Managerial implications

If an organization undertakes an initiative to become market-oriented, the results of this study suggest that managers should first make an effort to define their culture and assess the presence of conflict. Although conflict was significantly related with a bureaucratic culture, it was negatively related to both supportive and innovative cultures. For supportive and innovative organizations the occurrence of conflict may be a cause for concern. The results suggest a strong, negative relationship between a supportive culture and conflict. Because of the apparent deleterious influence of conflict in these types of organizations, there is a clear need for managers to monitor conflict. Not only should managers be aware of the presence of conflict, they should seek resolutions that are seen as equitable and reduce the likelihood of future incidents. Equally important is that managers discover the root cause of conflict to prevent reoccurrences. Merely, resolving the situational context of the conflict may only serve as a short-term solution. For a long-term solution to be effective, all parties involved must be willing to consider compromise or find a collaborative solution (Xie *et al.*, 1998).

Harris (1996) raised the question of how bureaucracy may influence the implementation of market orientation, and suggested that it should be among the considerations for managers to include in their plans. On the other hand, bureaucratic organizations may have less at stake in regards to influence of conflict on market orientation. The results suggested that this type of organization significantly impacted conflict, but the relationship was not as strong relative to the other cultures discussed. In other words, taking action to reduce conflict may not have the same level of impact on market orientation as it would in supportive or innovative organizations. Conversely, it is not likely that some level of conflict would not negatively impact market orientation. This is not to infer that conflict could or should be ignored in these organizations; nor does this infer that conflict did not play a significant role. Rather, this result offered a weaker pattern between a bureaucratic structure and conflict relative to the other cultures.

Complicating matters would be the need for cultural change. Gebhardt *et al.* (2006) offered a longitudinal study of market-oriented change in organizations. They found that inflexibility rooted in cultures and systems tended to impede the desired change. The present study points out the need for cultural awareness before attempting to become market-oriented, and suggesting the some existing cultures may more readily accept the change. Replacing, or augmenting, an existing culture with a market-oriented culture may prove to be a difficult and protracted process (Harris and Ogbonna, 1999). Although a full discussion of organizational change is beyond the scope of this paper, there has been a large number of articles and books written on this subject.

Limitations and future research

The findings presented here offer an incremental increase in our understanding of market orientation. This model examined a relatively small number of constructs, failing to include a number of known antecedents of market orientation. Research along this line has the potential to include the full range of known antecedents, as well as interaction effects. For instance this paper included conflict as a mediator in the relationship between organizational culture and market orientation; it will be valuable to include constructs such as top management emphasis, reward systems, connectedness, formalization and centralization in future research in order to more fully explore how culture impacts the relationship. Complicating this type of research is the question of causality relative to the relationship among variables such as culture, formalization, connectedness, etc. For instance, it may never be clear whether a high degree of formalization results in a bureaucratic structure, or vice versa.

Additionally, it would be valuable to investigate the consequences of market orientation in a model that includes culture as an antecedent. Building on this research, and that of Narver and Slater (1990), a model could be developed that describes how market orientation mediates the relationship between culture and organizational performance. It stands to reason that if certain types of culture are better able to maintain market orientation, and profitability is a consequence of market orientation, then certain organizational cultures will be better able to generate profit. A model such as this will offer a glimpse into the interplay among culture, the behaviors and characteristics of the organization and the outcomes of the organization's efforts.

An assumption of this research was that virtually all organizations could be separated into three mutually exclusive types. The data, however, suggested that cultures may not be mutually exclusive, as several respondents identified more than one type as being representative of their organization. Assuming this was true, this suggested the possibility of hybrid organization, where a single organization can be both bureaucratically rigid and offer personal freedoms at the same time. Moreover, it may be possible that a given organization has an over-riding dominant culture affecting the whole, and a differing culture existing at a departmental level. The methodology used in this study did not differentiate between departmental and organizational culture. Future research may benefit from dedicating a section of the questionnaire to items assessing culture on the departmental level and an additional section addressing it on an organizational level.

Because this study limited respondents to those employed at fair large organizations, generalizability is limited to this type of organization. While these results offer a degree of insight into these larger firms, whether or not these relationships are applicable to smaller firms is unclear. Caution is advised in applying the results presented here to organizations that do not fit the organizational profile of this study. Future studies can address this gap by designing a study that includes organization size as an independent variable.

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Corresponding author

Rex E. McClure can be contacted at: mcclurer@marshall.edu

Executive summary and implications for managers and executives

This summary has been provided to allow managers and executives a rapid appreciation of the content of the article. Those with a particular interest in the topic covered may then read the article in toto *to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material presented.*

"Conflict is inevitable, but combat is optional" are often-quoted wise words. It's true that conflict doesn't have to lead to something destructive, yet it can and it often does. That's important for managements to remember, given that conflict within an organization or between organizations or organizations and customers can and should be managed. And, of course, there's even conflict about how to recognize situations ripe for potential conflict, how to avoid them, and how to deal with the consequences if you can't avoid them.

Why is it so important? As Rex E. McClure points out in "The influence of organizational culture and conflict on market orientation", intra-organizational and inter-departmental conflict can impede an organization's ability to be market-oriented. Understandably, conflict can develop from a variety of events, such as downsizing, mergers, acquisitions, and management turnover. Rather than looking toward events, his study looks at the organization itself as a possible source of conflict. More specifically, it considers organizational culture as a source. The classic works on organizational culture offer three generic types (bureaucratic, innovative, and supportive), each of which has distinctive characteristics, a unique set of role perceptions, and prescriptions for relationships among its members. Certain cultures may be predisposed to higher levels of conflict, while others attenuate it. Understanding the interplay of market orientation and organizational culture is essential for organizations attempting to become more market-oriented, hence the need to examine how market orientation can be employed – with varying success – across the three generic cultures.

Of those cultures, the consensus is that a bureaucracy is a power-oriented culture characterized by a high degree of formalization, a rigid structure and clearly defined superior-subordinate relationships. Bureaucratic organizations tend to be organized around functional departments. Interactions between lower-level employees of other departments is kept to

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a minimum and replaced with vertical channels of communication to accommodate interdepartmental interaction. In a supportive culture, the organization plays the role of an extended family and there tends to be a high level of reciprocal commitment between the organization and the individual. Employment is often a mutual and lifelong commitment between the employee and the organization. The decision-making process is one of consensus, as opposed to the authoritarian decision-making process in a bureaucracy.

Innovative culture stresses creativity and results-oriented drive from employees, with less emphasis placed on failure and great attention paid to stellar successes. The innovative culture can lead to early burnout, difficulty in resolving conflicts and increased competition for resources.

The study found that a bureaucratic structure, as a whole, was not as effective in maintaining market orientation. An unexpected result suggests that innovative organizations were negatively related to conflict. Because this type of organization was expected to be highly driven and competitive, it was expected that this would spill over into intra-organizational conflict. As a mediator, conflict had a significant role in explaining how organizational culture influenced market orientation. This finding was consistent with previous research, which found that certain organizational characteristics that are controllable, such as centralization and hierarchical levels, can lead to higher levels of conflict.

If an organization undertakes an initiative to become market-oriented, managers should first make an effort to define their culture and assess the presence of conflict. Although conflict was significantly related with a bureaucratic culture, it was negatively related to both supportive and innovative cultures. For supportive and innovative organizations the occurrence of conflict may be a cause for concern. The results suggest a strong, negative relationship between a supportive culture and conflict. Because of the apparent deleterious influence of conflict in these types of organizations, there is a clear need for managers to monitor conflict. Not only should managers be aware of the presence of conflict, they should seek resolutions that are seen as equitable and reduce the likelihood of future incidents. Equally important is that managers discover the root cause of conflict to prevent reoccurrences. Merely resolving the situational context of the conflict may only serve as a short-term solution. For a long-term solution to be effective, all parties involved must be willing to consider compromise or find a collaborative solution.

Bureaucratic organizations may have less at stake with regard to influence of conflict on market orientation. The results suggested that this type of organization significantly impacted conflict, but the relationship was not as strong relative to the other cultures discussed. In other words, taking action to reduce conflict may not have the same level of impact on market orientation as it would in supportive or innovative organizations. Conversely, it is not likely that some level of conflict would not negatively impact market orientation. This is not to infer that conflict could or should be ignored in these organizations; nor does this infer that conflict did not play a significant role.

(A précis of the article "The influence of organizational culture and conflict on market orientation". Supplied by Marketing Consultants for Emerald.)