



The impact of affective conflict on firm performance

The impact
of affective
conflict

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Abstract

Purpose – This paper aims to develop and test an integrative model of the relationship between affective conflict and firm performance considering the control effects of four contextual variables, namely, decision motive, firm size, type of ownership and environmental hostility.

Design/methodology/approach – This paper focuses on empirical data gathered from the Egyptian manufacturing sector. The measures of this study enjoy a significant degree of reliability and validity.

Findings – The results suggest that affective conflict is a significant predictor of firm performance.

Research limitations/implications – The most serious limitation of the study is that data on the study variables are collected from one respondent in each firm. Another important limitation is that different kinds of conflict are not examined in order to explain the different roles which they can play in strategic decision making (SDM).

Originality/value – The paper contributes to knowledge in the area of SDM by developing a richer model of affective conflict in a region, i.e. Africa and the Arab world, where little research can be found.

Keywords Conflict, Egypt, Decision making, Manufacturing industries, Organizational performance

Paper type Research paper

Introduction

The study of strategic decision-making (SDM) processes has long been of interest to both scholars and executives. It has attracted continual interest in the literature on business and management since the publication in 1938 of *The Functions of the Executive* by Chester Barnard. SDM processes can be described in terms of process characteristics or dimensions, such as the speed of the process (e.g. Baum and Wally, 2003), the degree of comprehensiveness (e.g. Atuahene-Gima and Haiyang, 2004), the level of political activity (e.g. Elbanna and Child, 2007), the extent of conflict (e.g. Olson *et al.*, 2007) and the extent of involvement (e.g. Collier *et al.*, 2004; Elbanna, 2008). While SDM process research, as shown above, covers a broad range of strategic decision characteristics, this study focuses on one characteristic only – conflict. In contrast to the empirical research on rationality, that on conflict is somewhat limited. Hence, our study addresses this relatively ignored but important aspect of the SDM process. In doing so, we hope to legitimize the role of conflict in SDM, balancing the over-emphasis on rationality, which dominates the literature of SDM.

The structure of this paper is as follows. First, we review the theoretical background and propose the study model and hypotheses. Our research methodology is then presented. Next, we present an analysis of the data, together with the main results. Finally, we discuss our results and derive implications for theory and practice.

Theoretical background

Strategic management has often been criticized on the grounds that it is based on theoretical principles and not on the realities of management. Although the need for SDM practices and organizational performance to be aligned is well established in the



literature, little research has been published on this relationship. For example, Kotha and Nair (1995) state that empirical research rarely tests the impact of strategy process on performance. This study tries to rectify this imbalance and one of its contributions is to empirically examine the relationship between the decision process, i.e. an area of conflict, and firm performance.

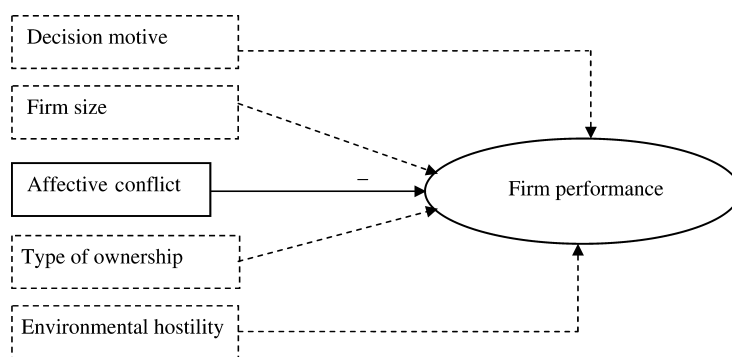
Moreover, many empirical studies which have examined the strategy-performance relationship have ignored the role of the setting on this relationship. With a few exceptions, most of these studies focus on US firms and industries. Therefore, culture had little explanatory power to contribute because it was considered similar for all (Mukherji and Hurtado, 2001; Whittington and Mayer, 2000). Hofstede (1993) argues that the “export of Western – mostly American – management practices and theories to poor countries has contributed little or nothing to their development” because such practices and theories are part of the cultural infrastructure and therefore cannot be imported in packaged form. Recently, many authors have provided empirical support and theoretical arguments for the need to take the effect of culture into account when conducting research on strategic decisions in different cultures. For example, Rajagopalan *et al.* (1997) argue that consensual decision making is more common among Japanese managers than among US ones because of the high emphasis which Japanese culture places on consensus.

There has, so far, been relatively little research undertaken into the management practices employed in Arab countries in general and in Egypt in particular (Elbanna, 2008; Okpara and Wynn, 2008; Parnell and Hatem, 1999) and that business and management practices in Egypt lag behind their western counterparts (El-Kot and Leat, 2005). In his review of research findings in Arab countries, Atiyah (1997) concludes that though some findings support the culture-bound hypothesis, major conceptual and methodological weaknesses throw doubt upon the validity of these results. Egypt is a multicultural country; its culture has been formed by the Pharaonic, Arab and Islamic cultures in addition to its geographical position as one of the African countries. Moreover, throughout its long history, Egypt has been directly affected by many other cultures such as the Roman, French, British and Turkish cultures. The multicultural roots of the Egyptian society make it different from other societies and hence a distinguished setting of our study.

This study was also informed by a further consideration. Wooldridge and Floyd (1990) suggest that the relationship between decision process and organizational outcomes may be more complex than has been supposed; several intervening variables may moderate this relationship and hence there is a need for more research to explain it. Similarly, in his recent review of the SDM literature, Elbanna (2006) suggests that the relationship between decision process and outcomes is not a simple one and that more attention should be directed toward the effect of the “third factor” or moderating and control variables, on this relationship. Hence, there is a need to develop more integrated models of SDM. In this study, we address some of these concerns by examining the impact of affective conflict in SDM on firm performance, taking into account the effects of four control variables representing three levels of analysis (decision, organization and environment). Conflict in SDM is now discussed together with hypotheses and control variables (Figure 1).

Conflict

There are two basic models of the strategy formulation process, namely, the rational model and the logical incrementalism model. The first one sees the process from a



Dotted lines indicate control variables

Figure 1.
Affective conflict and firm
performance model

rational-analytic perspective; the latter emphasizes the incremental-political aspects of the process. The rational model characterizes strategic decision processes as highly rational and proactive, with analysis as their basic feature. In contrast, incrementalism clarifies how organizations actually make strategic decisions. This perspective is based on interaction and learning rather than a formal execution of a predetermined plan. In addition, there is no *a priori* goal consensus; the search for information is constrained, strategic decisions are made gradually, adaptively and in small increments, rather than comprehensively and in large and purposeful chunks (Eisenhardt and Zbaracki, 1992). The interaction between people represents one of the underlying features of the incremental process (Camillus, 1982). Therefore, when viewing the decision-making process from this perspective, emphasis shifts to issues such as conflict, intuition, bargaining and power. Given the above, the SDM process characteristic, i.e. conflict, which is the central subject of examination in this study, belongs to the logical incrementalism model.

Nutt (1989) states that conflict is expressed in terms of disagreements among stakeholders about levels of risk, future conditions, core problems, alternative ways of dealing with problems and criteria for assessing these alternatives. Conflict is largely the result of misunderstanding and ambiguity. Therefore, if people have more communication, many social problems will disappear (Pfeffer, 1992). Prior research has shown conflict to be multidimensional (e.g. Parayitam and Dooley, 2007; Pondy, 1967). Resulting from this multidimensional nature of conflict, it is possible to take more than one view of the role of conflict in the SDM process. First, not all conflict is harmful (Tjosvold, 2006). This view depends on the type of conflict and debate produced. Many authors argue that conflict over issues can be well managed and healthy and if so it can play a positive role in SDM. This kind of conflict increases productive behavior through more complete understanding of all sides of the decision.

There is an opposite line of argument, which is that conflict may be affective. This argument is the focus of the present study. From this point, when the term "conflict" is used it will refer to "affective conflict in the context of a particular decision". This kind of conflict emphasizes personal incompatibilities or disputes and tends to be emotional (Amason, 1996). It also emphasizes interpersonal problems, frustration and anxiety among participants in the decision-making process, which may evolve into anger toward the other decision makers (Eisenhardt *et al.*, 1997). Laios and Tzetzis (2005)

state that conflict negatively affects individual and team performance. Amason (1996) hypothesises that decision makers who experience higher levels of affective conflict will produce lower quality decisions, have lower levels of understanding of their decisions, and have lower levels of commitment and affective acceptance to their decisions. Given the above conclusions, in addition to the possible impact of decision quality on firm performance (Elbanna, 2006), we expect that affective conflict will lead to negative effects on firm performance. Moreover, many authors have argued that conflict is the source of political behavior (e.g. Baldrige, 1971; March, 1962; Mintzberg, 1983). If there is no conflict, people have no need to use political tactics to influence the decision outcomes in order to achieve their own interests. This result is because political behavior is undertaken to overcome resistance or contest. Without resistance or conflict there is no need to employ such behavior (Pfeffer, 1992). Previous research provides strong evidence that political processes are unlikely to produce a complete and accurate analysis of strategic decisions; consequently, they negatively affect organizational outcomes (e.g. Nutt, 1993). These processes lead to many shortcomings in SDM, such as the distortion and restriction of information, delay and a failure to focus on environmental constraints. In conclusion, affective conflict may lead to political behavior in SDM; this may increase the possibility of poor performance and unsuccessful decisions. The above discussions lead to the first hypothesis.

H1. Affective conflict in SDM will be negatively associated with firm performance.

Does the SDM process explain the variance in firm performance beyond and above the broader contextual factors? This question explores whether the success of organizations depends on the processes that decision makers go through. It is a fundamental question because “the assumption that strategic outcomes stem from managerial actions is the *raison d'être* of the field of strategic management” (Dean and Sharfman, 1996, p. 368). Given the well-established evidence in the literature about the significant impact of decision processes on organizational outcomes (e.g. Baum and Wally, 2003; Dean and Sharfman, 1996; Elbanna and Child, 2007; Iaquinto and Fredrickson, 1997; Khatri and Ng, 2000; Nutt, 1998; Papke-Shields *et al.*, 2002), we expect affective conflict to add a unique variance to firm performance. Put formally,

H2. Affective conflict in SDM will explain a significant amount of variance in firm performance above and beyond the variance explained by decision, organizational and environmental variables.

Control variables

When testing hypotheses, variables which might influence the relationship between independent and dependent variables need to be controlled. In examining the impact of affective conflict on firm performance, we controlled for four contextual variables. These variables represent three levels of analysis, decision level (decision motive), firm level (firm size and type of ownership) and environmental level (environmental hostility). The important roles of these variables in the SDM process (e.g. Papadakis *et al.*, 1998) and on the relationship between the SDM process and organizational outcomes (e.g. Elbanna and Child, 2007; Goll and Rasheed, 1997) have been largely addressed by previous related research.

Decision motive. There is evidence that executives behave in a different way if they perceive a decision as an opportunity, as opposed to a crisis (e.g. Jackson and Dutton, 1988; Milburn *et al.*, 1983). Mintzberg *et al.* (1976) and Fredrickson (1985), for example,

conclude that the SDM process was more comprehensive when the decision was interpreted as a crisis, as opposed to an opportunity. Similarly, Elbanna and Child (2007) found that the relationship between rationality and strategic decision effectiveness is positive, but stronger for decisions perceived by decision makers as crises than for decisions perceived as opportunities. Papadakis *et al.* (1999) suggest that when managers saw the decision as a crisis, they avoided political debates, concentrated on facts and ideas and showed a remarkable team spirit to overcome the crisis and speed up the decision process. When the crisis relaxed, people re-evaluated the situation and viewed the decision as an opportunity and at this point a number of political activities emerged.

Type of ownership. Some studies have provided evidence on the important role of type of ownership in the strategy process (e.g. Hickson *et al.*, 2001; Lioukas *et al.*, 1993) and organizational performance (e.g. George, 2005). Mallory *et al.* (1983), for instance, find support for differences in decision-making patterns between British companies and multinational ones working in Britain. Papadakis *et al.* (1998) conclude that the type of control appears to have a significant influence on several aspects of the SDM process in Greek manufacturing companies.

Firm size. Many authors have argued that firm size can systematically influence managerial practices (e.g. Snyman and Drew, 2003; Yasai-Ardekani and Haug, 1997). In the Egyptian context, for example, Elbanna (2007) found many significant differences in strategic practices between small and large Egyptian firms. Moreover, it has been assumed that firm size is an important variable which can affect the relationship between management practices and organizational outcomes (Hart and Banbury, 1994).

Environmental hostility. Environmental hostility is regarded as one of the most important attributes for explaining strategic behavior and outcome (Castrogiovanni, 1991). Although there is only limited empirical research examining the impact of environmental hostility on decision making, previous authors clearly point to its importance (e.g. Goll and Rasheed, 1997; Wan and Hoskisson, 2003). Rajagopalan *et al.* (1993), for example, argue that decision processes which are suited to munificent environments may be inappropriate for hostile ones. Some researchers report that high environmental munificence positively and significantly relates to organizational performance (e.g. Baum and Wally, 2003; Kotha and Nair, 1995), while others demonstrate that the level of environmental hostility was a significant predictor of the relationship between the strategy process and organizational outcomes (e.g. Elbanna and Child, 2007; McArthur and Nystrom, 1991).

Methodology

Questionnaire development

Six phases were followed to develop our questionnaire. First, based on our review of relevant literature, a draft questionnaire was developed in English to measure the variables in our hypotheses. Second, each question was reviewed by the researcher to ensure that it was not confusing, vague or biased. The draft questionnaire was next reviewed by three academics. Fourth, the final English version of our questionnaire was translated into Arabic by the researcher. Fifth, five academics who were bilingual (in Arabic and English) reviewed both the Arabic and English versions of the questionnaire to ensure that the translation was equivalent. Finally, a modified Arabic version was administered to eight Arab managers, leading to some amendments. The resulting Arabic questionnaire could be described as being as close in meaning to the

original English version as possible; moreover, the same layout, paper, order of questions and number of pages were used in both versions.

Sampling and data collection

From the 250 distributed questionnaires, 135 usable questionnaires were collected (response rate equals 54 percent): 65 questionnaires from the private business sector and 70 from the public business sector. A personal delivery and pick-up method was used for the questionnaires. All of the 250 firms in the sampling frame were contacted at least once. Follow-up calls were used to encourage respondents to reply. A widespread suspicion in Egypt of academic research adds to the notorious difficulty of obtaining completed questionnaires from more than one senior manager in a company. Hence, one questionnaire was collected from each company, with the exception of 15 companies from which two separately completed questionnaires were collected. We used these 15 cases to check the multi-rater reliability. The companies sampled belong to a wide range of industries, representing chemicals, food, cement, cars, metals, furniture, paper products, railroads, poultry products, electrical and electronic goods, and textiles and clothing.

Organizational size in our sample ranged between 50 and 20,000 employees with an average of 3,038 employees. The numbers of employees are widely different in both the private and public sectors. In the private business sector, they range between 50 and 3,000 employees, with an average of 562, while in the public business sector, they range between 500 and 20,000 employees with an average of 6,710. This can be considered a specific feature of the Egyptian economy, where the Egyptian government tends to hire people in the public sector for social reasons, such as reducing high unemployment rates, rather than business-related reasons.

Our respondents were heads of departments or sections (72 percent), general managers or managing directors (20 percent), presidents (6 percent) and others (2 percent). The data were collected from executives who actually participated in making the chosen strategic decisions. We addressed recently made decisions in order to reduce any potential error from the use of retrospective reports, and we collected data from those who actively participated in making the chosen decisions. We chose decisions which had a significant impact on firm performance. Moreover, we tried to motivate respondents to provide valid information by mentioning that there were no "correct" answers and that we were concerned to explore what happened during the making of the decision, not what respondents felt was the right answer or believed to be suitable. Fifty-five percent of the respondents in the whole sample asked to receive a summary of the study results. This percentage reached 80 percent in the private business sector and declined to 31 percent only in the public business sector. Considering the severe problems which the public business sector is facing in Egypt at present, along with the nature of the people working in both sectors, this result is not surprising.

Measure development

Following Amason (1996), we operationalized conflict. Depending on the work of Khatri and Ng (2000), we measured firm performance subjectively through financial and non-financial indicators. Decision motives were assessed on the basis of Ashmos *et al.* (1998); while environmental hostility was operationalized following Khandwalla (1977). The response format was a seven-point Likert scale. In line with previous research, the number of full-time employees was used to indicate firm size, while the

log transform of the number of full-time employees was used in the analysis. A dummy variable was employed to distinguish between publicly owned firms (coded 0) and privately owned firms (coded 1). For more details on the operationalization of our variables, please see the Appendix.

Reliability, validity and multicollinearity

As shown in the Appendix, the composite reliability for the constructs varies between 0.79 and 0.90, indicating a satisfactory degree of internal consistency. Factor analysis was used to examine convergent and discriminate validity. Given that the number of items in our study is 16, our sample size (135) more than satisfies the recommended six-to-one ratio ($6 \times 16 = 96$) for obtaining stable factor solutions. Running factor analysis using the principal-components extraction method and Varimax orthogonal rotation reveals the presence of four factors with eigenvalues exceeding one. As shown in Table I, the four factors, respectively, explain 25.2, 16.3, 14.4 and 13.7 percent of the variance. The total amount of variance explained by the four extracted factors is 69.6 percent. The results of factor analysis show a pattern of loadings consistent with our theoretical expectations. Factor 1 refers to the six items forming firm performance. The four items of "conflict" clearly represent Factor 2. Factors 3 and 4 consequently represent environmental hostility and decision motive. Finally, producing a factor analysis for each set of the variables making up each of the four variables confirms the unidimensionality for each construct.

We used concurrent validity to examine the criterion-related validity of our dependent variable through examining the relationship between performance and the slack of resources. We chose slack of resources because overall evidence across studies,

Items	Components			
	1	2	3	4
<i>Affective conflict items</i>				
Dissatisfaction	-0.106	0.719	0.053	-0.282
Personal friction	-0.121	0.833	-0.148	0.045
Personal clashes	-0.162	0.789	-0.085	-0.135
Tension	-0.034	0.682	0.286	-0.240
<i>Decision motive items</i>				
Freedom	0.192	-0.163	-0.012	0.876
Adequate information	0.243	-0.207	-0.047	0.761
Constraints	-0.065	-0.112	-0.237	0.765
<i>Environmental uncertainty items</i>				
Threat to survival	-0.206	0.097	0.844	-0.089
Stressfulness	-0.233	0.009	0.875	-0.087
Dominance over the company	-0.243	-0.094	0.678	-0.108
<i>Firm performance items</i>				
Profitability	0.786	-0.067	-0.226	0.023
Growth rate of sales	0.874	0.063	-0.155	0.059
Return on assets	0.787	0.024	-0.269	0.005
Efficiency in operations	0.763	-0.205	-0.146	0.202
Public image	0.732	-0.323	-0.173	0.101
Quality of products	0.773	-0.220	-0.032	0.170

Table I.
Factor analysis results:
principal components/
Varimax rotation

as suggested by Daniel *et al.* (2004), suggests a significant and positive relationship between slack of resources and performance. Predictably, we found that slack of resources and performance are positively correlated ($\beta = 0.52, p < 0.001$). This finding supports the criterion-related validity of our dependent variable. It is worth noting that two items were used to measure the degree of slack of resources, based on the work of Sharfman and Dean (1997). In conclusion, the measures of this study enjoy a significant degree of reliability and validity. Therefore, we have a reasonable degree of confidence in our results with respect to measurement error.

Finally, we checked for multicollinearity in the regression models by examining the variance inflation factors (VIF) for each of the independent variables in our regression models. The VIF values ranged from 1.09 to 2.72 and were considerably lower than the upper limit of 10 (Netter *et al.*, 1989), suggesting that multicollinearity was not a cause for concern.

Results

Table II shows the means, standard deviations and Pearson correlations for our study variables. As expected, the correlation between conflict and performance is significantly negative ($\beta = -0.30, p \leq 0.01$). Conflict is also significantly related to all control variables, decision motive ($\beta = -0.34, p \leq 0.01$), size ($\beta = 0.21, p \leq 0.05$) and type of ownership ($\beta = -0.19, p \leq 0.05$), except environmental hostility ($\beta = 0.10, n.s.$). Performance was related to three out of the four control variables, decision motive ($\beta = 0.27, p \leq 0.01$), environmental hostility ($\beta = -0.45, p \leq 0.01$) and type of ownership ($\beta = 0.21, p \leq 0.05$). Uninterestingly, size was not significantly correlated to performance ($\beta = -0.18, n.s.$). In conclusion, the examination of Table II shows that two of our control variables, environmental hostility and firm size, are significantly related either to our predictor (conflict) or to the dependent variable (performance), while the other two control variables, decision motive and type of ownership, are significantly related to both conflict and performance. Hence, it is necessary merely to accurately assess the relationship between conflict and performance without these controls. Including these four variables in our regression models would help to control for their possible effects on the relationship between conflict and performance, in addition to showing the unique variance in performance which is due to conflict (Table II).

Hypotheses were tested through multiple regression analyses. Table III presents the results of our regression analyses which predict firm performance using conflict and control variables. Two different models were specified, Model 1: control variables (base model); Model 2: control variables and conflict (full model). Conflict showed a negative

	Mean	S.D.	1	2	3	4	5
1. Affective conflict	2.55	1.43					
2. Decision motive	4.70	1.66	-0.34**				
3. Environmental hostility	3.99	1.64	0.10	-0.26**			
4. Firm performance	4.78	1.34	-0.30**	0.27**	-0.45**		
5. Firm size (log)	2.91	0.76	0.21*	-0.21*	0.15	-0.18	
6. Type of ownership	0.48	0.50	-0.19*	0.35**	-0.13	0.21*	-0.75**

Table II.
Means, standard
deviations and
correlations

Notes: * $p < 0.5$; ** $p < 0.01$

	Dependent variable: firm performance	
	Model 1	Model 2
Decision motive	0.20*	0.10
Environmental hostility	-0.34**	-0.36**
Firm size (log)	0.11	0.18
Type of ownership	0.25	0.30*
Affective conflict		-0.27**
R^2	0.28	0.34
Adjusted R^2	0.25	0.31
F	9.49**	10.01**
ΔR^2		0.06
ΔF		9.02**

Notes: * $p < 0.5$; ** $p < 0.01$

Table III.
Regression results for
firm performance

and significant relationship with performance ($\beta = -0.27, p \leq 0.01$) (Model 2 in Table III). This result lends support to *H1*, that conflict would have a negative relationship with performance. Hierarchical regression was used to test *H2*. Two equations were generated. First, performance was regressed against the four control variables (Model 1 in Table III). Hostility ($\beta = -0.34, p \leq 0.01$) and decision motive ($\beta = 0.20, p \leq 0.05$) were found to have significant effects on performance. No significant relationship was found between the other two control variables, size ($\beta = 0.11, n.s.$) and type of ownership ($\beta = 0.25, n.s.$), and performance. Conflict was then added into the equation. As shown in Model 2 in Table III, the addition of conflict to Model 1 added almost 6 percent ($p \leq 0.01$) to the explained variance of firm performance. This lends support to *H2*, that affective conflict adds a significant explanation to firm performance beyond contextual variables. Model 2 shows that hostility ($\beta = -0.36, p \leq 0.01$) and type of ownership ($\beta = 0.30, p \leq 0.05$) are significantly related to performance, while the other two control variables, decision motive ($\beta = 0.10, n.s.$) and size ($\beta = 0.18, n.s.$), are not. The four control variables and conflict explained 0.34 of the variance in performance ($p < 0.01$). The explanatory power of our two models (0.28 and 0.34), compared to that in similar research (e.g. Amason, 1996; Amason and Mooney, 1999), is seen as very satisfactory.

Discussion

The purpose of this study has been to examine the role of affective conflict in determining firm performance. We find strong support for *H1* that affective conflict is negatively related to firm performance. The evidence strongly supports the contention that decision makers who utilize affective conflict negatively affect their firm performance. Even when contextual variables, i.e. decision motive, firm size, type of ownership and environmental hostility, were included in our regression model, affective conflict was significantly associated with firm performance. This result is consistent with previous research, which reported a significant and negative relationship between affective conflict and organizational outcomes (e.g. Amason, 1996). Moreover, our findings show that affective conflict explains a significant amount of variance in firm performance beyond the contextual variables. This result lends support to *H2*. From a theoretical viewpoint, this

finding provides further support for the well-established results of previous research: that the decision process matters. Beyond confirming the importance of the SDM process, as measured by affective conflict, our study reconfirms that environmental hostility and type of ownership play important roles in influencing firm performance. This finding endorses the vital nature of the roles of contextual variables when examining the linkage between decision process and firm performance. Hence, further researchers attempting to examine the impact of decision-making processes on firm performance and/or decision outcomes would be well advised to control for these variables. Given the unique setting of this study, our results with those of related research conducted in developed countries (e.g. Amason and Sapienza, 1997) can contribute to the theory of the SDM by reporting the impact of conflict on organizational outcomes.

Like all research, our work has some theoretical and methodological limitations that should be kept in mind when interpreting our results. First, although other researchers measured conflict in organizational decision making by relying on single key respondents (e.g. Schwenk, 1990), the most serious limitation of our study is that we collected data on the study variables from one respondent in each firm. As mentioned earlier, the difficulty facing researchers in the Arab world was an impediment to collect data about each decision from two or more informants. Given this, the possibility of common method bias was tested, using Harman's one-factor test (Podsakoff *et al.*, 2003). A principal-components factor analysis on the items measured yielded four factors with eigenvalues greater than 1.0. The four factors accounted for 69.6 percent of the total variance, the first factor accounting for only 25.2 percent of the variance. These results suggest that no substantial amount of common method variance is present. Moreover, James *et al.* (1993) recommend that responses from the same firm should be subject to an inter-rater agreement test. Our test of inter-rater reliability demonstrated that our data enjoyed a good level of inter-rater reliability, where all 15 cases with two informants showed significant correlations at the 1 percent level or better. Given the limitations of using a single informant in this study, the above discussion suggests a good degree of confidence in our results. Nevertheless, interpreting the results in the single respondent design requires caution, and it would have been preferable to have multiple respondents in order to minimize the effects of systematic response bias.

Another serious limitation of this study is that we collected our data after the strategic decisions had been made (*post hoc* data). This approach may affect our findings. Adopting longitudinal design can overcome this limitation. This is particularly important when studying variables such as conflict to better understand its antecedents and outcomes and how it evolves over time. Third, an attempt was made in this study to introduce the contextual variables thought to control relationships between conflict and performance. It is clear, however, that the context affecting conflict and its relationship to performance has a much higher level of complexity than the four control variables under investigation here can capture.

Some future implications of this work will next be discussed. As mentioned earlier, conflict is multidimensional, with both functional and dysfunctional forms. Hence, it is expected to find that one dimension of conflict plays a positive role in SDM, while another dimension plays a negative role. Hence, distinguishing between different dimensions of conflict makes it easier to understand its influence on firm performance. However, we addressed only one dimension of conflict in this study,

namely, affective or dysfunctional conflict. Hence, further researchers might examine different kinds of conflict in order to explain the different roles which they can play in SDM. Second, although previous research in other contexts shows that respondents can differentiate between different kinds of conflict (e.g. Jehn, 1994), we wonder whether this finding is culture-free or culture-specific. More specifically, do Arab managers, for example, recognize the differences between dysfunctional and functional conflict? This is a promising area for further research. Future efforts, also, may wish to extend the range of the control variables and to test some moderators. This may help to disclose additional variables, such as personal factors, that may have an influence on the decision-making process and the relationship between this process and its outcomes. Finally, Miller *et al.* (1996, p. 309) recommend that conceptual progress in the decision-making field needs both “non-Western data and non-Western researchers”. Khanna and Rivkin (2001) point out that the national context is obviously claiming more attention. This opens up a very promising avenue for future research to examine our results in both Western and non-Western cultures.

From a practical standpoint, the first implication of this study is that our findings support the frequently made claim that managers have the power to influence the quality of strategic decisions, and thus the success of their organizations, through the processes which they use to make decisions. A second important implication of our work is that the practice of affective conflict in SDM could lead to poor company performance. Decision makers, therefore, should avoid engaging in affective conflict when they make strategic decisions.

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Appendix

Variables	Measured items	Source of items	Alpha
<i>Affective conflict</i>	Please tick the appropriate number: (1 = none, 7 = a great deal) 1. How much dissatisfaction was there among participants in making this decision? 2. How much personal friction was there among participants in making this decision? 3. How much were personally clashes among participants in making this decision evident? 4. How much tension was there among participants in making this decision?	Amason (1996)	0.79
<i>Decision motive (high scores indicate a decision related to an opportunity)</i>	Please tick the appropriate number: (1 = not at all, 7 = completely) 1. To what extent did you have adequate freedom in addressing this issue? 2. To what extent did you have adequate information to address this issue? 3. To what extent did you have many constraints in addressing this issue? (reverse scaled)	Ashmos et al. (1998)	0.79
<i>Environmental hostility</i>	1. Threat to survival 2. Stressfulness 3. Dominance over the company	Khandwalla (1977)	0.81
<i>Firm performance</i>	Compared to firms similar in size and scope to your firm, how does your firm compare on each of the following measures over the period of making this decision? (1 = low, 7 = high) 1. Long-run level of profitability 2. Growth rate of sales or revenues 3. Return on assets 4. Efficiency of operations 5. Public image and good will 6. Quality of product	Khatri and Ng (2000)	0.90

About the author

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