MANAGERIAL DECISION-MAKING DISAGREEMENTS AND PERFORMANCE IN VC-BACKED FIRMS (INTERACTIVE PAPER)

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Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol29/iss11/10
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Principal Topic

In examining the impact of conflict on team performance, researchers have classified three types of conflict, affective conflict, task conflict, and procedural conflict. While early theorists focused on the negative effects of conflict (Brown, 1983; Hackman & Morris, 1975; Pondy, 1967; Wall & Callister, 1995), it has also long been argued that task conflict can be beneficial in that it forces people to consider different perspectives and confront issues (Coser, 1956; Deutsch, 1973; Walton, 1969). More recently, scholars have proposed that the three types of conflict cannot be viewed in isolation from each other and that the more important issue is the proportion of conflict that is either task related, affective, or procedural (Jehn & Chatman, 2000). Building on this work we developed three hypotheses regarding the relationship between proportional conflict among senior managers in entrepreneurial firms and subsequent firm performance:

H1: Proportional affective conflict will be negatively related to new venture performance
H2: Proportional task conflict will be positively associated with new venture performance
H3: Proportional procedural conflict will be negatively associated with new venture performance.

Method

240 firms currently or newly exited from Norwegian venture capital funds were surveyed in order to capture perceived procedural conflict, task conflict, and affective conflict. New venture performance was measured using sales growth, which was collected from the Norwegian national firm and accounting register. Complete data was available from 45 firms, for an effective response rate of 19%. The hypotheses were tested using correlation analysis.

Results and Implications

We found support for all three hypotheses, suggesting that it is important to consider all types of conflict together and not view them in isolation. This indicates that managers need to be aware of and manage not only the particular type of conflict in their group, but also the mix of various types of conflict. These results also suggest that managers may have more alternatives for improving results through the management of conflict in their teams. For example, rather than focusing simply on increasing task conflict, proportional task conflict can also be increased by decreasing affective or procedural conflict, increasing the executive’s options to manage conflict in a positive manner.

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