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# Affective diversity and emotional intelligence in cross-functional sourcing teams

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## ABSTRACT

In cross-functional sourcing teams, differences in goals and personality traits can lead to tensions and reduced effectiveness. Diversity in teams can be conceptualized as surface-level diversity (e.g., gender, nationality) or as deep-level diversity (e.g., personality, attitudes). This study investigates the potentially negative effects of one category of deep-level diversity – namely, affective trait diversity – on sourcing team performance and how such negative effects might be mitigated through team members' emotional intelligence. The study analyzes a sample of 88 sourcing teams (234 team members) using moderated regression analyses. Sourcing team cohesion is found to fully mediate the relationship between affective diversity and team performance, while the collective emotional intelligence of the sourcing team positively moderates the diversity-cohesion relationship (moderated mediation). Thus, this study provides insights into both the mechanics of team diversity and the critical role of collective emotional intelligence in sourcing teams and thereby enables supply managers to better understand cross-functional team setups and effectiveness.

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## 1. Introduction

Many organizations use cross-functional teams to manage their supply chains (Driedonks et al., 2010; Flynn et al., 2010; Oliva and Watson, 2011; Pohl and Förstl, 2011). Team members come from different departments (e.g., purchasing, logistics, production, research and development (R&D), and information technology) and typically have different goals, expertise, decision-making styles, personalities, and emotions. Their focus, for example, on important supplier selections and risk mitigation strategies (Kaufmann et al., 2014) requires the integration of broad ranges of experiences and various sets of information (Kraljic, 1983).

One practical advantage that cross-functional teams present in their work along supply chains is that they allow for more holistic problem solving using team members' different backgrounds and perspectives (Driedonks et al., 2014). However, these more diverse teams also can present challenges that cause team stress and low team cohesiveness (Keller, 2001). Organizational research, characterizing diversity as a “double-edged sword”, has developed theoretical explanations for these divergent effects (Milliken and Martins, 1996; van Knippenberg et al., 2004; Williams and O'Reilly, 1998): On the one hand, a broader elaboration of information can

result from taking different task-relevant perspectives and using complementary skills of team members; the potential outcome is greater innovation and higher performance. On the other hand, the similarity-attraction paradigm predicts that perceived dissimilarities between team members can lead to communication errors and lower performance (van Knippenberg et al., 2004).

Recent empirical studies (Ellis et al., 2013; Meschnig and Kaufmann, 2015; van Knippenberg and Schippers, 2007) and meta-analyses (Bell, 2007; Bowers et al., 2000; Joshi and Roh, 2009; van Dijk et al., 2012) show that research findings are inconsistent and equivocal about the upside and downside effects of team diversity. “For every study describing a positive effect of group or team diversity on outcomes, such as performance, innovation, or cohesion, there is (at least) one suggesting the effect is in the opposite direction, and there are others which find neither effect” (Guillaume et al., 2013, p. 129). One root cause for these inconsistent results might lie in the different conceptualizations and operationalizations of the diversity construct.

Team diversity can be defined as the perceived difference of objective and subjective attributes among team members (van Knippenberg and Schippers, 2007; Williams and O'Reilly, 1998). The literature frequently focuses on surface-level diversity (e.g., differences in age, gender, and nationality), while deep-level diversity (e.g., differences in personality traits, attitudes, and emotions) is often neglected (van Dijk et al., 2012; van Knippenberg and Schippers, 2007). However, deep-level diversity has been found to be a particularly critical factor in team interactions over

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time because deep-level characteristics, such as values and personality, “are more likely to become the basis of similarity-attraction” than are overt, demographic characteristics (Tekleab and Quigley, 2014, p. 395). Further, acknowledging that human beings are not fully rational in their actions and decisions and that recent Behavioral Operations & Supply Chain Management research underlines the relevance of *emotions* for operations and SCM (Urda and Loch, 2013), we focus on one specific category of deep-level diversity: affective diversity in sourcing teams.

In this paper we focus on the following two research questions: 1) Is affective diversity in sourcing teams beneficial or not, and 2) which factors influence the affective diversity–outcome relationship. During the supplier selection process, negotiations with the suppliers and discussions among the cross-functional team members lead to emotional responses, such as feeling more or less inspired, excited, and/or enthusiastic. (A more complete array of affective traits is provided in the Appendix A.) Affective events theory is concerned with such responses, predicting that events at the workplace, such as the discussions held in the cross-functional work team, are sources of affect (Lanaj et al., 2016; Weiss and Cropanzano, 1996). Over time, the individual team members might develop a general tendency of feeling inspired, excited, and/or enthusiastic when working on the specific supplier selection process at hand. Based on previous psychology research, we therefore use the term affective traits to describe team members' longer term feelings related to a specific supplier selection process (Collins et al., 2013; Watson et al., 1988). Accordingly, we define *affective diversity* as heterogeneity in the individual affective traits of team members (Barsade and Knight, 2015; Barsade et al., 2000; Chattopadhyay et al., 2010).

The contribution of our paper is threefold. First, we expand the research stream investigating cross-functional sourcing teams (Driedonks et al., 2010; Kaufmann et al., 2014; Moses and Åhlström, 2008; Stanczyk et al., 2015). We do so by concentrating on deep-level factors that might affect team cohesion and performance and by examining real-life supplier selection decisions rather than (quasi-) experimental settings. Second, we contribute to theory by connecting the literatures on emotions and sourcing team decision making. More specifically, we build on and extend the research streams on emotions at the workplace (Toegel et al., 2013; Urda and Loch, 2013), emotional intelligence (Joseph et al., 2015; Ybarra et al., 2014), and diversity (Nederveen Pieterse et al., 2013; Shin et al., 2012). Contributing to affective events theory, we focus on consequences that arise from work event-driven emotions (Cropanzano and Dasborough, 2015; Weiss and Cropanzano, 1996). Specifically, we investigate the effect on team attitudes when team members differ in their affective traits. We extend the research based on the similarity-attraction paradigm, investigating deep-level rather than surface-level diversity factors. Our results show that diversity in deep-level factors does lead to lower levels of attraction toward heterogeneous team members. Third, based on our results we provide suggestions to practitioners in the field of purchasing and supply management (PSM) for implementing specific emotional competence training that enables team members to recognize and manage their own and others' emotions successfully; such training ultimately can help to reduce conflicts, delays, and quality or financial costs.

In the following sections, we develop the theory, describe the study, and then present and discuss our results. We conclude by outlining practical implications and providing suggestions for future research.

## 2. Theory

The dynamism and complexity characterizing the PSM context – with its variety of tasks and decisions, and the external

customers, suppliers, and internal stakeholders operating in it – make cross-functional sourcing teams a necessity (Driedonks et al., 2014; Lambert et al., 2008). Cross-functional sourcing teams are typically implemented for important decisions or item categories that come with significant annual expenses, offer opportunities for huge cost savings, or pose important risks (Driedonks et al., 2014; Kraljic, 1983). Further, in sourcing decisions representatives of different functions are necessary to accomplish several PSM-related processes, such as customer and supplier relationship management, demand management, order fulfillment, and product development (Lambert et al., 2008). For instance, when integrating suppliers for a new material, the different functions need information about possible suppliers at different times: An earlier or premature contact to R&D personnel might increase the probability for a sophisticated product but jeopardize the bargaining power of those in the purchasing function. Thus, a balance between giving and receiving information needs to be maintained, and common goals and strategies across internal functions and across the internal and external organizations (e.g., the supplier) need to be taken into account (Moses and Åhlström, 2008). Accordingly, such decisions are seen as one of the most difficult organizational tasks because of the large number of facts and alternatives that need to be considered and because of the typically dynamic and multi-staged negotiations with external parties that need to be conducted (Moses and Åhlström, 2008).

In addition to the complexity of the selection task itself, the relational aspects of the cross-functional teamwork might further increase the complexity in supplier selection. Because members come from different departments, such as purchasing, R&D, sales, finance, and engineering, and they typically step into the team member role on a part-time basis, cross-functional sourcing teams pose relational challenges to buying organizations (Driedonks et al., 2014; Selviaridis et al., 2011). In addition, cross-functional sourcing teams tend to differ from other organizational teams in that team members have a similar hierarchical status. Thus, important decisions generally are made in a more democratic, egalitarian fashion, so that each function contributes in equally important ways to the final supplier selection decision (Moses and Åhlström, 2008).

Moses and Åhlström (2008) identify three task-related factors that can lead to problems in cross-functional team work – namely, functional interdependence (e.g., unforeseen events that individual functions cannot control), strategy complications (e.g., non-optimal choices resulting from different interpretations of the business strategy), and misaligned goals (e.g., differing functional goals). Further, Englyst et al. (2008) find that inconsistencies between other factors among the team members, such as “rewards, leadership behaviours, goal setting, and... career goals” (p. 15), negatively influence the motivation and performance of team members. Recent supply management research finds that misaligned goals are a major challenge for cross-functional sourcing teams because they might jeopardize the decision-making process (Stanczyk et al., 2015). Lower decision quality, project delays, and other costs might follow this disruption. Other deep-level psychological factors, such as differences in felt work-related emotions, have not yet been investigated in cross-functional sourcing teams. Recent behavioral research in the PSM discipline emphasizes that cross-functional team members do not act in purely or highly rational ways in these contexts; instead, they often base their decisions and actions on intuition and emotions (Kaufmann et al., 2014; Stanczyk et al., 2015; Kirchoff et al., 2016). For instance, while group identity triggers positive emotions and solidarity, frustration and conflicts resulting from the diverse backgrounds of team members can lead to unpleasant emotions and rejection (Urda and Loch, 2013).

The *similarity-attraction paradigm* (Byrne, 1971) assumes that

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