

Is relative power between Marketing & Sales associated with departmental authority, conflict and company performance?

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Abstract

This paper explores the role of the relative power of Marketing and Sales departments in the creation of effective cross functional relationships. Specifically the study is focusing in the association between departmental power and (a) the authority of Marketing and Sales for the execution of strategic marketing activities (such as segmentation, targeting and positioning), (b) the level of conflict between these two departments and (c) company performance. The study analyzes data from both Marketing and Sales managers in 132 consumer packaged goods companies, concluding that the dispersion of influence between these two departments is connected with their power over market-related decisions, whereas power imbalances may have a bearing in higher levels of conflict between these two units and lower performance. To the best of our knowledge this is the first study to explore issues of intra-departmental power, authority and conflict through the eyes of both M&S managers per company.

Keywords: *Marketing-Sales power, authority, conflict*

Track: Marketing Strategy & Theory

1. Introduction

There is a strong consensus that issues at the interface of M&S (hereinafter M&S) are amongst the most important ones that managers are dealing with (Montgomery and Webster, 1997; Krohmer et al., 2002; Kotler et al., 2006), as these two functions are considered to be the primary revenue generators within an organization (Malshe et al. 2017). One fundamental issue of marketing organizational design relates to which functional unit should control what activities. In this context, top management needs to decide whether the marketing group should have more decision authority over marketing issues, or whether marketing activities should be a team decision making matter (Homburg, Vomberg & Enke, 2015; Troilo et al., 2009).

Despite the complementary nature of customer-facing activities performed by M&S, the two units rarely reflect strategic and operational alignment (Malshe et al. 2017). Many studies suggest that effective interaction and collaboration between M&S are associated with enhanced company performance (Cespedes, 1993; Homburg and Jensen, 2007), whereas the effective relationship between M&S appears to be influenced by the relative power of these two units (Le Meunier-Fitzhugh and Massey, 2018; Tamara and Biemans, 2017).

Against this background, the objectives of this research is to capture the perceptions of both M&S managers from the same companies in order to examine how the relative power of these two units is associated with (i) the decision authority of M&S units over basic marketing activities, (ii) the level of conflict between M&S, and (iii) company performance. This paper further contributes to this research domain as the examination of the perceptions of both M&S managers from the same company which is implemented in this study, is considered ideal for the exploration of M&S relationships (Dawes and Massey, 2005; Strahle et al., 1996).

2. Conceptual background (M&S power, authority, conflict & company performance)

This paper defines power as the relative importance of the unit (Marketing or Sales) to the organization, following the suggestions of Dawes and Massey (2006). Consistent with this operationalization, power is viewed as an individual resource that can be used by the Marketing department or the Sales department, since the resource dependency view of organizations suggests that different units have varying degrees of power because of their differential ability to obtain resources critical to the organization (Dawes and Massey, 2006; Kohli, 1989). Also, the

perspective adopted in this study is that of interdepartmental conflict as dysfunctional task-based tension arising from goal and action incompatibility (Jaworski and Kohli, 1993).

Departmental power reflects on how the influence over market-related activities is spread among organizational subunits (Homburg et al., 2015). Krohmer et al. (2002) suggest that the dispersion of influence on marketing activities bases on the distribution of power of different functional groups over decisions in different marketing areas, whereas Homburg et al. (2008) and Troilo et al. (2009) argue that M&S departments' power reflects on how the influence over marketing activities splits between these two departments. Peterson et al. (2015) links M&S alignment to high return on investment and highlights the importance of devoting time to building such a relationship between the two functions, while organizational mechanisms controlling for power have also been associated to the social capital included in the M&S relationship that in turn affects a firm's performance (Rouziès and Hulland, 2014). Organizational theory (Bucklin and Sengupta, 1993) argues that when two engaged parties are lacking a balanced level of power, high levels of conflict characterize their dyadic relationship, which, particular for M&S units, seems to have a negative impact on company performance (Kotler et al., 2006).

3. Research methodology

3.1 Sample and data collection

Consumer packaged goods (CPG) companies with turnover of more than €10 million and employing more than 50 employees constitute the population for this study. CPG companies constitute an ideal context for empirical investigation of the M&S interface (Dewsna Kohli p and Jobber, 2000, 2002), while this type of organizations structure M&S functions as separate and discrete departments performing different functions (Shapiro, 2002; Workman et al., 1998).

Based on TNS' list of companies in a European Union country, 409 firms fulfill the above two criteria. The M&S managers of these companies were contacted through emails and phone calls asking their participation in the study (132 companies agreed to participate in the research- 32.3% response rate). Both M&S managers answered to the same structured questionnaire but in separate interview sessions and without knowing each other's answers. Getting data from both key informants seems to be the most appropriate way to control for common method bias (Podsakoff et al., 2003) and follows the prescriptions of prior work (e.g. Guenzi and Troilo, 2007; Massey and Dawes, 2007) regarding the ideal examination of M&S interface.

3.2 Measures

In order to operationalize the constructs of the study, the researchers measured the constructs of M&S Departmental Power, M&S Conflict and Company Performance as reflective scales, since a reflective measurement model is appropriate when observed variables are interchangeable manifestations of an underlying construct (Bagozzi et al., 1991); while the responsibility of M&S departments vis-à-vis certain basic marketing activities was measured as an observed variable.

The scale of Kohli (1989) capturing the M&S department's power and the scale of Jaworski and Kohli, 1993 capturing M-S conflict were applied in this study. Scales were reversed-scored (5 point Likert type measure capturing the level of agreement with the respected items), where necessary, so that higher levels of agreement would always represent higher levels of conflict. Company Performance was measured in terms of profits, sales volume, market share and ROI (e.g. Avlonitis and Gounaris, 1997; Narver and Slater, 1990). Each of two managers evaluated firm performance (a) in comparison with the main competitor using a five point scale (1: much worse, 5: much better), and (b) by indicating their degree of the firm's satisfaction (1: very unpleased, 5: very pleased), for each one of the four performance criteria. The study uses these eight (four regarding the comparison with the main competitor and four regarding the firm's satisfaction) performance metrics in order to capture company performance.

The study adopts Krohmer's et al. (2002) battery of items in order to measure the responsibility of M&S departments for the execution of basic marketing activities. Specifically, the researchers provided both M&S managers in each company with a list of 9 marketing activities (see Table 1) and asked them to indicate the responsibility of M&S departments for the execution of each activity using a 100-point constant sum scale. The researchers tested the perceptions of M&S managers for differences by means of a series of independent samples t-test. As shown in Table 1, no significant differences emerged in the opinions of M&S managers regarding the responsibility of M&S departments for the execution of marketing activities. Accordingly, for each activity the researchers summated the perceptions of both managers regarding (a) the responsibility of Sales department, and (b) the responsibility of Marketing department and, consequently, researchers tested for differences in the responsibility of these two departments over the nine activities by using a series of paired samples t-test. As shown in Table 1, the Marketing department has higher levels of responsibility than the Sales department for the

execution of activities concerning marketing research, product design, and advertising objectives, whereas the Sales department has more responsibility than the Marketing department for the execution of activities concerning channels of distribution, pricing, and customer relationships. The study also found that the M&S departments are sharing equal levels of responsibility regarding market segmentation, targeting, and positioning.

Table 1. Marketing and Sales departments' responsibility for the execution of basic marketing activities

Activities	Sales department			mean	Marketing department			mean	paired samples t-test
	Marketing manager	Sales manager	Independent sample t-test		Marketing manager	Sales manager	Independent sample t-test		
Marketing research	24.0	26.6	ns	25.3	70.9	66.3	ns	68.6	p<0.05
Market segmentation	45.2	50.1	ns	47.7	50.9	43.6	ns	47.3	ns
Targeting	48.3	53.8	ns	51.0	47.8	41.9	ns	44.8	ns
Positioning	42.5	49.0	ns	46.0	52.3	45.5	ns	48.9	ns
Product design	23.1	27.0	ns	25.7	62.0	58.6	ns	60.3	p<0.05
Advertising objectives	16.4	21.1	ns	18.7	80.4	75.3	ns	77.8	p<0.05
Channels of distribution	61.9	65.1	ns	63.5	33.0	30.5	ns	31.7	p<0.05
Pricing	57.0	60.5	ns	58.7	37.3	33.8	ns	35.5	p<0.05
Customer relationships	60.8	65.3	ns	63.0	28.6	25.9	ns	27.2	p<0.05

4. Measurement Analysis

The researchers assessed reliability and validity of the reflective multi-item measures with two confirmatory factor analyses (CFAs). In particular, the first CFA pertains to the perceptions of Marketing managers whereas the second one pertains to the perceptions of Sales managers. Both measurement models show a reasonable good fit with the data and all items load significantly on the hypothesized latent variables, indicating convergent validity (see table 2). Independent samples t-tests indicate no significant differences in the opinions of M&S managers regarding the reflective measures in question, as Table 2 shows. Consequently, a composite measure that averages the responses from the two managers in each company was computed for each reflective measure.

Table 2. Operationalization of study variables

Variables (N=132)		Mean (SD) / independent samples t test	AVE	CR	Cronbach's alpha	
<i>Sales department power</i>	Marketing Managers	3.68 (.66)	ns	.612	.790	.804
	Sales Managers	3.81 (.62)		.570	.729	.793
<i>Marketing department power</i>	Marketing Managers	3.26 (.70)	ns	.635	.830	.845
	Sales Managers	3.15 (.68)		.679	.812	.829
<i>MandS conflict</i>	Marketing Managers	2.56 (.90)	ns	.835	.781	.939
	Sales Managers	2.60 (.96)		.849	.801	.949
<i>Company performance</i>	Marketing Managers	3.21 (.87)	ns	.879	.920	.958
	Sales Managers	3.20 (.91)		.866	.897	.953

Notes: (1) Reliability and validity of the reflective multi-item measures was assessed with two confirmatory factor analyses (CFAs) one pertaining in the perceptions of Marketing managers in the other in the perceptions of Sales managers. (2) Both measurement models showed a reasonable good fit with the data: $\chi^2(404) = 856$; comparative fit index (CFI) = .924; Tucker-Lewis index (TLI) = .921; root mean square error of approximation (RMSEA) = .059 for the Marketing managers data; and $\chi^2(419) = 871$; CFI = .929; TLI = .923; RMSEA = .057 for the Sales managers data. (3) All items loaded significantly on the hypothesized latent variables, indicating convergent validity. (4) Each construct manifests a composite reliability (CR) of at least 0.7 (Bagozzi et al., 1991). (5) Average variance extracted (AVE) is at least .57 and higher than the ϕ^2 for any pair of latent variables, a finding that provides evidence of discriminant validity (Fornell and Larcker, 1981). (6) Independent samples t-tests indicated no significant differences in the opinions of M&S managers regarding the reflective measures in question. (7) A composite measure that averages the responses from the two managers in each company was computed for each reflective measure

5. Analyses and results

We classified companies in 3 groups with respect to the relative power of M&S departments using k-means cluster. As Table 4 shows, Group1 contains companies in which the Marketing department is more powerful than the Sales department (12.8%), Group2 contains companies in which the M&S departments have equal power (37.8%), while Group3 contains companies in which the Sales dept has more power than the Marketing dept (49.2%).

Power	N=132	Group1 (N=17)	Group 2 (N=50)	Group 3 (N=65)
		Marketing department is more powerful than the Sales department	Equal power between Marketing and Sales departments	Sales dept is more powerful than the Marketing department
Marketing department		3.8 ^a	3.6 ^b	2.8 ^c
Sales department		2.9 ^c	3.7 ^b	3.9 ^a
Conflict between M&S		3.0 ^a	2.2 ^b	2.8 ^a
Company performance		2.8 ^a	3.6 ^b	3.0 ^a

Notes: Reported values are mean values

Responsibility		Group 1 (N=17)		Group 2 (N=50)		Group 3 (N=65)	
		Mean	Paired samples t-test	Mean	Paired samples t-test	Mean	Paired samples t-test
Marketing research	M dept	77.6 ^a	p<0.01	72.9 ^b	p<0.01	62.9 ^c	p<0.01
	S dept	19.4 ^b		24.5 ^a		27.4 ^a	
Market segmentation	M dept	53.8 ^a	p<0.01	53.0 ^a	ns	41.2 ^b	p<0.01
	S dept	36.2 ^c		45.4 ^b		52.3 ^a	
Targeting	M dept	49.7 ^a	p<0.05	44.4 ^b	ns	44.0 ^b	p<0.01
	S dept	46.1 ^b		51.1 ^a		52.5 ^a	
Positioning	M dept	57.1 ^a	p<0.01	48.8 ^b	ns	46.1 ^b	p<0.05
	S dept	37.1 ^b		46.0 ^a		49.3 ^a	
Product design	M dept	70.6 ^a	p<0.01	69.4 ^a	p<0.01	50.6 ^b	p<0.01
	S dept	20.9 ^b		21.8 ^b		28.7 ^a	
Setting of advertising objectives	M dept	82.4 ^a	p<0.01	78.3 ^b	p<0.01	76.3 ^b	p<0.01
	S dept	15.3 ^b		19.2 ^a		19.4 ^a	
Design of channels of Distribution	M dept	34.2 ^a	p<0.01	32.8 ^a	p<0.01	29.7 ^b	p<0.01
	S dept	60.3 ^b		65.3 ^a		66.0 ^a	
Pricing policy	M dept	55.0 ^a	p<0.01	37.0 ^b	p<0.01	29.4 ^c	p<0.01
	S dept	40.3 ^c		58.8 ^b		63.5 ^a	
Customer relationships	M dept	30.0 ^a	p<0.01	25.9 ^b	p<0.01	24.3 ^b	p<0.01
	S dept	59.1 ^b		65.3 ^a		65.7 ^a	

Notes: (1) ANOVA's F is significant at 0.01 levels for each responsibility; (2) In each row, group means that have the same superscript are not significantly different in the basis of Duncan's multiple-range test. Means in the highest bracket are assigned the superscript "a", means in the next bracket are assigned the superscript "b" and so forth. (3) In each row the Levene statistic indicates that the variances among groups are not significantly different. (4) M dept = Marketing department / S dept = Sales department

Table 4 shows that the relative departmental is associated with the responsibility assigned to M&S departments for the execution of basic marketing activities. Specifically, the Marketing department of companies in Group 1 has significantly more decision authority for the execution of all activities under investigation compared to the Marketing department of companies in Group 3; likewise, the Sales department of companies in Group 3 has significantly more decision authority

for the execution of all activities when compared to the Sales department of companies in Group 1. Additionally, in Group 1, Marketing department turns out to be the most influential function in terms not only of the traditional activities such as advertising and marketing research, but also of the company's strategic direction involving decisions about marketing segmentation, targeting and positioning. In contrast, in Group 3, Marketing department seems to have lost its voice in strategic decision making and the Sales department appears to be more influential. In Group 2 there is a cross-functional dispersion of influence on strategic decisions which apparently reduces the level of conflict between the two departments, while these companies exhibit a relatively higher level of performance compared to companies in Group 1 and Group 3. It is worth noting that Group 1 and 3 show no significant differences either in the level of conflict between M&S or in company performance.

6. Findings and Discussion

The study highlights that the Marketing-Sales relative power is associated with (a) the decision authority of M&S departments for conducting basic marketing activities, (b) Marketing-Sales conflict, and (c) company performance. In particular, the findings of the present study indicate that when M&S departments have equal level of power then (a) these two departments equally involve in the execution of the strategic decisions of market segmentation, targeting and positioning, (b) the level of Marketing-Sales conflict is lower, and (c) company performance improves. On the other hand, the findings show that when the Sales department is more powerful than the Marketing department or vice versa, then the more powerful department takes the leading position for the implementation of the strategic decisions of market segmentation, targeting and positioning, which may result in higher level of Marketing-Sales conflict and reduced company performance.

The study has several managerial implications, providing guidance for top managers responsible for M&S organizational design and structure. Specifically, top management should attend to status differences of the two departments, by removing barriers between these two units, and providing them both with an equal strategic voice. This adjustment requires changes in the company's culture, as well as people's attitudes and behaviors, but these changes will lead to the creation of fair relationships between M&S and to substantial improvement in important performance metrics. Managers responsible for the organization of the marketing function should

be aware of these benefits and try to obtain involvement of and influence on other functional units, particularly sales, over key strategic marketing activities. Besides, customer segmentation and targeting, which relate to the allocation of selling effort and resources, represent important dimensions of sales strategy (Panagopoulos and Avlonitis, 2010). Even though such a process may be difficult, as the marketing department may not want to give away its influence on strategic marketing activities, the results indicate that managers who succeed in increasing the involvement of sales in these activities produce better results than those who do not.

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