

2013 Winter Marketing Educators' Conference

Challenging the Bounds of Marketing Thought

February 15–17, 2013

Caesars Palace • Las Vegas



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Relative Power of Marketing and Sales Departments: An Empirical Examination of its Consequences for the Organization

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Feb, 2013

Agenda

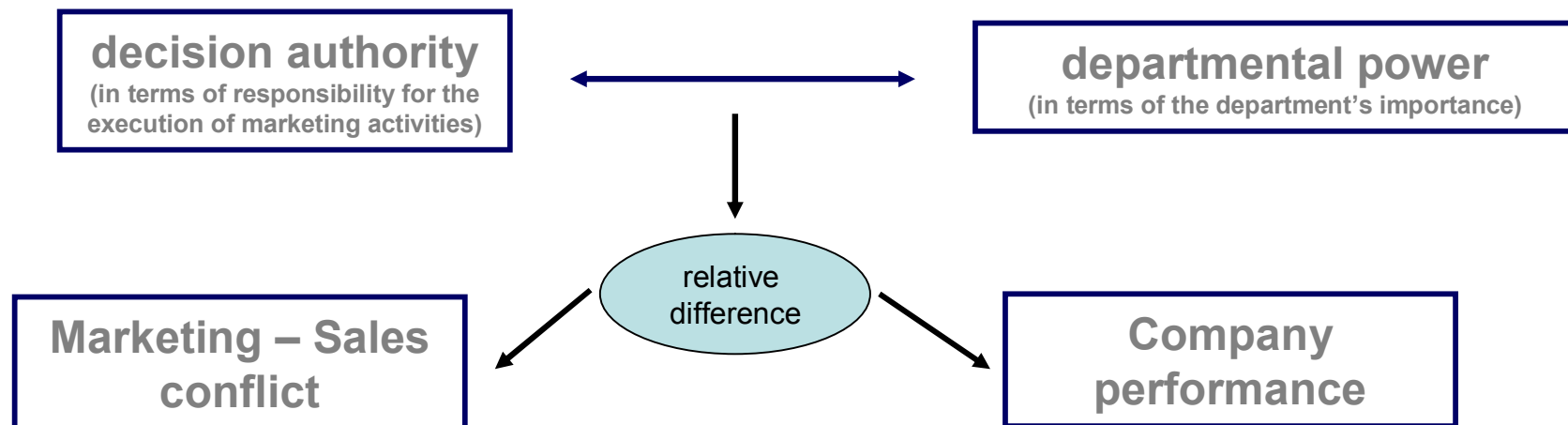
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Purpose of the Study

Organizational design issue:

**which marketing activities should be controlled by which functional units
(Marketing or Sales)**

General managers need to decide whether the marketing group should have a lot of **decision authority** on marketing issues or whether team-based decision making on marketing activities should be emphasized (Krohmer et al., 2002; Troilo et al., 2009)



Purpose of the Study

Efforts have recently been made to investigate

(a) the variation of the M&S interface across companies and its consequences

(Homburg et al., 2008), **and**

(b) the decision authority on marketing activities and its consequences (Krohmer et al., 2002; Troilo et al., 2009)

but research in this domain is still emerging

Extant literature examining the dispersion of influence between Marketing and Sales

(e.g. Homburg et al., 2008; Krohmer et al., 2002; Rouzies et al., 2005; Troilo et al., 2009) **has not examined**

(a) a potential link between decision authority and power (see Krohmer et al., 2002; Troilo et al., 2009)

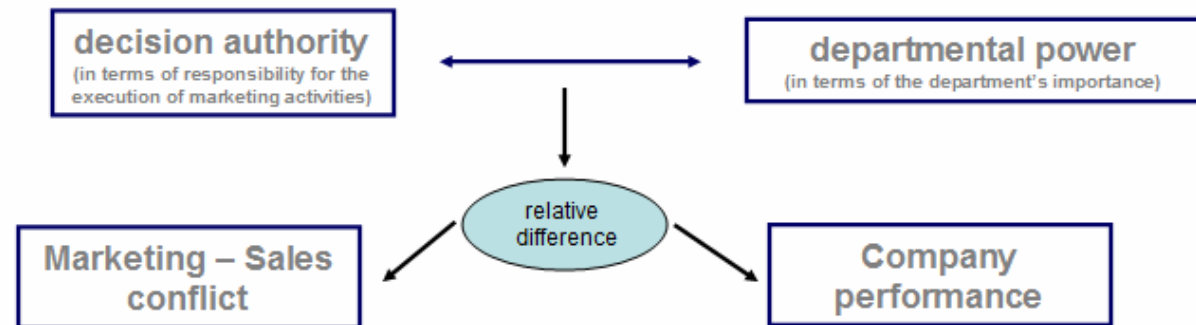
(b) a potential link between relative Marketing – Sales power and conflict (which may lead to reduced company performance) (see Kotler et al., 2006; Homburg et al., 2008)

(c) the perceptions of the M&S managers of the same company simultaneously (see Dawes and Massey, 2005; Strahle et al., 1996)

Purpose of the Study

The main objectives of this research project are to capture the perceptions of both M&S managers within the same company in order to examine how **the relative power of M&S departments is associated:**

- (i) the decision authority of M&S departments on basic marketing activities,
- (ii) the level of conflict between M&S departments, and
- (iii) company performance



Research Hypotheses

H1: High decision authority of the Marketing or Sales department for the execution of basic marketing activities is associated with high respective power

See Homburg et al., 2008; Krohmer et al., 2002; Troilo et al., 2009

H2: Companies in which the Marketing department has equal power with the Sales department exhibit, (i) a lower level of conflict between these two departments, and (ii) higher performance

See Anderson and Weitz, 1989; Bucklin and Sengupta, 1993; Homburg and Jensen 2007; Homburg et al., 2008; Meldrum, 1996; Rouzies et al., 2005

Sample & Data Collection

Population of this study

Consumer goods' companies, with turnover of more than 10 million euro and number of employees of more than 50.

409 firms were identified as fulfilling the above criteria

Sample – Response

132 agreed to participate (33% response rate).

Data collection

Personal interviews were conducted, using a structured questionnaire, with both Marketing and Sales managers of the same company.

Both Marketing and Sales managers answered the same questionnaire in separate personal interviews (without knowing each other's answers).

This method apparently is the most appropriate one in order to control common method bias, as from each sample company two key-informants provided the data (Podsakoff et al., 2003)

Empirical studies in this area suggest that data should be collected from multiple respondents within the organization (e.g. Massey and Dawes, 2007; Guenzi and Troilo, 2007; Homburg et al., 2008; Strahle et al., 1996)

Operationalization of Study Variables
Reflective Scales

Departmental Power:

Kohli (1989) / five items / 1=low level of power to 5=high level of power

Marketing-Sales Conflict:

Jaworski & Kohli (1993) / seven items / 1=low level of conflict to 5=high level of conflict

Company Performance:

Narver & Slater, 1990 / profits, sales volume, market share and ROI / 1=low performance to 5=high performance

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>M&S 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

Table 3. Correlations and descriptive statistics

	1	2	3	4
1 <i>Power (Marketing)</i>	1			
2 <i>Power (Sales)</i>	-.167 (ns)	1		
3 <i>M&S conflict</i>	-.332**	-.327**	1	
4 <i>Company performance</i>	.314**	.323**	-.838**	1
<i>Mean (SD)</i>	3.21 (.63)	3.71 (.59)	2.58 (.91)	3.21 (.63)

Notes: *p<.05 / **p<.01 / ns=not significant / N=132

Departmental responsibility for the execution of marketing activities:

Krohmer et al. (2002)

Both M&S managers of each company were provided with a list of 9 marketing activities (see table...) and were asked to indicate the responsibility of M&S departments (or any other departments involved) for their execution, using a 100-point constant sum scale.

Surprisingly, no significant differences emerged

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

N=132 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

Analysis and Results

Table 4. Classification of companies regarding Marketing and Sales departments' 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 department is more powerful than the Marketing department
ANOVA				
F=31.058*	Marketing department power	3.8 ^a	3.6 ^b	2.8 ^c
F=31.058*	Sales department power	2.9 ^c	3.7 ^b	3.9 ^a

Notes: (1) * Significant at 0.01 levels. (2) Reported values are mean values. (3) 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 on. (4) In each row the Levene statistic indicates that the variances among groups are not significantly different.

In order to provide evidence for our research objectives we adopted the method proposed by Rich (1992).

Specifically, first we classified companies in two clusters on the basis of the power of M&S departments.

To do so, we performed a k-means cluster analysis using the perceptions of M&S managers regarding the power in question.

The objective of this method was to form 3 clusters from our sample such that the clusters being distinct from each other, regarding the relative power of M&S departments.

Then, we examined whether or not there were any significant differences between the clusters with respect to the constructs studied in this paper

**Table 5. Classification of companies regarding Marketing and Sales departments' power
(differences in the responsibilities of Marketing and Sales departments)**

Responsibility		Group 1 Marketing dept is more powerful than the Sales dept		Group 2 Equal power between Marketing and Sales depts		Group 3 Sales dept is more powerful than the Marketing dept	
		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

Analysis and Results

H2 (a) & (b): confirmed

Table 6. Classification of companies regarding Marketing and Sales departments' power
(differences in (a) level of conflict between M&S and (b) company performance)

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 department is more powerful than the Marketing department
ANOVA				
F=6.991*	Conflict between M&S	3.0 ^a	2.2 ^b	2.8 ^a
F=10.238*	Company performance	2.8 ^a	3.6 ^b	3.0 ^a

Notes: (1) * Significant at 0.01 levels; (2) Reported values are mean values. (3) 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. (4) In each row the Levene statistic indicates that the variances among groups are not significantly different.

The present study base its results on the perceptions of both M&S managers of the same organization, following the pertinent extensive calls of the relevant literature (e.g. Massey & Dawes, 2007; Guenzi & Troilo, 2007; Homburg et al., 2008), contributing to the scarce empirical investigations on the subject of Marketing-Sales decision authority.

The study highlights that the Marketing-Sales relative power is associated with...

- (a) the decision authority of M&S departments for basic marketing activities,
- (b) Marketing-Sales conflict, and
- (c) company performance.

Our findings contribute to the scarce existing relevant literature on several fronts...

Theoretical Implications

Several conceptualizations in the literature (Homburg et al., 1999, 2008; Krohmer et al., 2002; Troilo et al., 2009) argue that the departmental power of M&S reflects on how the influence over basic marketing activities is divided between these two organizational subunits

Our study provides empirical data that confirm this argument by highlighting that enhanced power of a department (being either Marketing or Sales) is associated with higher decision authority for the execution of basic market-related activities

Krohmer et al. (2002) as well as Troilo et al. (2009) indicate positive performance implications of cross-functional dispersion of influence on marketing activities

Our findings indicate that when M&S departments have equal level of power then (a) these two departments are equally involved in the execution of the strategic decisions of market segmentation, targeting and positioning, (b) the level of Marketing-Sales conflict is decreasing, and (c) company performance is enhancing

Our study indicate that, when the Sales department is more powerful than the Marketing department or via versa, then the more powerful department takes the leading position for the implementation of the strategic decisions of market segmentation, targeting and positioning

Homburg et al. (2008) revealed that one of the characteristics of the most successful companies, in terms of Marketing-Sales cooperation quality and performance, is similar level of power between Marketing and Sales

Our study identifies higher level of M-S conflict and lower level of company performance in the companies in which the Marketing and Sales departments exhibit different level of power within the organization

Managerial Implications

Our study indicates that:

- unhealthy internal rivalry could be a source of reduced company performance
- companies in which the Sales department dominates over the Marketing department or via versa are experiencing a high level of conflict between these two departments and poor performance
- an optimisation of the relationship between these two departments improves company performance
- cross-functional dispersion of influence on strategic marketing decisions can pay off

providing managers with a systematic way to think through the design of their M&S interface.

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 behaviours, but these changes will lead to the creation of fair relationships between M&S and to substantial improvement in important performance metrics.

Managerial Implications

Involvement and influence of other functional units, particularly sales, over key strategic marketing activities.

Customer segmentation and targeting, which involve 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 influence on strategic marketing activities,

our results indicate that

managers who succeed in increasing the involvement of sales in these activities produce better results than those who do not

Accordingly, structural linkages such as teamwork and joint planning should be fostered.

This can be achieved with job rotation policies, common training, sharing of information and joint customer visit of marketing and sales.

Thank you for your attention

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Measures	Confirmatory Factor Analysis Loadings
Departmental Power¹ (Kohli, 1989)	Marketing Manager, M dept – S dept / Sales Manager, M dept – S dept
1. The functions performed by <i>this department</i> are generally considered to be more critical than others.	.846-.852 / .776-.779
2. Top management considers <i>this department</i> to be more important than others.	.768-.758 / .712-.743
3. It is easier to recruit employees for <i>this department</i> as compared to others'.	.548-.599 / .655-.520
4. <i>This department</i> tends to dominate others in the affairs of the organization.	.815-.763 / .872-.781
5. <i>This department</i> is generally regarded as being more influential than others.	.871-.868 / .837-.868
Marketing-Sales Conflict¹ (Jaworski and Kohli, 1993)	Marketing Manager / Sales Manager
1. Marketing and Sales departments in this business get along with each other. (R) ²	.903 / .907
2. When members of Marketing and Sales departments get together, tensions frequently run high.	.832 / .808
3. People in Sales and Marketing departments generally dislike interacting.	.868 / .836
4. Employees from Sales and Marketing departments feel that the goals of their respective departments are in harmony with each other. (R)	.917 / .904
5. Protecting one's departmental turf is considered to be a way of life in this business.	.924 / .918
6. The objectives pursued by the Marketing department are incompatible with those of the Sales department.	.801 / .760
7. There is little or no conflict between Sales and Marketing departments in this business. (R)	.881 / .854
Company Performance (Avlonitis and Gounaris, 1997)	
Both managers evaluated firm performance in comparison with the main competitor using a five point scale (1: much worse, 5: much better) regarding	Marketing Manager / Sales Manager
1. Profits	.869 / .867
2. Sales Volume	.840 / .868
3. Market Share	.883 / .886
4. ROI	.881 / .898
Both managers indicated their degree of the firm's satisfaction (1: very displeased, 5: very pleased) regarding	
1. Profits	.865 / .865
2. Sales Volume	.874 / .889
3. Market Share	.872 / .865
4. ROI	.880 / .880

Limitations – Future Research

- single geographical context as a sampling frame
- single type of companies (consumer goods' companies)
- exploratory research
- reflective measures
- external environment (e.g. competition, stability)

might be considered major limitations of this paper

Appendix
**Brief Literature Review &
Research Hypothesis 1**

Departmental power and marketing activities responsibility

Krohmer et al. (2002) indicated that the dispersion of influence on marketing activities is based on the distribution of power of different functional groups.

Homburg et al. (2008) argues that M&S departments' power reflects on how the influence over marketing activities is divided between these two departments.

Troilo et al. (2009) proposes an association between departmental (Marketing or Sales) power and influence over marketing related activities

H1: High decision authority of the Marketing and Sales departments for the execution of basic marketing activities is associated with high respective power.

Appendix
**Brief Literature Review &
Research Hypothesis 2**

Departmental power, Marketing-Sales conflict and company performance

The organizational theory concurs that when two engaged parts are lacking a balanced level of power, then their dyadic relationships is characterized, mainly, by a high level of conflict (Anderson & Weitz, 1989; Bucklin & Sengupta, 1993)

Thus, in order to create effective cross-functional relationships between M&S, these two departments should

- (a) be consistent and congruent (Rouzies et al., 2005), and
- (b) overcome the barriers created by functionality isolation, domain dissimilarities and unequal power levels (Meldrum, 1996)

Homburg and Jensen (2007) argue that power imbalance between M&S is negatively affecting both quality of Marketing-Sales cooperation and market performance

Homburg et al. (2008) developed a taxonomy where it was shown that when the Marketing department has equal power with the Sales department then the cooperation quality between these two departments and company performance are enhanced

H2: Companies in which the Marketing department has equal power with the Sales department exhibit, (i) a lower level of conflict between these two departments, and (ii) higher performance