



Marketing – Sales Conflict: Antecedents and Consequences

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Presentation Structure

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Purpose of the Study

Senior managers often describe the working relationship between Marketing and Sales (hereinafter M&S) as unsatisfactory

The M&S relationship is characterized, mainly, by negative outcomes, e.g. a lack of cohesion, distrust, dissatisfaction and conflict (Dewsnap & Jobber 2000, 2002) and is reported to be far from harmonious (Homburg, Jensen & Krohmer, 2008; Montgomery & Webster 1997)

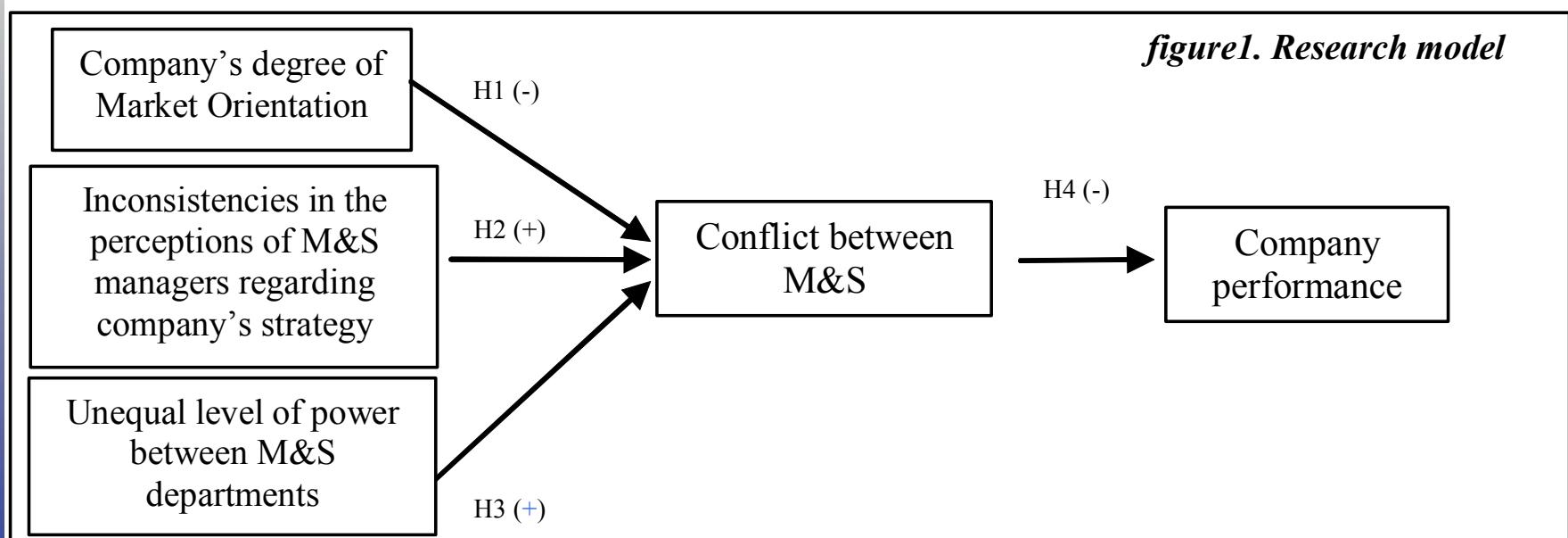
The poor Marketing – Sales relationships may be the outcome of certain organizational characteristics, namely

- (a) the company's degree of market orientation (Homburg & Pflessner 2000; Guenzi & Troilo, 2006),**
- (b) the company's strategy (Shapiro, 2002), and**
- (c) the relative power of these two departments within the company (Homburg et al., 2008; Meldrum, 1996)**

The kind of relationship between M&S is reported as having an impact on company performance (Kotler et al., 2006; Meunier-FitzHugh & Piercy, 2007; Rouzies et al., 2005; Shapiro, 2002)

Purpose of the Study

The basic aim of this research project was to capture the perceptions of both M&S managers within the same company in order to investigate whether the conflict between M&S (a) can be attributed to the degree of the company's market orientation, the perceptions of M&S Managers regarding the company's strategy and the relative power of M&S departments within the company, and (b) is associated with company performance



Brief Literature Review & Research Hypothesis 1

A central aspect of the market orientation is cross-functional interaction (Krohmer et al., 2002)

Narver & Slater (1990) view “inter-functional coordination” as being one of three components of market orientation, whereas Jaworski & Kohli (1993) place emphasis on behaviours in regard to market information and cross-functional activities, which fall within the intelligence dissemination part of their conceptualization

Market oriented companies are characterized by a high level of integration of market-related knowledge and skills (Guenzi & Troilo, 2006)

Knowledge and skills regarding market-related activities are highly concentrated in M&S departments, which are the two departments traditionally responsible for managing market relationships (Homburg et al., 1999; Rouziès et al., 2005)

Integration between M&S departments is connected with Marketing-Sales conflict (Kotler et al., 2006)

H1: A high level of market orientation is reducing the level of Marketing-Sales conflict

Brief Literature Review & Research Hypothesis 2

The M&S relationship is highly connected with the quality of strategy formulation and implementation, as conflict between M&S is associated with lower co-operation and co-ordination regarding strategic activities (Menon et al., 1996)

There is also seems to be a connection between M&S alignment and inconsistencies in the perceptions of M&S managers regarding company's strategy (e.g. Viswanathan & Olson, 1992)

Strahle, Spiro & Acito (1996) demonstrated inconsistencies on strategy formulation between M&S departments, suggesting that in most cases the activities performed at the Sales department level do not reflect the strategy at the SBU level

Colletti & Chonko (1997) showed that changes in marketing strategies do not drive to consistent modifications of sales strategies and tactics

Shapiro (2002) suggests that the existence of a clear, unified and explicit strategy between M&S will improve their cross functional relationships

H2: Inconsistencies in the perceptions of Marketing and Sales managers regarding their company's strategy are enhancing the level of Marketing-Sales conflict

Brief Literature Review & Research Hypothesis 3

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)

Furthermore, 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 is enhanced

H3: Unequal level of power between the Marketing and Sales departments is enhancing the level of Marketing-Sales conflict

Brief Literature Review & Research Hypothesis 4

Conflict has been defined in the organisational science literature as the “collision of actors” (Katz & Kahn, 1978) and “tension between two or more social entities – individuals, groups or larger organisations – which arises from incompatibility of actual or desired responses” (Gaski, 1984)

In the marketing literature, Menon et al. (1996) conceptualize conflict as dysfunctional, task-based tension between departments, which manifests in the form of “turf battles” and “destructive self-serving efforts”

The consequences of conflict on organisational processes and marketing performance are characterized as deleterious (Chimhanzi, 2004)

Conflict has been found to reduce inter-functional performance (Dutton & Walton, 1996; Souder, 1981)

Kotler et al. (2006) emphasized the need for ending the war between M&S in order to create superior company performance. Thus, we can hypothesize that:

H4: Marketing-Sales conflict has a negative impact on company performance.

Research methodology

Sample & Data Collection

Population of this study

Consumer goods' companies, with turnover of more than 5 million euro and number of employees of more than 50.

509 firms were identified as fulfilling the above criteria.

Sample – Response

Stratified sample of 312 companies. (strata were derived on the basis of size and SIC code)

132 agreed to participate (42% response rate).

Data collection

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

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

Research methodology

Operationalization of Study Variables Reflective Scales

Marketing-Sales Conflict:

- In order to capture the level of Marketing-Sales conflict, both M&S managers were presented with the seven statements measuring interdepartmental conflict, as proposed by Jaworski and Kohli (1993).
- Using a 5-point Likert type scale, the respondents indicated their degree of agreement or disagreement (1="fully disagree" to 5="fully agree") with each of these seven statements
- During the analysis of the results, where necessary, the scales were reverted so that higher levels of agreement would always represent higher level of conflict.

Market Orientation:

- In order to capture the degree of market orientation, both M&S managers were presented with the fifteen statements measuring this construct, as proposed by Narver and Slater (1990).
- Using a 5-point Likert type scale, the respondents indicated their degree of agreement or disagreement (1="fully disagree" to 5="fully agree") with each of the fifteen statements.
- The scales were formulated so that higher levels of agreement would always represent higher degree of market orientation.

Departmental Power:

- In order to capture the level of Marketing department's power and Sales department's power within each company, we adopt the five statements proposed by Kohli (1990) which measure departmental power.
- Both M&S managers were asked to indicate their degree of agreement with each of these statements (for both M&S departments) using a 5-point Likert type scale (1="fully disagree" to 5="fully agree").
- The scales were reverted (where necessary) so that higher levels of agreement would always represent higher level of departmental power.
- The estimation of the absolute value of the difference between the Marketing department's power and the Sales department's power provided the relative power of M&S departments

Company Performance:

Was measured in terms of profits, sales volume, market share and ROI (e.g. Narver & Slater, 1990). The two managers indicated, using a five point scale, the firm's performance in comparison with their main competitor (1: much worse, 5: much better), as well as the degree of the firm's satisfaction (1: very displeased, 5: very pleased), for each one of the four performance criteria.

Research methodology

Operationalization of Study Variables Reflective Scales

Table 1. Operationalisation of study variables

variables		CFI	TLI	GFI	RMSEA	mean	AVE	CR	Cronbach's alpha
<i>Market Orientation</i>	Marketing Manager	.922	.913	.921	.072	4.0	ns	See Table2	See Table2
	Sales Manager	.919	.908	.920	.077	3.9		See Table2	See Table2
<i>Sales dept power</i>	Marketing Manager	.929	.915	.936	.054	3.7	ns	.612	.790
	Sales Manager	.965	.930	.968	.042	3.7		.570	.729
<i>Marketing dept power</i>	Marketing Manager	.945	.925	.955	.080	3.2	ns	.635	.830
	Sales Manager	.960	.919	.961	.056	3.1		.679	.812
<i>Marketing-Sales conflict</i>	Marketing Manager	.943	.915	.944	.060	2.5	ns	.835	.781
	Sales Manager	.962	.942	.947	.075	2.6		.849	.801
<i>Company performance</i>	Marketing Manager	.919	.903	.920	.078	3.2	ns	.879	.920
	Sales Manager	.921	.904	.922	.080	3.2		.866	.897

Table 2. Market Orientation components

latent variable	Marketing Managers	Sales Managers
Customer Orientation	AVE=0.635 / CR= 0.737 / Cronbach's α =0.902	AVE=0.679 / CR = 0.721 / Cronbach's α =0.887
Competitive Orientation	AVE=0.617 / CR= 0.754 / Cronbach's α =0.816	AVE=0.631 / CR=0.708 / Cronbach's α =0.760
Inter-Functional Coordination	AVE=0.629 / CR=0.730 / Cronbach's α =0.826	AVE=0.620 / CR=0.719 / Cronbach's α =0.778

Research methodology

Company's Strategy:

- McKee, Varadarajan and Pride's (1989) operationalization was adopted in order to capture the perceptions of M&S managers regarding the type of their company's strategy.
- Both M&S manager were provided with the definition of the three strategies of Miles and Snow (1978) typology (Prospector, Analyzer, and Defender) and were asked to identify the strategy of their company.
- Instead of using the terms "prospector", "analyzer" and "defender", we labeled the descriptions as "Type 1", "Type 2", and "Type 3" respectively, in order to control for socially undesirable responses.
- Through this operationalization, the companies were classified in two groups, as shown in Table 3, whereby group 1 contains companies in which the M&S managers had similar perceptions regarding their company's strategy (79.5%), while group 2 contains companies in which the two managers had different perceptions regarding the strategy in question (20.5%).
- Thus, a dichotomous 0 / 1 measurement was devised whereby the value of 0 stands for companies in group 2, while the value of 1 stands for companies in group 1.

Operationalization of Study Variables *Dichotomous variables*

Table 3. Marketing and Sales managers perceptions regarding their company's strategy

Group 1 - Consistency (N=105 – 79.5%)		Group 2 - Inconsistency (N=27 – 20.5%)	
prospector	68 (65%)	prospector-analyzer	18 (67%)
analyzer	24 (23%)	prospector-defender	3 (11%)
defender	13 (12%)	analyzer-defender	6 (22%)

Analysis and Results

Table 4. Antecedents and Consequences of Marketing – Sales Conflict / Regression Analyses

Dependent variable	Independent Variables	Hypothesis	Std Beta (t-value)	F-value	Adj. R ²
Marketing-Sales Conflict	Regression 1			75.441*	.630
	Company's degree of Market Orientation	H1	-.511 (-8.76*)		
	Inconsistencies in the perceptions of Marketing and Sales managers regarding company's strategy	H2	.441 (7.75*)		
	Unequal level of power between Marketing and Sales departments	H3	.145 (2.84**)		
Company performance	Regression 2			89.773*	.730
	Marketing-Sales Conflict	H4	-.628 (-8.31*)		
	Company's degree of Market Orientation	not developed	.261 (4.41*)		
	Inconsistencies in the perceptions of Marketing and Sales managers regarding company's strategy	not developed	-.124 (2.78**)		
	Unequal level of power between Marketing and Sales departments	not developed	ns		

* Significant at 0.01 level / ** Significant at 0.05 level

Both regression models are significant at 0.01 levels and indicate the antecedents and the consequences of Marketing-Sales conflict. In order to examine the potential presence of multi-collinearity the variance inflation factors (VIF) were estimated (range from 1.072 to 1.901). In order to examine the potential presence of auto-correlation, Durbin-Watson test was conducted in both models (values: 1.927 in regression 1 / 2.076 in regression 2).

Discussion

The present study is one of the very few empirical investigations focusing on the conflict between M&S departments, and the only one which 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. Dawes & Massey, 2005; Guenzi & Troilo, 2006; Homburg et al., 2008)

The study highlights the organizational characteristics of companies which tend to raise the level of conflict between the M&S departments, as well as the outcome of this conflict and contribute to the scarce existing relevant literature on several fronts.

Specifically, it seems that a company which is characterized by

- (a) a low level of market orientation,
- (b) inconsistencies in the perceptions of M&S managers regarding their company's strategy, and
- (c) unequal power between the M&S departments,

is experiencing high level of conflict between M&S, which is negatively affecting important performance metrics.

Theoretical implications

The literature suggests that M&S effective relationship is one of the components of market-driven organizations (Guenzi & Troilo, 2006; Rouziès et al., 2005). Our findings

- concur with these results, by indicating that the adoption of market orientation can reduce the level of M&S conflict
- support the positive relationship between market orientation and company performance (e.g. Cano et al., 2004), placing the M&S conflict as a mediator in this relationship
- are highly connected with the consideration of “inter-functional coordination” as a basic component of market orientation (Narver & Slater, 1990)

There are normative suggestions emphasizing the need for the strategic alignment of M&S (e.g. Shapiro, 2002). Our research

- empirically demonstrates that a source of conflict between M&S can be inconsistencies in the managers' perceptions regarding their respective companies' strategy
- indicates that these inconsistencies are also directly hurting company performance regardless of their effect on the level of Marketing-Sales conflict

The taxonomy of Homburg et al. (2008), emphasizes the importance of strong M&S departments. Our findings indicate that

- when M&S departments have equal level of power, then the level of conflict between these two departments is decreasing, and, as a consequence, the company's performance is increasing
- unequal level of power between M&S is not hurting company performance directly, but only through the creation of Marketing-Sales conflict

Finally, the study contributes to our understanding of the effect of the Marketing-Sales conflict on company performance. Our research provides empirical data demonstrating that Marketing-Sales conflict has a strong negative impact on company performance. This finding supports the relative normative literature (e.g. Kotler et al., 2006).

Managerial Implications

The study has several managerial implications, providing guidance for top management responsible for the M&S organization.

- top management should be aware that creating fair relationships between M&S, which are characterized by a low level of conflict, requires changes in the company's culture, as well as people's attitudes and behaviours. These changes will lead to substantial improvements in important performance metrics.
- the findings of this study suggest that the adoption of market orientation, positively affect both the relationship of M&S departments, and company performance. Given the performance advantages witnessed by the market-driven firms in the literature (e.g. Cano et al., 2004; Kirca et al., 2005), it is important for firms to become more market oriented by developing internal processes needed for focusing on customer desires and on competitors' strategies, and enhancing inter-functional coordination, especially between M&S.
- top management should focus on the creation of a clear and integrated strategy between M&S. Thus, M&S executives should be encouraged by top management to meet on a regular basis in order to review and discuss strategic decisions, developing a common understanding of their respective companies strategy, and reach a consensus on the strategy which they will implement (Strahle et al., 1996)
 - it may be wise for top management to implement in-house common training programs in order to reduce the psychological distance between the two functional managers
 - additionally, requiring each manager to spend some time working with hers/his counterpart manager could improve flows of information and expertise between them
 - it may be also wise for the Marketing manager to spend a specified amount of time in the field with the Sales manager (Massey & Dawes, 2007; Rouzies et al., 2005).
- 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.

Limitations – Future Research

- Future research should address the issues examined in this study in other countries and in other types of companies (such as services) in order to ensure confidence in the stability of the findings and ultimate generalizability
 - single geographical context as a sampling frame
 - a single type of companies (consumer goods' companies)
- The measure of the impact of Marketing-Sales conflict on performance indicators, other than those examined in this study (e.g. financial, organizational), would add some value to the model
- Future research should also investigate the role of “conflict resolution mechanisms” (see Cespedes, 1993), such as job rotation, information exchange, liaison unit, formulation of common training programs etc, in the reduction of the level of Marketing-Sales conflict

Thank you for your attention

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