

Athens University of  
Economics & Business

Department of Marketing  
& Communication

Konstantinos Lionakis  
& George J. Avlonitis



## **Configurations and Effectiveness of Marketing-Sales Interface in B2B Firms**

# Presentation Structure

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# Purpose of the Study

Literature highlights that Marketing & Sales (hereinafter M&S)..

- (a) are the customer centric team (Shapiro, 2002),
- (b) are both outward looking, focused on the customer and the market (Homburg et al. 2008),
- (c) are essential parts for the marketing activities in each company (Krohmer et al., 2002), and
- (d) have the overall common goal to offer superior customer value (Guenzi & Troilo, 2007; Le Meunier-FitzHugh & Piercy, 2011)

Issues at the M-S interface are amongst the most important ones that managers are dealing with (Rouzies et al., 2005), as the working relationship of M&S plays a vital role in the organization (Kotler et al., 2006)

Nevertheless, in practice, the working relationship of M&S is often described as unsatisfactory and is characterized, mainly, by a lack of cohesion, distrust, dissatisfaction and conflict (Dewsnap & Jobber, 2000, 2002)

However, a recent study (Wiersema, 2013) indicated that the M-S interface is a determinant of long-term marketplace success for B2B firms

# Purpose of the Study

Despite the importance of M-S interface for B2B firms, to the best of our knowledge, there is only one study (i.e. Biemans, Brenčič and Malshe, 2010) which is focusing exclusively to M-S interface configurations in such firms

This particular study (i.e. Biemans et al., 2010) ..

- .. followed a qualitative method by applying semi-structured in-depth interviews to 101 managers from various industries,

- .. identified four different M-S interfaces, considering

  - (a) the structure of M&S,

  - (b) the tasks of marketing,

  - (c) the type of relationship (in terms of communication, information exchange and collaboration), as well as

  - (d) firm's orientation

- .. showed that no single configuration is inherently superior; each configuration has its own benefits and disadvantages

**Against this background, our paper attempts to further contribute to this research domain by building on the work of Biemans et al. (2010)**

# Brief Literature Review & Research Objectives (1/3)

**Table 1. Marketing–Sales interface configurations and characteristics in B2B firms (Biemans, Brenčič and Malshe, 2010)**

	Hidden marketing	Sales-driven marketing	Living apart together	Marketing-sales integration
Functional separation	<ul style="list-style-type: none"> <li>- No separation between the two functions</li> <li>- All marketing and sales tasks performed by the same individual(s)</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing function either as spinoff of sales or a newly hired marketing manager</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing and sales are separate and distinct functions</li> <li>- Both functions have their own identity and job descriptions</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing and sales are separate, yet closely related and complementary</li> </ul>
Tasks of marketing	<ul style="list-style-type: none"> <li>- Huge emphasis on sales activities</li> <li>- Key tasks for both M&amp;S people are lead generation and follow-up; no real awareness of “marketing”</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing as a sales support</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing formulates plans and sales implements them</li> <li>- Marketing combines information across sales territories and creates programs</li> </ul>	<ul style="list-style-type: none"> <li>- M&amp;S equally engaged in creating and executing strategies; there are no clear lines of responsibility demarcation</li> <li>- Sales appreciates the added value of marketing, marketing tries to create more value for sales</li> </ul>
Interfunctional communication	<ul style="list-style-type: none"> <li>- Communication (if any) is intuitive</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing wishes there is more informal communication</li> </ul>	<ul style="list-style-type: none"> <li>- More frequent communication during meetings with formal feedback</li> <li>- Communication focuses on current strategies and activities</li> </ul>	<ul style="list-style-type: none"> <li>- Extensive use of both formal and informal means of communication</li> <li>- Sales and marketing voluntarily contribute information</li> </ul>
Information sharing	<ul style="list-style-type: none"> <li>- No specific mechanisms to share information</li> </ul>	<ul style="list-style-type: none"> <li>- Sales does not acknowledge that marketing needs information from them</li> </ul>	<ul style="list-style-type: none"> <li>- Sales is encouraged to share feedback</li> </ul>	<ul style="list-style-type: none"> <li>- Constant and freely shared information hallmark of this stage</li> </ul>
Collaboration	<ul style="list-style-type: none"> <li>- Easy to achieve collaboration</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing takes initiative; sales is passive about collaboration opportunities or possibilities</li> </ul>	<ul style="list-style-type: none"> <li>- In some firms, collaboration is totally absent; both functions exist in silos and do not work together</li> </ul>	<ul style="list-style-type: none"> <li>- Most activities are joint activities</li> <li>- Both functions see value in obtaining assistance from the other group</li> </ul>
Dominant orientation and interfunctional relationships	<ul style="list-style-type: none"> <li>- Sales orientation dominates</li> </ul>	<ul style="list-style-type: none"> <li>- Sales orientation dominates, but traces of marketing /strategic perspectives evident</li> </ul>	<ul style="list-style-type: none"> <li>- Sales tries to protect its turf, clear cultural differences between the functions; if not managed well, they decrease the interface's productivity</li> </ul>	<ul style="list-style-type: none"> <li>- M&amp;S cooperate well, mutual respect and appreciation are evident</li> <li>- Conflicts are avoided or resolved constructively</li> </ul>

## Brief Literature Review & Research Objectives (2/3)

Table 2. Marketing–Sales interface configurations and outcomes in B2B firms (Biemans, Brenčič and Malshe, 2010)

	Hidden marketing	Sales-driven marketing	Living apart together	Marketing-sales integration
Value delivery	<ul style="list-style-type: none"> <li>- Actual delivery largely determined by the sales representative</li> <li>- Salespeople offer personalized customer service</li> </ul>	<ul style="list-style-type: none"> <li>- Focus on physical product plus a few intangibles</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing creates intangible value and supports tangible value provided by sales</li> <li>- Value for customers decreases when M&amp;S are not on the same page</li> </ul>	<ul style="list-style-type: none"> <li>- Both functions participate in all aspects of designing, developing and offering value to customers</li> <li>- Ability to deliver superior value to customers that encompasses both tangible and intangible elements</li> </ul>
Responsiveness	<ul style="list-style-type: none"> <li>- Very responsive to changing short-term needs of individual customers,</li> <li>- Always in a reactive mode</li> <li>- Lacks the ability to identify and respond to macro-level changes</li> </ul>	<ul style="list-style-type: none"> <li>- Sales wants to retain autonomy; some actions are not consistent with marketing's suggested plans</li> </ul>	<ul style="list-style-type: none"> <li>- Emerging responsiveness to longterm needs; firms are proactive in identifying emerging market/ customer needs</li> </ul>	<ul style="list-style-type: none"> <li>- Highly responsive to both short and long-term needs, because of joint activities and shared perspective</li> </ul>
Marketing consistency	<ul style="list-style-type: none"> <li>- Marketing messages differ across territories</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing provides framework for communication to sales; reduces variability</li> </ul>	<ul style="list-style-type: none"> <li>- More overall adherence to marketing strategies</li> </ul>	<ul style="list-style-type: none"> <li>- Significant adherence to strategies since both functions are involved in strategy creation and execution</li> </ul>
Benefits of current stage (gains)	<ul style="list-style-type: none"> <li>- Effective and efficient communication</li> <li>- Strong focus on individual customers</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing creates its own niche and increases sales' awareness concerning their added value</li> </ul>	<ul style="list-style-type: none"> <li>- Increased long-term strategic perspective</li> <li>- Ability to balance both short-term and long-term goals</li> </ul>	<ul style="list-style-type: none"> <li>- Increased value creation for customers</li> <li>- Significant attention paid to latent and emerging needs in the marketplace</li> </ul>
Disadvantages of current stage (losses)	<ul style="list-style-type: none"> <li>- Absence of long-term strategic thinking and planning</li> <li>- No understanding of marketing's potential; thus, not optimal use of latent capabilities</li> </ul>	<ul style="list-style-type: none"> <li>- Emerging turf battles and breakdown in communication</li> <li>- Lack of understanding of marketing's added value</li> </ul>	<ul style="list-style-type: none"> <li>- More room for misunderstanding and miscommunication</li> <li>- Potential for classic problems of animosity, lack of respect, mutual disregard</li> </ul>	<ul style="list-style-type: none"> <li>- Danger of groupthink</li> <li>- Lack of dissent may be counterproductive</li> </ul>

## Brief Literature Review & Research Objectives (3/3)

However, from the studies focusing on B2C firms we are told that, apparently, basic considerations for a successful M-S interface are **(a) the structure of M&S** (Workman, Homburg, and Gruner, 1998), **(b) the relative power and influence of M&S over marketing activities** (Homburg, Workman, and Krohmer, 1999; Krohmer, Homburg, and Workman, 2002), **(c) the low level of conflict between M&S** (Lionakis et al., 2013; Montgomery and Webster, 1997), **(d) the internal collaboration between M&S** (Smith, Gopalakrishna, and Chatterjee, 2006), **(e) the effective interaction and strategic consistency between M&S** (Strahle, Spiro, and Acito, 1996), **(f) the integration between M&S** (Cespedes, 1995; Kotler, Rackham, and Krishnaswamy, 2006), **(g) the cooperation quality and information sharing between M&S** (Homburg et al., 2008), and **(h) the high market knowledge and orientations** (Day, 1999; Homburg et al., 2008)

Consequently, on the basis of the extant literature, our study's objectives are..

(a) the identification of M-S interfaces in B2B firms confirming or otherwise those reported by Biemans et al. (2010),

(b) the examination of additional constructs such as

- the structure of M&S,
- the relative power of M&S,
- the level of conflict between M&S,
- the level of M-S collaboration,
- the effectiveness of M-S relationship, and
- the degree of customer orientation of M&S, for each type of interface, and

(c) the identification of the effectiveness of each interface in terms of company performance

# Research Methodology

## *Sample & data collection*

- The population of this study is B2B companies with turnover of more than 10 million euros and number of employees of more than 50 operating in Greece.
- Based on TNS' list of companies we identified 410 firms as fulfilling the above criteria.
- 98 firms agreed to participate in the research (24% response rate).
- In order to collect data a self-administrated structured questionnaire was applied on line to the Marketing or the Sales manager of each firm
- Informants (Sales Managers / N=58, and Marketing Managers / N=40) were employed by their firms for more than five years and were able to provide detailed information about the current M-S interface.



# Research Methodology

## Measures

We applied two types of measures (a) a nominal scale and (b) reflective multi-item scales using five-point Likert-type measurement

Table 3. Operationalization of study variables

Variables (N=98)	Adopted from	Mean (SD) / descriptive		AVE	CR	Cronbach's alpha
Structure	Le Meunier-FitzHugh & Piercy (2008)	<b>(a) joint department (one director): 33%</b> <b>(b) joint department (two directors): 22%</b> <b>(c) two separate departments (two directors): 45%</b>		na	na	na
Power of Marketing	Kohli (1989)	5 items	<b>3.66 (.90)</b>	.849	.801	.932
Power of Sales	Kohli (1989)	5 items	<b>4.21 (.71)</b>	.879	.820	.925
M&S conflict	Jaworski & Kohli (1993)	7 items	<b>3.55 (.88)</b>	.866	.897	.901
Collaboration between M&S	Hult, Ketchen & Slater (2002)	4 items	<b>4.09 (.65)</b>	.644	.712	.834
Effectiveness of M-S relationship	Ruekert & Walker (1987)	5 items	<b>3.89 (.71)</b>	.720	.758	.801
Customer orientation	Deshpande et al. (1993)	5 items	<b>3.96 (.58)</b>	.685	.738	.894
Company performance	Avlonitis & Gounaris (1997)	8 items	<b>3.29 (.99)</b>	.682	.720	.827
Notes	(1) Scales were reversed-scored, where necessary, so that higher score levels would always represent higher levels of each construct's value (2) The study measures company performance in terms of profits, sales volume, market share and ROI. Key informants evaluated firm performance using a five point scale (a) in comparison with the main competitor (1: much worse, 5: much better), and (b) by indicating their degree of the firm's satisfaction (1: very displeased, 5: very pleased)					

We assessed reliability and validity of the reflective multi-item measures with multifactorial confirmatory factor analysis. The measurement model shows a reasonable good fit with the data:  $\chi^2_{101} = 744$ ; comparative fit index (CFI) = .921; Tucker–Lewis index (TLI) = .920; root mean square error of approximation (RMSEA) = .058. All items load significantly on the hypothesized latent variables, indicating convergent validity. As table 3 shows, each construct manifests a composite reliability (CR) of at least 0.7 (Bagozzi & Yi, 1988). Average variance extracted (AVE) is at least .60 and higher than the  $\phi^2$  for any pair of latent variables, which supports the discriminant validity of the reflective measures (Fornell & Larcker, 1981)

# Research Methodology

**Table 4. Correlations and descriptive statistics**

		1	2	3	4	5	6	7
1	Power of Marketing	1						
2	Power of Sales	-.104 (ns)	1					
3	M&S conflict	-.098 (ns)	.198*	1				
4	Collaboration between M&S	.240*	.054 (ns)	-.487**	1			
5	Effectiveness of M-S relationship	.221*	.087 (ns)	-.465**	.523**	1		
6	Customer orientation	.421**	-.202*	-.501**	.489**	.487**	1	
7	Company performance	.478**	-.197*	-.512**	.533**	.501**	.598**	1
<b>Mean (SD)</b>		<b>3.66 (.90)</b>	<b>4.21 (.71)</b>	<b>3.55 (.88)</b>	<b>4.09 (.65)</b>	<b>3.89 (.71)</b>	<b>3.96 (.58)</b>	<b>3.29 (.99)</b>

Notes: \*p<.05 / \*\*p<.01 / ns=not significant / N=98

Since, the sample consists of both Marketing and Sales respondents, it is necessary to examine whether the structural patterns in the data set, differ between these respondents. We tested whether the correlation matrix of the indicator variables differs between M&S respondents. The null hypothesis that variable correlations of the M&S respondents are equal cannot be rejected at a 5% significance level. This test represents strong evidence that responses from M&S do not differ and that pooling the two groups is justified, and also provides evidence against common method bias (Podsakoff et al., 2003).

# Analysis and Results

We took a four-stage clustering approach, building on procedures that Bunn (1993), Cannon and Perreault (1999), and Homburg, Workman, and Jensen (2002) use. The four core issues in clustering are the following

(a) determining the number of clusters

to determine the appropriate number of clusters, since the objective is to build on the work of Biemans et al. (2010), we followed their prescriptions asking for a four-cluster solution

(b) assigning observations to clusters

the assignment of observations to clusters was done by clustering the complete sample by a hybrid approach (Punj & Stewart 1983) that combined Ward's method with the k-means method, following the prescriptions of Homburg et al. (2008)

(c) assessing the stability of cluster assignments

the assessment of the stability of cluster assignment was done by using the cross-validation procedure that McIntyre and Blashfield (1980) proposed

(d) interpreting the results

we validated whether our four clusters have meaningful interpretations as proposed by Rich (1992), and we tested for differences among these M-S interfaces

Following the interpretation steps suggested by Bunn (1993), we compared the cluster means on the continuous variables, using Waller and Duncan's (1969) k-ratio t-test. The size of the firms (turnover, number of employees) and respondents characteristics (experience and functional background), were not used as active cluster variables. Thus, we explored whether the clusters differ with respect to these variables. We found no indication that clusters reflect significant differences regarding company size and respondent characteristics.

# Analysis and Results

**Table 5. Effectiveness of Marketing-Sales interfaces**

N=98	Hidden marketing (N=32)	Sales-driven marketing (N=21)	Living apart together (N=24)	Marketing-sales integration (N=21)
Structure of M&S	- M&S are merged in one department - All M&S tasks performed by the same individual(s) (33%)	- M&S functions have its own managers, even if these two functions may be merged in one department (22%)	- M&S are separate and distinct functions (24%)	- M&S are separate and distinct functions (21%)
Relative power of M&S units	Not applicable	Not applicable	Sales dominates Marketing (Marketing power: 3.11 <sup>b</sup> ) (Sales power: 4.30 <sup>a</sup> )	M&S are sharing high level of power (Marketing power: 4.09 <sup>a</sup> ) (Sales power: 4.12 <sup>a</sup> )
Conflict between M&S	Not applicable	Moderate – high (3.77 <sup>b</sup> )	High (4.01 <sup>a</sup> )	Low (2.98 <sup>c</sup> )
Collaboration between M&S	Not applicable	Moderate – high (4.12 <sup>a,b</sup> )	Moderate (3.63 <sup>b</sup> )	High (4.34 <sup>a</sup> )
Effectiveness of relationship	Not applicable	Moderate – high (3.96 <sup>a,b</sup> )	Moderate (3.61 <sup>b</sup> )	High (4.12 <sup>a</sup> )
Customer orientation	Low (3.13 <sup>c</sup> )	Moderate (3.93 <sup>b</sup> )	Moderate – low (3.58 <sup>b,c</sup> )	High (4.47 <sup>a</sup> )
Company performance	Low (2.88 <sup>c</sup> )	Moderate (3.32 <sup>b</sup> )	Moderate – low (2.98 <sup>b,c</sup> )	High (3.82 <sup>a</sup> )
Notes	Reported values are mean values if not indicated otherwise. In each row, cluster means that have the same superscript are not significantly different ( $p < .05$ ) on the basis of Waller and Duncan's (1969) multiple-range test. Means in the highest bracket are assigned the superscript "a," means in the next lower bracket are assigned the superscript "b," and so forth.			



# Implications

Our four M-S configurations confirm the findings of Biemans et al. (2010) regarding the existence of these interfaces in B2B firms.

However, while Biemans et al. (2010) presented a dynamic spectrum of four different M-S interfaces, that may be useful for B2B firms, with each configuration having its own benefits and disadvantages, representing a different organizational arrangement, different operating/process characteristics and different outcomes..

..we expanded these results by identifying the most effective interface in terms of smooth relationship between M&S and enhanced performance.

.. our study indicated that the quality and outcomes of the M-S interface depend on the characteristics of both functions and how the interface is organized.

The most effective interface appears to be “Marketing-Sales integration”, since it is characterized by (a) high and equal level of power between the M&S units, (b) low level of conflict between M&S, (c) high level of M-S collaboration, (d) high effectiveness of relationship between M&S, (e) high degree of customer orientation, and (f) high company performance.

This evidence is consistent with those reported by Cespedes (1995), Kotler et al. (2006), Homburg et al. (2008), and Lionakis et al. (2013), in B2C firms.

# Implications

Therefore, managers are provided with a systematic way to think through the design of their M-S interface in order to build stronger interfaces between these two units

Based on this knowledge, they may identify elements of their current M-S configuration that need to be strengthened, modified or developed

*This is particularly important for B2B companies considering marketing's evolving and increasingly strategic role in demanding marketplaces (Wiersema, 2013).*

**Accordingly, emphasis should be placed on**

- (a) the effectiveness of the relationship between M&S units,
- (b) eliminating any status and power differences of the M&S units,
- (c) reducing the level of dysfunctional conflict between M&S units,
- (d) enhancing the quality of collaboration between M&S units, and
- (e) the adoption of a customer oriented philosophy by M&S units.

**This can be achieved through**

- (a) the development of internal processes focusing on customer desires and on competitors' strategies, and enhancing inter-functional coordination between M&S,
- (b) the removal of barriers between these two units in order to provide both of them with an equal strategic voice, and
- (c) structural linkages, such as, teamwork, joint planning, job rotation policies, sharing of info, joint training programs, and joint customer visits of M&S executives.

# Thank you for your attention

More info..

[Lionakis@aueb.gr](mailto:Lionakis@aueb.gr)

[Avlonitis@aueb.gr](mailto:Avlonitis@aueb.gr)