

FUNCTIONAL CONFLICT AND THE EFFECTIVENESS OF MARKETING MANAGER/SALES MANAGER WORKING RELATIONSHIPS

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Abstract

Effective cross-functional relationships (CFRs) between Marketing and other departments are critical to the performance of most organisations. CFRs are part of Porter's value chain, and are an important aspect of a firm's market orientation. Over the last three decades, a significant body of literature has emerged examining factors which contribute to effective CFRs, e.g., interpersonal communication, trust, and conflict between relationship partners. Whilst it is well accepted in the literature that interpersonal conflict can have powerful detrimental effects on CFRs, and in turn on firm performance, it is also acknowledged that conflict can have functional effects within organisations. Despite this, very few studies of Marketing's CFRs have examined functional conflict. In this paper empirical evidence is presented from a study of 103 organisations in Australia, which demonstrates the powerful effects of functional conflict on CFRs. The context for the current study is the CFR between Marketing Managers and Sales Managers, and the results of this study provide insights for management efforts to better integrate the sister functions—Marketing and Sales.

Introduction

The purpose of this paper is to empirically examine factors which influence the effectiveness of the Marketing/Sales CFR, and in particular, the role of interpersonal conflict in this CFR. The traditional conceptualisation of interpersonal conflict in the management and marketing literature is that it has negative effects, and leads to dysfunctional behaviours. However, a number of scholars have argued that conflict can generate positive cross-functional outcomes. Despite this, conflict continues to be conceptualised and operationalised in terms of negative and unproductive behaviours that cause unhealthy relationships (Menon, Bharadwaj, and Howell 1996).

Although there is theoretical support for the existence of functional outcomes from conflict (e.g., Barabba and Zaltman 1991), and a general acceptance of this notion, empirical tests of this proposition are rare. The only major study to specifically examine functional conflict in the context of Marketing's CFRs is Menon, Bharadwaj, and Howell (1996). As such, this is an issue requiring further empirical research, because to date the purported positive effects of functional conflict on firm performance appear to be...“based on theory, anecdotal evidence, and post hoc rationalisations of conflicting or non-significant findings, rather than on direct empirical evidence” (Menon, Bharadwaj, and Howell 1996, p.300). The primary objective of this paper is therefore to provide further empirical evidence of the positive effects of conflict within CFRs.

The context of this research is the CFR between Marketing Managers and Sales Managers, and this topic is managerially important because of the key role played by Sales Managers in translating marketing strategies into effective operational behaviour (Strahle,

Spiro, and Acito 1996). As such, there is a clear need for empirical research into the functional effects of conflict within the Marketing/Sales CFR, and CFRs in general. The key contribution of this paper is that it provides empirical support for the notion that conflict can have functional outcomes within Marketing's CFRs, and that the net effects of functional conflict are stronger in building effective CFRs than dysfunctional conflict's negative effects. These results therefore have implications for management's attempts to improve integration between Marketing and Sales. Data was collected from 103 Marketing Managers in firms throughout Australia, in a wide variety of industries, in both consumer and industrial markets, which helps improve the external validity of our findings.

Theoretical Framework

Organisations that are structured as separate, functionally specialised units require re-integration into a cohesive whole, where each unit contributes to the overall goals of the organisation (Lawrence and Lorsch 1967). The literature on CFRs has identified a wide range of variables which can influence the effectiveness of CFRs, and thereby improve cross-functional integration, e.g., bureaucratic variables such as formalisation and centralisation (Weber 1947), and the use of "lateral linkage devices" to integrate two departments (e.g., Olson, Walker, and Ruekert 1995). However, increasing attention has been paid to the effects of individual-level behavioural variables on CFRs, such as conflict, trust, and communication, which are the focus of this current research.

The theoretical basis for this work is derived from organisational communication (e.g., Fisher 1978), marketing (e.g., Menon, Bharadwaj, and Howell 1996), and organisational behaviour (e.g., McAllister 1995). In this study we examined 6 individual-level independent variables, each of which have been demonstrated empirically to influence CFRs.

Dependent Variable: Perceived Relationship Effectiveness

Consistent with Van de Ven (1976), the dependent variable *perceived relationship effectiveness* (PRE) is defined in terms of how worthwhile, equitable, productive, and satisfying the Marketing Manager perceived their working relationship with the Sales Manager to be during a specific cross-functional project. This psychosocial variable was selected for two reasons. Firstly, previous studies of effective working relationships have also focused on subjective rather than "objective" outcomes (e.g., Anderson and Narus 1990; Ruekert and Walker 1987). Secondly, Brock Smith and Barclay (1997) argued that objective measures of effectiveness (e.g., sales volume, or market share) may not accurately reflect the quality of a relationship due to confounding factors such as long sales cycles. It should be noted however, that there is a logical link between PRE and sales and market share outcomes, but the path from this dependent variable to these outcomes is complex and would necessitate including other predictors. This is beyond the scope of what can be achieved in this current study.

Independent Variables

Interpersonal conflict. In this research we conceptualise conflict as having two underlying dimensions, first the traditional view of interpersonal conflict, i.e., that it is unhealthy, and associated with dysfunctional behaviours which reduce cross-functional performance (Dutton and Walton 1966). A significant body of empirical evidence has shown that dysfunctional conflict reduces performance in many areas of a firm's operations, and can ultimately affect firm performance (e.g., Barclay 1991; Jaworski and Kohli 1993; Souder 1988). A number of

studies in Marketing however, have noted that conflict can also have functional outcomes (e.g., Menon, Bharadwaj, and Howell 1996; Ruckert and Walker 1987). In the first major empirical study of Marketing's CFRs, Ruckert and Walker (1987) identified interpersonal conflict as a key "psychosocial outcome" of Marketing's CFRs. Ruckert and Walker (1987) and found an unexpected positive correlation between Marketer's perceptions of the effectiveness of their relationships with Accounting personnel, and the amount of interpersonal conflict between them. In a more focused study of this phenomenon, Menon, Bharadwaj, and Howell (1996) found that conflict generates functional outcomes because it promotes consultative interactions, stimulation of healthy debate, and constructive challenging of received views, and underlying assumptions. Thus, we hypothesise:

H_{1a}: As dysfunctional conflict increases, perceived relationship effectiveness decreases

H_{1b}: As functional conflict increases, perceived relationship effectiveness increases

Communication frequency and bidirectionality. A number of studies have found that effective communication between two managers can help achieve positive outcomes in CFRs (e.g., Gupta and Wilemon 1990). Accordingly, two communication dimensions are included in this study—communication frequency and bidirectionality. *Communication frequency* refers to the intensity of information flow through various media, such as electronic mail, memos, and face-to-face meetings. Consistent with Fisher, Maltz, and Jaworski (1997), *bidirectionality* is defined as the degree to which communication is a two-way process.

A number of studies (e.g., Griffin and Hauser 1992; Ruckert and Walker 1987) advocate increased communication frequency as a means to integrate two functional units, via increased PRE, whilst other work has established the importance of bidirectional communication in CFRs. Fisher, Maltz, and Jaworski (1997) for example, report a strong positive correlation between bidirectional communication and PRE, hence its inclusion in the current study. We therefore hypothesise:

H_{2a}: As communication frequency increases, perceived relationship effectiveness increases

H_{2b}: As bidirectional communication increases, perceived relationship effectiveness increases

Interpersonal Trust is included because a number of disciplines have established the importance of this construct, including economics (e.g., Williamson 1993), management (e.g., Ring and Van de Ven 1992), sociology (e.g., Granovetter 1985), and marketing (e.g., Anderson and Narus 1990; Moorman, Zaltman, and Deshpandé 1992). In the social psychological literature, trust has been found to affect the efficiency, adjustment, and survival of social groups (Rotter 1967). Similarly, Golembiewski and McConkie (1975) argued that there is probably no other single variable which so thoroughly influences individual and group behaviour. As such, interpersonal trust is likely to be an important variable affecting the Marketing/Sales CFR.

In measuring trust, we adopt McAllister's (1995) conceptualisation, which in turn is drawn from Lewis and Weigert (1985), in which interpersonal trust has two underlying dimensions: *cognition-based trust* (CBT), and *affect-based trust* (ABT). CBT refers to a person's rational bases for trusting another person, e.g., previous occasions in which that person has been competent and reliable in performing tasks affecting the other person. ABT refers to emotional bonds between individuals, where one individual exhibits genuine concern for the welfare of the other person. A wide variety of studies have found that interpersonal

trust positively influences relationship effectiveness (e.g., Brock Smith and Barclay 1997; McAllister 1995), thus, we hypothesise:

- H_{3a}: As cognition-based trust increases, perceived relationship effectiveness increases
H_{3b}: As affect-based trust increases, perceived relationship effectiveness increases

Method

The sampling unit for this research was Marketing Managers from Australia. Respondents were asked to focus on a specific Sales Manager with whom they had worked on a cross-functional project over the last 18 months. Our sample included 103 firms, 44.7% of which were goods producing firms, 11.7% were service providers, and the remaining 43.7% provide both goods and services. Consumer marketers accounted for 27.2% of the firms, business-to-business marketers 41.7%, and 31.1% sold into both markets. The firms in our sample were generally large with a mean number of employees of 557.24 (s.d. 1,120.29). Data was collected using a pretested, self-administered mailed questionnaire, and our net response rate was 28.2%.

Table 1: Regression Results

Independent Variable	Standardised Beta	t-Value
Dysfunctional Conflict	-.194	-3.28**
Functional Conflict	.313	4.29**
Cognition-based Trust	.042	.54
Affect-based Trust	.335	4.19**
Communication Frequency	.074	1.49
Bidirectional Communication	.156	2.16*

Dependent variable: Perceived relationship effectiveness

Adjusted R² = 0.771 F = 58.296 Sig. Level = 0.000

** < .01 * < .05 One-tailed tests were used because our hypotheses are directional

All of the multi-item measures were tested for reliability, except communication frequency which is a formative measure. The alphas for the five other constructs are: Dysfunctional conflict .78; Functional conflict .81; Cognition-based trust .90; Affect-based trust .96; Bidirectional communication .87, which suggest that there is good internal consistency in the measures.

Discriminant validity was established for all constructs, and tests for multicollinearity suggest that this was not a problem with our regression model. Our model has an R² of .771, indicating that 77.1% of the variance in the dependent variable PRE is accounted for by the 6 independent variables in the regression model, hence the independent variables analysed in this model have significant explanatory power. In addition, all but two of the beta coefficients in the model are significant.

Turning first to the primary focus of this research, Table 1 shows that functional conflict has a strong positive influence on PRE ($\beta = .313$, $p < .01$). Interestingly, the positive effect of functional conflict is stronger than the negative effect of dysfunctional conflict ($\beta = -.194$, $p < .01$). These results therefore achieve one of the key aims of this research, by demonstrating

that functional conflict can lead to positive outcomes for CFRs, and that simply focusing on reducing dysfunctional conflict ignores a potentially more important influence on CFRs.

The effects of the two forms of interpersonal trust on PRE are mixed. Cognition-based trust has no effect on PRE ($\beta = .042, p < .29$), whilst the effects of affect-based trust are strong and significant ($\beta = .335, p < .01$). One possible explanation for these findings is due to the differences between CBT and ABT. A Marketing Manager with CBT in the Sales Manager may not perceive their relationship to be more effective, as they expect, and receive a baseline level of performance from the Sales Manager. On the other hand, ABT is a more “special” form of trust (Johnson-George and Swap 1982), which involves more than work-related issues, i.e., there is affect, and genuine concern for that peer manager. Therefore, a Marketing Manager reporting high ABT is more likely to perceive their relationship to be more effective than a manager with only CBT in the Sales Manager.

Turning now to our findings regarding the two communication behaviours on relationship effectiveness, bidirectionality is clearly important in improving PRE ($\beta = .156, p < .05$), while communication frequency had no effect ($\beta = .074, p < .10$). Our findings therefore only partially support Fisher, Maltz, and Jaworski’s (1997) study of the Marketing/Engineering CFR in which both communication behaviours were found to increase PRE. As such, our finding regarding communication frequency is contrary to the “interactionist” viewpoint, which advocates more frequent communication to increase cross-functional integration (e.g., Griffin and Hauser 1992; Ruekert and Walker 1987). Our results are however consistent with more recent research into departmental interactions and collaborative behaviours, on cross-functional integration (e.g., Kahn 1996; Kahn and Mentzer 1998). These studies found virtually no relationship between “interaction” (i.e., meetings, telephone conversations, e-mail, exchange of forms, reports, memoranda and facsimiles) and departmental performance, company performance, product development performance, or product management performance.

Conclusions and Directions for Future Research

In this paper we present evidence that the effectiveness of CFRs can be enhanced via functional conflict, and that the effects of this are stronger than the negative effects observed for dysfunctional conflict. In addition, evidence is provided that effective CFRs are also built on a foundation of effective communication, and interpersonal trust. In particular, bidirectional communication is found to be more important than mere communication frequency. Our research therefore corroborates a number of existing studies which find bidirectional communication has a strong relationship building effect (e.g., Fisher, Maltz, and Jaworski 1997). Bidirectional communication has a direct, positive effect on PRE, but the effects are smaller than those of ABT, functional conflict, and dysfunctional conflict.

This research raises a range of other issues for future research, in particular, the means by which management can stimulate functional conflict within CFRs. A number of limitations are acknowledged in this research. In particular, our research was cross-sectional in design, and future research using a longitudinal approach is required to better establish internal validity. Also, the findings presented here are from only one member of the dyad, the Marketing Manager, and future research is required to establish whether the same patterns between the constructs are found when examined from the Sales Manager’s perspective.

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