Managing Effectiveness in Working Relationships Between Marketing Managers and Sales Managers: Contextual, Structural, and Process Effects

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Abstract

The authors examine the effectiveness of working relationships between Marketing Managers and Sales Managers, by testing the effects of contextual, structural, and process variables on *perceived relationship effectiveness*. The results reveal that contextual and process variables have strong effects on the Marketing Manager/Sales Manager relationship. In particular, *affect-based trust* has the strongest positive influence, followed by *bidirectional communication*. A negative effect was observed where the level of *psychological distance* between the two managers is high. Importantly, the authors find that Weber's bureaucratic dimensions *formalisation* and *centralisation* have no impact on relationship effectiveness.
Keywords: Cross-functional relationships; Marketing/Sales Relationships

Introduction

Cross-functional integration requires employees from different departments to interact, and exchange work, resources, and assistance (Ruekert and Walker 1987). These repeated interactions are known as "cross-functional relationships"—CFRs (e.g., Hutt 1995), and are important aspects of internal marketing (e.g., Ballantyne 1997), and market orientation (e.g., Kohli and Jaworski 1990). Also, because Marketing is a key function responsible for NPD, and customer satisfaction, CFRs are of great academic and managerial importance (Houston *et al.*, 2001), and there is evidence that the performance of individual units, and the firm itself improves when CFRs are effective (e.g., Souder 1981).

This article concerns Marketing's CFR with Sales, and in a summary of the sparse literature on this CFR, Dewsnap and Jobber (2000) note that it is characterised mainly by negative outcomes. However, because this literature is mostly anecdotal, conceptual, or normative, these outcomes are not quantified. Our research begins to fill this gap by focusing on perceived relationship effectiveness (PRE), and the contextual, structural, and process influences on this CFR. The Marketing Managers (MMs) and Sales Managers (SMs) in this study are at similar levels in their firms' hierarchies. This is important because different effects may emerge if there are power asymmetries in the CFR.

We draw on two theoretical perspectives to develop our model—Weber's (1924/1947) theory of bureaucracy, and the interaction approach (e.g., Morgan and Hunt, 1994). The

interaction approach concerns the nature and pattern of s interactions between personnel in different units (e.g., Moenaert *et al*., 1994). Weber's (1924/47) theory of bureaucracy examines optimal structures and administrative systems for large organisations with differentiated functions.

Conceptual Framework

In our model we use three sets of independent variables to explain PRE: *contextual*, *structural*, and *process*. Drawing on Weber's (1924/47) theory of bureaucracy we include two structural/bureaucratic constructs—*formalisation* and *centralisation* because a large body of work suggests that they are cogent and indispensable in organisation theory (e.g., see Rajagopalan *et al*, 1993). From the interaction approach, we include two process variables—*communication frequency*, and *bidirectionality* because the current state of a CFR is the result of an ongoing series of interactions linking functional managers (Fisher *et al*, 1997; Johlke *et al.*, 2000). We also include three contextual variables—*psychological distance*, and the level of *cognition-based* and *affect-based trust* between the two managers, because the context of a relationship affects the performance of that relationship (Young and Wilkinson 1997). Whilst we acknowledge that there may be alternate causal sequences to those presented in this article, space limitations prevent a discussion of these.

Dependent Variable: Perceived Relationship Effectiveness

Consistent with Van de Ven (1976), *perceived relationship effectiveness* (PRE) is defined as how worthwhile, equitable, productive, and satisfying the MM perceived their CFR to be with the SM during a specific cross-functional project. This psychosocial variable was selected because previous studies have focused on subjective rather than objective outcomes (e.g., Anderson and Narus, 1990; Ruekert and Walker, 1987). Also, Smith and Barclay (1997) argue that objective measures of effectiveness (e.g., sales volume, market share) may not accurately reflect relationship quality due to confounding factors such as long sales cycles.

Independent Variables

Interpersonal Trust is included because a wide range of literature has established its importance in exchange relationships. Trust can affect the efficiency, adjustment, and survival of social groups (Rotter, 1967), and there is probably no other single variable which so thoroughly influences individual and group behaviour (Golembiewski and McConkie 1975). Trust is therefore likely to be important in the Marketing/Sales CFR. In this research we adopt McAllister's (1995) conceptualisation in which trust has two 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.

Psychological distance. Studies of the Marketing/R&D CFR suggest that "sociocultural differences" between managers may be detrimental to effective integration and innovation success (e.g., Gupta *et al*., 1986). Drawing on this work, Fisher *et al.* (1997) examined the effects of "psychological distance," between MMs and Engineering Managers. Psychological distance refers to how similar managers are in terms of time taken to make a decision, tolerance for risk, their focus on technology or customers, decision-making styles, and belief there is always a "right" answer.

Centralisation and Formalisation. Organisational structure is often defined in terms of two Weberian dimensions *centralisation* and *formalisation*. Various studies have suggested that they are significant predictors of firm performance (Rajagopalan *et al*, 1993), and may therefore be important in CFRs. Centralisation refers to the extent to which decision-making authority is concentrated at higher levels within an organisation (e.g., Dewar and Werbel, 1979). Formalisation is the degree to which job requirements and behaviours are codified into policies, rules, regulations, and customs, to enhance organisational efficiency and control (e.g., Hage 1980).

Communication Frequency and Bidirectionality. To provide a multidimensional view of cross-functional communication, we examine *communication frequency* and *bidirectionality*. The former is regarded as a key dimension of communication, while two recent studies of CFRs show that bidirectionality is at least as important as communication frequency in generating positive cross-functional outcomes (Fisher *et al.*, 1997; Johlke *et al.*, 2000). Communication frequency is the intensity of information flow through media such as e-mail, memos, and face-to-face meetings (Morgan and Piercy, 1998), and bidirectionality as the degree to which communication between the MM and the SM is a two-way process (Fisher *et al.* 1997).

Hypotheses Development

Cognition- and Affect-Based Trust. The direct effects of CBT and ABT on PRE are not well understood, however McAllister (1995) argues that trusting peers are likely to assess each other's performance more favourably. Smith and Barclay (1997) also examined the effects of trusting behaviours found that greater trust is associated with greater perceived task performance, a construct conceptually similar to PRE. We argue that a MM's trust in a SM is likely to improve PRE in the Marketing/Sales CFR. Accordingly, we hypothesise:

H_1: As the MM's CBT in the SM increases, PRE will increase.
H_2: As the MM's ABT in the SM increases, PRE will increase.

Psychological distance. Recent work has shown that high psychological distance between MMs and Engineering Managers has a strong negative effect on PRE (Fisher *et al*. 1997). Where two managers are psychologically distant they may approach problems differently, focus on different issues, and value different types of information. This distance is likely to be associated with lower PRE. Thus, we hypothesise:

H_3: As the psychological distance between MMs and SMs increases, PRE decreases

Centralisation and Formalisation. A number of studies in marketing suggest that greater centralisation increases alienation, inhibits participation in decision-making, healthy exchange of ideas, and constructive criticism (Barclay 1991; John and Martin 1984; Ruekert and Walker 1987). Accordingly, we expect increased centralisation to be associated with lower PRE. Conversely, formalisation has been found to be associated with more rational planning, and clarification of cross-functional linkages, functional roles, responsibilities and skills (Inkson, Hickson, and Pugh, 1968), all of which can facilitate cross-functional integration (Menon *et al*, 1999). Accordingly we hypothesise:

H_4: As centralisation increases, PRE will decrease.
H_5: As formalisation increases, PRE will increase.

Communication Frequency and Bidirectionality. In CFR studies communication has been linked to outcomes such as project success (Dougherty 1992) and cross-functional integration (Ruekert and Walker 1987). Other research suggests that high communication frequency can improve coordination, and understanding of others' information requirements, and should improve PRE (e.g., Ruekert and Walker 1987). Moreover, recent research suggests that bidirectionality facilitates dialogue, and helps clarify and improve the quality of dyadic communications (Fisher *et al.* 1997; Johlke et al. 2000). A likely upshot of this is higher PRE. Therefore, we hypothesise:

H_6: Higher communication frequency will lead to greater PRE.
H_7: Higher bidirectionality will lead to greater PRE.

Method

Data was collected using a pretested, mailed, self-administered questionnaire. In total, 103 usable questionnaires were returned (response rate = 23%), and tests of nonresponse bias indicated no significant differences between early and late respondents. The MMs in our study had worked with the SM for an average of 3.5 years, which suggests that they were knowledgeable about the issues covered in this research. The final sample of firms revealed good diversity (goods-producers 44.7%; service-providers 11.7%; and 43.6% sold both goods and services). In terms of market type, 41.7% were in business markets, 27.2% were in consumer markets, and 31.1% sold to both types of market. The average firm size was 557 employees. Accordingly, the firms in our sample are large, cover a wide range of business types, and we believe that our findings have high external validity.

Operational Measures, Construct Validity, and Reliability. One formative measure was used (communication frequency), and seven reflective multi-item measures were used (CBT, ABT, psychological distance, bidirectionality, formalisation, centralisation, and PRE). Exploratory factor analysis revealed that the reflective multi-item constructs were unidimensional. The items were then tested via confirmatory factor analysis (CFA) using AMOS Version 4 (Arbuckle and Wothke, 1999) and the resulting measurement models were satisfactory. Discriminant validity was established using Fornell and Larcker's (1981) procedure, and reliability analysis revealed that the alpha coefficients for all but two of the scales are .84 or higher. Despite not reaching 0.7, psychological distance (α = .62) and centralisation (α = .69) were above the 0.6 considered acceptable for exploratory research (Robinson, Shaver, and Wrightsman, 1991). The average variance extracted for each reflective multi-item measure exceeds .50, except psychological distance (AVE = .41) and centralisation (AVE = .45). Overall, the measures have reasonable psychometric properties and are suitable for use in further analysis.

Results

OLS regression was used to estimate our model and an examination of the residuals showed no obvious violations for the key assumptions of linearity, normality, and independence.

Descriptive findings

PRE was measured using 5 items and 7pt-bipolar scales. Because the overall mean for this construct was 5.10 (s.d. = 1.64), where higher numbers indicate higher PRE, we can conclude that there is a surprisingly high level of PRE between MMs and SMs. However, the relatively large standard deviation suggests that there is wide variation in the scores.

Table 1: Regression Model for Explaining Relationship Effectiveness

Hypothesis No. & Direction	Independent variables	Standardized Coefficients	T-values
Contextual			
H_1 (+)	Cognition-based trust	.12	1.59
H_2 (+)	Affect-based trust	.36	4.289**
H_3 (–)	Psychological distance	–.18	–2.941**
Structural			
H_4 (+)	Centralisation	–.02	–.269
H_5 (–)	Formalisation	.04	–.697
Process			
H_6 (+)	Communication frequency	.04	.728
H_7 (+)	Bidirectionality	.29	4.978**
R^2 = .744 Adjusted R^2 = .726 F-Value = 39.534 Sig. Level = 0.000			

** $p < 0.01$ One–tailed tests are used because the hypotheses are directional.

Model testing

Table 1 above reports the results of the model testing, and shows that three of the seven hypotheses are statistically significant.

Theoretical Implications

The contextual construct ABT has the strongest effect on PRE, supporting previous research (e.g., McAllister, 1995). In contrast, our results reveal that psychological distance is detrimental to CFRs. We therefore corroborate theory which predicts that sociocultural and psychological differences are barriers to effective cross-functional integration (e.g., Biller and Shanley, 1975; Fisher, Maltz, and Jaworski, 1997). Contrary to one of the predictions of interaction theory, we find that more frequent communication does not increase PRE, however, bidirectional communication does. Finally, we found no relationship between Weber's (1924/47) structural/bureaucratic dimensions and PRE, suggesting that these factors do not have significant impacts at the individual level. Institutional theory (e.g., DiMaggio and Powell, 1983) suggests that social systems do not change as rapidly as their environments, hence changing organisational structures may not immediately affect CFRs due to organisational inertia.

Limitations and Directions for Future Research

A major limitation of our research is that we rely on cross-sectional data to draw inferences regarding relationships which develop and are enacted over time. Future research could utilize longitudinal data to investigate these important phenomena. Another limitation relates to the

data being restricted to MMs' perceptions of the CFR. Future research will need to examine the relationship from the perspective of MMs, ideally by examining SMs and MMs simultaneously. Another limitation relates to the measurement properties of two of our key constructs, psychological distance and centralisation. Future research could be improved by incorporating better measures of these constructs. Lastly, whilst we adopt a multidimensional view of communication between these peer managers, future research could look at other factors which may be relevant, e.g., the quality, and content of their communications.

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