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The impact of aligned rewards and senior manager attitudes on conflict and collaboration between sales and marketing

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ABSTRACT

This research was carried out using five case studies and a survey to discover how sales and marketing managers are rewarded and if alignment of rewards can improve collaboration between sales and marketing and/or reduce inter-functional conflict. In addition, it examined the role of senior managers' support for coordination on sales/marketing collaboration. The results reveal that organizations which use aligned rewards can increase sales/marketing collaboration through such reward structures, but not reduce inter-functional conflict. In addition, senior managers' support for coordination is vital, as it increases sales/marketing collaboration, and strongly reduces inter-functional conflict. This is important because inter-functional conflict has a strong negative impact on collaboration between sales and marketing in business to business firms.

This paper examines the effectiveness of rewards alignment, and the role of senior management, in improving collaboration and decreasing conflict between sales and marketing personnel in business-to-business firms. The sales/marketing interface has a direct and significant impact on customers and the revenue-earning potential of the firm. Guenzi and Troilo (2007) for example linked the effectiveness of Marketing/Sales relations, to positive outcomes such as superior value creation, and market performance. Hence, the effective management of the sales/marketing interface is possibly of greater importance in improving business performance and organizational success than any other internal interface (e.g. Dawes & Massey, 2005; Homburg & Jensen, 2007; Le Meunier-FitzHugh & Piercy, 2007), particularly within business-to-business firms (Dawes & Massey, 2006).

A key proposition investigated in this study is whether sales/marketing collaboration can be improved by aligning the reward structures of sales and marketing. A number of conceptual and empirical studies (e.g., Dewsnap & Jobber, 2000; Kotler, Rackham, & Krishnaswamy, 2006; Rouzies et al., 2005) have identified aligned or joint reward structures as a key mechanism to improve the sales/marketing interface. However, to our knowledge, this proposition has not previously been empirically tested. A major issue addressed in our study therefore is whether aligning reward structures to reflect broader "superordinate" goals (e.g., company performance) rather than individual departmental goals can facilitate collaboration and reduce tension between sales and marketing.

According to Galbraith (2002:12), "The purpose of the reward system is to align the goals of the employee with the goals of the organization" and "to be successful, the focus of rewards must be compatible with the tasks and structures laid down for the organisation" (Child, 1985:202). However, Alldredge, Griffin, and Kotcher (1999) note that in many organizations, sales and marketing are being pulled in two different directions by independent goals and reward systems. Although sales and marketing are sometimes considered to be part of the same function with the same objectives, in reality they are often managed as two distinct departmental groups with independent goals (e.g. Anderson, Dubinsky, & Mehta, 1999; Olson, Cravens, & Slater, 2001). These goal differences may be a source of interdepartmental friction, and may indicate a lack of understanding of the importance of coordination by senior management (e.g. Colletti & Chonko, 1997; Homburg & Jensen, 2007; Lorge, 1999, Strahle, Spiro, & Acito, 1996).

The impact of senior managers' support for sales/marketing coordination on inter-functional conflict and collaboration is also explored. Tjosvold (1988) noted that as internal collaboration improves productivity and competitiveness, increasing it is a key managerial objective. There is evidence to suggest however that the sales/marketing interface is not always harmonious or collaborative (e.g. Kotler et al., 2006; Lorge, 1999; Rouzies et al., 2005). Moreover,

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inter-functional conflict (e.g. working at cross purposes, low support, and obstructive behavior) in the sales/marketing interface reduces collaboration (Le Meunier-FitzHugh & Piercy, 2007; Menon, Jaworski, & Kohli, 1997) and operational effectiveness. Both improving collaboration and reducing conflict between sales and marketing should be a target for senior managers according to Kotler et al. (2006), but many managers are not focused on achieving these objectives.

We make a number of contributions to the literature. First, whilst a number of studies have discussed the impact of rewards on the sales/marketing interface (e.g. Dewsnap & Jobber, 2000; Kotler et al., 2006; Rouzies et al., 2005), this is the first empirical test of this issue. Our study therefore responds to Chimhanzi (2004), who called for further research into the effects of reward systems on interdepartmental integration. Our second contribution is that we examine the role of senior managers' support for sales/marketing coordination in reducing inter-functional conflict and improving collaboration. Our study therefore not only adds to the scant literature on the sales/marketing interface, it also contributes to the debate on the impact of senior management attitudes on the interface, thereby filling a gap in our knowledge. Our specific objectives are:

- *To identify from the literature key constructs influencing sales/marketing collaboration.*
- *To explore the roles of senior manager's support for collaboration, and aligned rewards in reducing inter-functional conflict, and increasing sales/marketing collaboration.*
- *To empirically test whether aligned rewards, and senior managers' support for coordination reduce inter-functional conflict, and increase collaboration.*

The article is structured as follows. First we provide a review of the relevant literature and then we describe our methodological approach to the exploratory phase of our study. We present the findings from our exploratory case studies, specify our conceptual model and develop our hypotheses. The methodology for the quantitative part of the study and the results from the quantitative phase are then presented. A discussion of the findings follows, and finally we present our conclusions, the limitations of the study, and directions for future research.

1. Literature review

1.1. Collaboration between sales and marketing

Functional specialization is important for operational effectiveness, but must be accompanied by a collaborative working environment (Maltz & Kohli, 2000; Piercy, 2006; Ruekert & Walker, 1987). In this study, our conceptualization and definition of 'collaboration' are drawn from Kahn's (1996) research into R&D/marketing integration. This research revealed that collaborative factors such as collective goals, mutual understanding, informal activity, shared resources, common vision, and esprit de corps are more effective in improving internal interfaces than simply interaction or integration of activities. As both Shapiro (2002) and Kotler et al. (2006) have noted, sales and marketing have necessarily different roles within the firm, so integration of their activities would be inappropriate and possibly counter-productive. The intangible elements underlying the collaboration construct may therefore be more effective than mere interaction or integration of activities, in improving the sales/marketing interface.

As Shapiro (2002) notes: "Nowhere is the need to work together more important than in the twin customer-facing functions of marketing and sales". Two studies of the sales/marketing interface found that the configuration of the relationship between the departments impacts on the levels of conflict or collaboration. Kotler et al. (2006), for example, suggested a continuum of relationships between sales and marketing staff from 'undefined (and largely conflicted)', through 'defined; and aligned', to 'integrated (and usually conflict-free)'. However they also noted that very few organizations had truly 'integrated' relationships. A second study, by Homburg, Jensen, and Krohmer (2008), found five different configurations from 'ivory tower' to 'sales-driven symbiosis' illustrating the relative power of the marketing or sales role within the organization, their structural linkages, information sharing ability, orientations and knowledge. These configurations are associated with differing levels of cooperation and market performance, suggesting that within and across industries, the sales/marketing interface varies in terms of levels of collaboration and conflict.

A number of other studies have found that there are operational efficiencies to be gained through improved internal collaboration, which may lead to greater customer satisfaction and improved business performance (e.g., Kohli & Jaworski, 1990; Morgan & Turnell, 2003; Narver & Slater, 1990; Webster, 1997). Tjosvold (1988) indicated that inter-functional collaboration led to increased productivity and competitiveness, while Le Meunier-FitzHugh and Piercy (2007) found that sales/marketing collaboration in business-to-business organizations positively impacts on business performance. Many senior managers now believe that enhanced internal cooperation leads to business success and are adopting relevant managerial initiatives to improve the sales/marketing interface (Griffin & Hauser, 1996; Krohmer, Homburg, & Workman, 2002; Shapiro, 2002).

1.2. Senior managers' support for coordination

As Kahn (1996) has noted, it is important for top management to implement programs which encourage departments to achieve goals collectively, to foster mutual understanding, to work informally together, and to share the same vision, ideas, and resources. Consistent with this, Viswanathan and Olson (1992) suggested a key role of senior management is to create the culture and environment of the organization.

However, as Smith, Gopalakrishna, and Chatterjee (2006:565) note: "On the surface, the marketing–sales relationship seems symbiotic and complementary, though in practice, coordinating the two functions is rarely an easy task". Sales for example are expected to achieve 'hard' measures of performance such as short term sales targets, while marketing are often set longer term 'softer' goals which are more difficult accurately quantify, e.g. brand building. In setting these independent targets for the sales and marketing groups, it seems that senior managers may have difficulty in assessing the trade-offs between short-term and long-term financial performance (Gupta, Raj, & Wilemon, 1985; Webster, 1997). The existence of independent targets suggests that some senior managers do not acknowledge or overtly support the need for improved sales/marketing coordination.

In contrast, studies of the R&D/marketing interface have found that senior managers and representatives from each functional area constantly stress the value of working together to achieve common goals (e.g. Krohmer et al., 2002; Lucas & Busch, 1988). If targets are set jointly then the overall direction and individual contributions to achieving these objectives can become explicit and encourage greater cooperation between individuals and departments. Consistent with this, Dewsnap and Jobber (2000) suggest that senior managers who are focused on improving sales/marketing integration will promote mutual understanding and greater cooperation. To address this issue, various authors (e.g., Cordery, 2002; Schmonsees, 2006) have suggested that attention should be given to better alignment of departmental targets, and the use of shared objectives, while still retaining the independent views of sales and marketing. If senior managers fail to coordinate sales and marketing because of poor planning and setting independent goals, this may increase conflict between the two functions (Colletti & Chonko, 1997; Strahle et al.,