

## An Examination of Frontline Cross-functional Integration during Retail Transactions

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### Abstract

This research investigates cross-functional integration in contexts where customers interact with multiple frontline functions during a retail transaction. Specifically, this study: (1) proposes and empirically tests a framework for frontline cross-functional integration, (2) shows that joint reward valence alters the effects of other integration mechanisms in ways that can sometimes be detrimental, and (3) demonstrates the effects of cross-functional integration on individual sales performance and job satisfaction. The proposed framework is empirically tested in the automobile sales context with sales and finance as the frontline functions. Results indicate that cross-functional training and cohesion influence quality of communication, which in turn leads to more effective relationships. As joint reward valence increases, the positive impact of cross-functional training on communication quality is enhanced; however, the positive impact of cohesion on communication quality is reduced. Similarly, as joint reward valence increases, relationship effectiveness leads to higher individual sales performance but the positive benefits of relationship effectiveness on job satisfaction diminish. Thus, this study improves the understanding of frontline cross-functional integration and the process by which integration mechanisms influence employee outcomes.

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### Introduction

Frontline functions—departments dealing directly with customers—have a direct impact on organizational effectiveness and customer satisfaction (Bettencourt, Brown, and MacKenzie 2005; Elmadağ, Ellinger, and Franke 2008; Grewal and Sharma 1991). They contribute to service excellence by delivering on the promises of the firm, providing better service than competition, and creating a favorable image (e.g., Bettencourt and Brown 1997). In frontline retail transactions, customers often interact with multiple personnel. For example, when purchasing a car from a dealership, customers typically interact with salespeople to find the appropriate car and then with employees from financing to find the appropriate payment options and ser-

vice options (e.g., extended warranties and service plans). When multiple frontline employees are involved in a retail transaction, it is important for them to integrate into a consistent, seamless customer interface. When frontline employees are integrated, it is less likely that they will over-promise and under-deliver, and it enables the simultaneous pursuit of both quality and productivity goals (Jaworski and Kohli 1993; Marinova, Ye, and Singh 2008). Thus, it is important to investigate cross-functional integration in the frontline setting.

Extant research has investigated interactions among different functions including marketing, logistics, research and development, finance, and manufacturing (e.g., Ellinger, Daugherty, and Keller 2000; Joshi 2010; Kahn and Mentzer 1994; Maltz and Kohli 2000). However, cross-functional integration has not been investigated in a context where all functions are in the frontline. This is a gap in the literature because insights drawn from studying integration between departments that have minimal customer contact during the sales process (e.g., marketing, R&D, logistics, or manufacturing) may be misleading when applied to departments that have extended customer contact

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during the sales process. For departments that have minimal sales contact with customers, it is common for only a few key people to have frequent work-related contact outside of their departments (cf., Joshi and Sharma 2004). If only one employee directly acts as a liaison with other departments—that is, one ‘touch point’ between functional groups—integration between departments depends largely on the relationship between the two liaisons (Song, Xie, and Dyer 2000). In contrast, in front-line retail transactions it is not uncommon for each customer contact employee to have direct contact with other frontline employees involved in the transaction (Beatty et al. 1996). For example, salespeople in automobile dealerships usually have direct contact with those in financing. Thus, our study addresses this gap by developing a framework for frontline cross-functional integration, which includes its antecedents and consequences.

In order to facilitate integration, managers use a range of integrating mechanisms including cross-functional training, joint rewards, cross-functional teams, formalization, social orientation, and spatial proximity (e.g., Cadogan et al. 2005; Mollenkopf, Gibson, and Ozanne 2000; Xie, Song, and Stringfellow 2003). There has been no systematic categorization of integration mechanisms, even though the various mechanisms differ in focus. We address this research gap by examining the impact of different categories of integrating mechanisms. At the employee level, integrating mechanisms provide impetus towards employees working together to achieve common goals. Integrating mechanisms are structures, procedures or control systems that managers can use to enhance integration between employees (Maltz and Kohli 2000). We contend that integrating mechanisms can be categorized as process-based (formal mechanisms for directing and evaluating how employees behave in cross-functional interactions), culture-based (informal social mechanisms that influence how employees behave across functions), and outcome-based (formal mechanisms for monitoring, evaluating, and compensating employees based upon joint performance and outcomes) (Baldauf, Cravens, and Piercy 2005; Cravens et al. 2004). Our study considers one of each type: (1) cross-functional training, a process-based mechanism which provides knowledge and skills pertaining to other functional areas (Griffin and Hauser 1996), (2) cohesion, a culture-based mechanism which refers to employees’ perception of togetherness or sharing (Martin and Bush 2006), and (3) joint reward valence, an outcome-based mechanism which refers to offering attractive rewards for attaining group goals (Chimhanzi 2004).

In terms of consequences, cross-functional integration has been shown to have many positive outcomes, such as reducing manifest conflict (Maltz and Kohli 2000), enhancing perceived relationship effectiveness and new product success (Ayers, Dahlstrom, and Skinner 1997), and positively impacting return on investment, return on sales, and return on assets (Song, Xie, and Dyer 2000). In the extant literature, the consequences of cross-functional integration are mainly at the organizational (e.g., Song, Xie, and Dyer 2000) and group level (e.g., Cadogan et al. 2005). A gap in the literature is that the impact of cross-functional integration on individual outcomes has not

been investigated. It is important to understand the impact of integration on individual performance because the culmination of individual performances has a direct effect on unit-level performance; integration mechanisms have to influence each individual in order to increase the overall integration between functions. However, individuals may not respond to integrating mechanisms consistently, and, hence, certain individuals may benefit more from integration than others. To address this research gap, our study focuses on the individual performance and job satisfaction as the ultimate outcome of cross-functional integration.

To summarize, the objectives of our study are to:

1. To propose a framework for frontline cross-functional integration, including its antecedents and consequences.
2. To categorize integration mechanisms as process-, culture-, or outcome-based and incorporate differences among the various integration mechanisms into this framework.
3. To better understand the process by which integrating mechanisms impact individual performance and job satisfaction of frontline employees.

### Conceptual framework

We propose a framework that focuses on frontline cross-functional integration (FCFI). This framework builds on the conceptual framework presented by Rouziès et al. (2005) for sales–marketing integration, including antecedents and consequences. They define cross-functional integration as the extent to which activities carried out by complementary functions are supportive of each other, which requires the coordination of processes and goals between functions (Rouziès et al. 2005).

In the context where both functions are in the frontline, we propose a framework in which FCFI is central and is composed of communication quality and relationship effectiveness. Individual perceptions of process-based and culture-based integration mechanisms are presented as antecedents, perceptions of outcome-based mechanisms as moderators, and job satisfaction and individual performance as consequences of FCFI. The conceptual framework is depicted in Fig. 1.

*Frontline cross-functional integration (FCFI):  
communication quality and relationship effectiveness*

As seen in Table 1, cross-functional integration is most frequently conceptualized as facilitating communications among different functions (e.g., Gatignon and Xuereb 1997; Troy, Hirunyawipada, and Paswan 2008). Although in many studies cross-functional integration is viewed simply as communication or interaction frequency (Troy, Hirunyawipada, and Paswan 2008), it is the quality of the communication that informs the group rather than the frequency of communication (Lievens and Moenaert 2000). Rouziès et al. (2005, p. 115) point out that, “although increasing communications is likely to result in greater sales–marketing integration, it is unlikely to do so

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