Industrial Marketing Management 38 (2009) 872–882

Contents lists available at ScienceDirect

Industrial Marketing Management

Dispersion of influence between Marketing and Sales: Its effects on superior customer value and market performance

Gabriele Troilo [a,*], Luigi M. De Luca [b], Paolo Guenzi [c]

[a] Università L. Bocconi and SDA Bocconi School of Management, Marketing Department, via Bocconi 8, 20136 Milano, Italy
[b] Cardiff Business School, Cardiff University, Marketing and Strategy Section, Aberconway Building, Colum Drive, Cardiff, CF10 3EU, United Kingdom
[c] Università L. Bocconi and SDA Bocconi School of Management, Marketing Department, via Bocconi 8, 20136 Milano, Italy

ARTICLE INFO

Article history:
Received 10 December 2007
Received in revised form 18 February 2009
Accepted 4 June 2009
Available online 2 October 2009

Keywords:
Dispersion of influence
Marketing-Sales interface
Marketing-Sales integration
Customer-oriented culture
Superior customer value

ABSTRACT

In this study the authors investigate how dispersion of influence between Marketing and Sales (DIMS) affects the creation of superior customer value and the firm's market performance. Hypotheses are tested on a sample of 326 strategic business units using structural equation modelling analysis. Three main results emerge which contribute to the understanding of the consequences of DIMS within companies. First, DIMS increases interaction and collaboration between Marketing and Sales, without blurring their respective goals, roles and responsibilities. Second, DIMS contributes to the diffusion of a customer oriented-culture across the organization. Third, the findings of this study clarify how and why DIMS affects organizational performance by showing simultaneously that superior customer value mediates the effects of DIMS on market performance, and that Marketing–Sales interface and customer-oriented culture mediate the effects of DIMS on superior customer value. The authors discuss the study's theoretical contributions and offer directions for future research. Overall, this study provides a new and broader perspective to managers responsible for the allocation of decision making influence between Marketing and Sales over a range of market-related issues.

1. Introduction

During the last few years, there has been growing interest in the way firms design and implement their marketing organization. All recent management hits — like total quality management, business process re-engineering, customer relationship management, etc — put marketing organization in the spotlight by emphasizing how improvements in the efficiency and effectiveness of marketing processes are necessary in order to increase organizational performance (e.g. Day, 1994; Krohmer, Homburg & Workman, 2002). As noted by Workman, Homburg and Gruner (1998: 21): "The topic of marketing organization fundamentally addresses the allocation of activities to groups." Recent literature on marketing organization highlights that traditional market-related activities (e.g. advertising, pricing, distribution) are increasingly allocated to different functional groups, and this cross-functional dispersion increases a firm's performance (Homburg, Workman & Jensen, 2000; Krohmer et al., 2002; Workman, Homburg & Gruner, 1998).

Extant research also argues that, among other functions, the Sales[1] unit plays a fundamental role in influencing market-related decisions. In fact, empirical studies show that Sales is the unit with which Marketing shares most of its influence. In addition, Sales has actually more influence than Marketing itself on decisions like pricing, designing customer service and support, expanding into new geographic markets, and developing distribution strategy (Krohmer et al., 2002; Workman et al., 1998). These findings suggest that an increased dispersion of influence between Marketing and Sales (hereinafter DIMS) over market-related decisions can improve a firm's performance, a point which is without a doubt theoretically and managerially relevant. Still, as noted by Homburg, Workman and Krohmer (1999: 12) "Additional empirical inquiry is needed into how the differing influence and perspectives of Marketing and Sales affect organizational performance." Following Krohmer et al.'s (2002) definition of cross-functional dispersion of influence, we define DIMS as the *relative distribution of decision making power between Marketing and Sales units over market-related decisions (such as new product development, pricing, customer service, customer satisfaction programs, new market entries, distribution, advertising, and promotions)*. Hence, DIMS is maximal when influence is distributed equally

* Corresponding author. Tel.: +39 02 5836 6518 6853; fax: +39 02 5836 6893.
E-mail address: gabriele.troilo@sdabocconi.it (G. Troilo).

[1] In the remainder of the paper, the terms Sales and Marketing with capital initials will indicate the departments or subunits within the firm. The same terms with small initials will broadly indicate activities.

0019-8501/$ – see front matter
doi:10.1016/j.indmarman.2009.06.009

across Marketing and Sales, and minimal when influence is completely concentrated in one of the two functional units. Following previous research on cross-functional dispersion of influence (Krohmer et al., 2002), our conceptualization of DIMS differs sharply from the idea that different departments might simply "split" decision domains in a territorial way (i.e., Marketing has full influence over advertising decisions, and Sales has full influence over distribution decisions). In fact, when decisions are "split" in such way, DIMS is actually at its minimum.

Research on the effectiveness of cross-functional dispersion of influence in marketing is still emerging and empirical evidence lags behind theoretical advancements (Krohmer et al., 2002). Most of the research on the topic is devoted to theorizing on the antecedents of cross-functional dispersion of influence (Homburg et al., 2000; Workman et al., 1998), whereas only the study by Krohmer et al. (2002) investigates the consequences of this dispersion in terms of organizational performance. Nonetheless, extant research has established a direct positive link between cross-functional dispersion of influence over market-related activities and organizational performance (Krohmer et al., 2002).

The contribution of the present study is to explain *how* and *why* dispersion of influence affects performance when Marketing and Sales are involved. Our work adds to prior knowledge pertaining to the intervening mechanisms in the relationship between DIMS and organizational performance. Given the managerial importance of the choice to allocate decision influence on marketing issues outside the Marketing Department, we believe it is important to give both scholars and managers a broader picture of the consequences, both positive and negative, of DIMS in the organization. In this respect, our contribution is threefold.

First, cross-functional dispersion of influence regards the relative distribution of power among different functional groups over a decision domain (Krohmer et al., 2002). Although extant research on marketing organization suggests that a different distribution of power among functions and the quality of cross-functional relationships are intertwined (Homburg & Jensen, 2007; Walker & Ruekert, 1987), prior studies on cross-functional dispersion of influence give no insight into its repercussions on cross-functional interface. We do not know, for example, if sharing decision making influence between Marketing and Sales improves or depletes interface between the two departments. Therefore, an approach that investigates how Marketing–Sales interface can be influenced by DIMS may offer a more compelling explanation of its effects on organizational performance.

Second, prior studies on market orientation demonstrate that interdepartmental dynamics have an impact on the formation of a market-oriented culture within the firm (Jaworski & Kohli, 1993). Although some authors specifically suggest that a different distribution of power across departments may affect the development of a customer-oriented organizational culture (Homburg & Pflesser, 2000), prior literature on DIMS does not address this topic. We do not know, for example, whether sharing decision making influence between the two functions whose activities are more customer-centered — Marketing and Sales — contributes to a stronger customer orientation within the firm. Therefore, investigating the relation between DIMS and customer-oriented culture may provide a more nuanced understanding of how DIMS can impact organizational performance.

Third, literature on Marketing's role within the firm (e.g., Moorman & Rust, 1999), and literature on marketing capabilities (Day, 1994; Slater & Narver, 1995) contend that market-related decisions aim at facilitating the link between the firm and its customers by adding value to its goods and services. However, prior research on cross-functional dispersion of influence has mostly centered on its impact on business performance, which is affected by many antecedents other than cross-functional dispersion of influence (Krohmer et al., 2002). Therefore, by focusing on the creation of superior customer value, and showing its mediating role, we may provide a better understanding of connection between DIMS and market performance. The conceptual model we develop in this paper is depicted in Fig. 1. The remainder of the paper is organized as follows. In the next section we develop our hypotheses; then we describe our sample and methodology, followed by results. Finally, we provide the theoretical and managerial implications of our findings, discuss the study's limitations and offer directions for future research.

2. Hypotheses

2.1. The effect of DIMS on superior customer value

We argue that DIMS has a positive effect on the creation of superior customer value, which we define as the *superior value offered to customers compared to that offered by competitors.* Several authors have highlighted the beneficial effects of cross-functional dispersion of influence on different components of customer value. Homburg et al. (2000) opine that an increased dispersion of influence allows a firm to increase its responsiveness to customer needs by enacting all specialized competencies and expertise to perform marketing activities. Likewise, Krohmer et al. (2002) confirm that a higher cross-functional dispersion of influence leads to superior customer value because the functional groups involved in the decision making process become highly committed to the decisions made, and to their successful implementation, so making marketing processes smoother and more responsive to customer needs. In addition, the same authors suggest that when different functional groups have an influence on market-related decisions, the exchange of different perspectives about the market environment increases, leading to a richer interpretation of market phenomena, and to an increased ability to adapt to changing customer needs. Menon, Jaworski and Kohli (1997) suggest that a cross-functional team working on the same decision domain may improve the quality of a firm's entire marketing mix, and

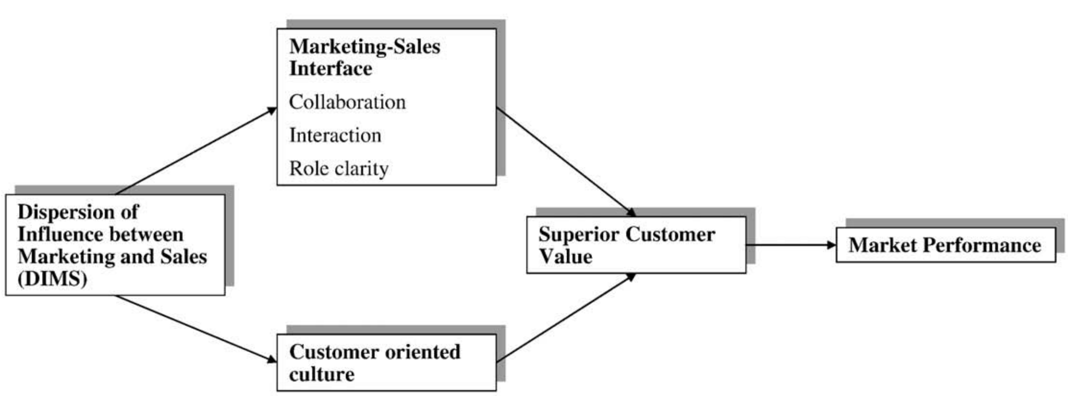

Fig. 1. Conceptual model.