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When Sales and Marketing Align: Impact on Performance

By Robert M. Peterson, Geoffrey Gordon, and Vijaykumar Krishnan Palghat

Without sales and marketing working to produce revenue, the firm ceases to exist. Yet, given the magnitude of what’s at stake, these two functions are often at odds with one another to the detriment of performance. This article reviews previous studies that investigate conflict, collaboration, and integration between the sales and marketing functions. Next, hypotheses are developed relating alignment between the sales and marketing functions and key organizational performance objectives. Results of an empirical study encompassing 821 respondents demonstrate strong support for improved performance on eight key outcomes for firms where sales and marketing were aligned. The findings connote a potential high return on investment for organizations devoting time and resources to improving the relationship between the sales and marketing functions.

INTRODUCTION

Much like taxes and death, many would argue that conflict between the sales and marketing functions within organizations is inevitable. Indeed, anecdotes abound with each side blaming the other for poor results. For example, in a financial research company in which one of the authors has a relationship, marketing managers tell a story about the salesperson who sold one million dollars in products to a customer, netting a fifteen percent commission, while charging a price which actually lost the selling organization money on the transaction. Salespeople (in this same company), on the other hand, ruefully reminisce about the time marketing forced them to price and sell bundled products in a manner customers neither wanted nor would purchase; thus, resulting in a substantial loss of market share. In another instance, which resulted in a rancorous relationship between sales and marketing, the organization rewarded marketing managers based upon the gross profit margin achieved, while simultaneously paying a sales commission solely based on unit sales.

Whether due to the stereotype of the sales function focusing on the short-term versus the marketing function’s penchant for longer-term profitability, there often appears to be little reason for cooperation between the entities. Many recent research efforts have focused on: 1) aspects of conflicts and cooperative efforts occurring between sales managers and salespeople (i.e., Reid et al., 2004); between sales managers and company Presidents (Pelham and Lieb 2004); and 2) cross-functional issues related to relations between marketing and other functional departments (i.e., Sarin and Mahajan, 2001). More germane, specific research related to the sales and marketing interface is just beginning to expand in recent times (i.e., Biemans et al., 2010; Dawes and Massey, 2005; Homburg et al., 2008), and examples of effective relations can be found (Massey, 2012).

To date, few studies exist which specifically investigate the impact of improved relations between sales and marketing (Dawes and Massey, 2006; Le Meunier-FitzHugh and Piercy 2007a; 2007b) on key company objectives. Le Meunier-FitzHugh and Piercy (2007a) noted several antecedents that have positive effects on collaboration between sales and marketing, which can aid in boosting sales. Guenzi and Trolio (2007) found that sales and marketing alignment significantly impacts customer value and influences market-based outcomes. Both these recent studies call for future research which encompasses larger and more diverse samples, including respondents from different levels of a firm (i.e., sales and marketing staff). While acknowledging the above, largely left unanswered are the questions of more

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strategic interests: “What happens to key performance results when sales and marketing get along?” and “Can each function, as well as the organization as a whole, benefit from sales and marketing being aligned?”

The primary purpose of the current study is to build upon previous research by exploring the perceived effects of alignment between the sales and marketing functions on specific firm performance measures. The current research begins with a review of the findings from previous studies that investigates conflict, collaboration, and integration between the sales and marketing functions. Second, hypotheses are developed as to what effects alignment between the sales and marketing function have on achieving key organizational performance objectives. Third, results of an empirical study encompassing 821 respondents are presented. Finally, managerial implications, limitations of the current study, and directions for future research are shared.

THEORETICAL BACKGROUND

In this study, sales and marketing alignment is defined as the ability to affect superior market performance; supporting Masser’s (2007) argument that the end goal is the achievement of desired results. In an environment where alignment is present, there would be a “dispersion of influence” or distribution of power between the functions (Krohmer et al., 2002). Often hampering alignment are the varying levels of tension existing between sales and marketing, bred by physical and philosophical separation and by poor communication (Lorge, 1999). Indeed, there are numerous companies that have let relations degenerate to the point where the sales and marketing functions refuse to talk with each other (Graham, 2007). This oftentimes dysfunctional relationship is a phenomenon increasingly recognized by researchers and practitioners (Dawes and Massey, 2005; Dewsnap and Jobber, 2002; Kotler et al., 2006). If left unattended, the situation can consume vast amounts of costs, time, and energy (Schmonsees, 2005) and lead to a culture of blame with each side saying the other is responsible for its own inefficiencies (Maddox, 2008b).

Primary Drivers of Conflict

What are some of the primary drivers that can lead to and exacerbate conflict between the sales and marketing functions? First, the sales function, by its very name, has focused primarily on activities related to getting the sale (Boles et al., 2001) and pleasing the customer. Sales feels like they are the ones on the firing line (and, and as a result, should receive the credit) while marketing feels they are ignored in the process and that their behind the scenes efforts are all-important (Krol, 2004). Sales believes marketing often lacks credibility while marketing feels too often ignored and find sales to be myopically customer-focused to the detriment of larger responsibilities (Beverland et al., 2006). The truth lies somewhere in between. Second, a minority of sales managers and even fewer salespeople possess advanced degrees. Marketing managers, on the other hand, are more prone to have MBA’s and are focused more on numerical and financial analysis and decision-making. Third, the sales function tends to be shorter-term and customer-focused in nature (often viewed as the transactional aspect of marketing), while marketing’s focus has evolved toward the longer-term, stressing incremental profit margins, the success or failure of a specific campaign, branding, and product development (Rouziès et al., 2005).

Fourth, achievement of acceptable sales results is the key measure of success for the sales force, both in its entirety and for individual salespeople (Kuster and Canales, 2008). Marketing wants to see the sales function increase sales results but not at the expense of profitability. Fifth, attribution for sales results often leads to disagreement. Sales personnel argue that the sales function produces revenue and, as a result, generates income (Biemans and Brenic 2007), while marketers state that the implementation of marketing strategy is the real revenue driver (Lauterborn, 2003).

Sixth, good salespeople are focused on individual accounts, while effective marketers look at accounts in aggregate (Levine, 1989). According to Watkins (2003), marketing thinks that salespeople ignore corporate branding and positioning standards in their haste to close sales and always ask for ad hoc. “my customer is different” support. On the other hand, the sales function responds that corporate messages and generic sales collateral coming from an unresponsive marketing function are not helpful. In other words, the sales function believes marketing is out of touch with
customers, while marketers believe that sales has no clue as to what is occurring in the larger markets (Kotler et al., 2006). Seventh, the sales function thinks they are given too many low quality leads while marketing moans about lousy feedback from the field (Hosford, 2007a). A recent study (Gaurav et al., 2013) found that up to 70% of leads generated by marketing are not pursued by sales.

Eighth, a lack of common vocabulary between the two functions can lead to conflict. For example, to a salesperson, a lead is a prospect expressing interest in a particular product, while marketing may count a contact that has downloaded content from a website as a lead (Maddox, 2008a). Ninth, individuals suited to a career in sales tend to be accomplishment-driven: motivated by competition, status, extroverted, and conscientious, with the ability to communicate well, build relationships, and cope under pressure (Lewis, 2007). Marketers, on the other hand, are often labeled as having a “mad scientist” persona, lower in sociability, but great at generating ideas (Lewis, 2007). The good news is that efforts to decrease the psychological distance between representatives of the two functions have been shown to improve the cross-functional relationship (Massey and Dawes, 2007a). Finally, sales personnel may have little or no experience in the marketing role and likewise, marketing personnel may have never been exposed to sound selling practices. Marketers tend to overemphasize the importance of product design, advertising, and promotional material while sales too often tends to believe the most important marketing mix variables are price and their efforts. The above listing (by no means all inclusive) highlights the primary drivers of conflict between the sales and marketing functions while signaling the potential benefits to be achieved by alignment between the two.

The Power of Alignment

Ingram et al. (2002) contend there needs to be a rethinking of formal organizational structures to ensure customer responsiveness and present a single face to the customer. Massey and Dawes (2007b) advocate that senior management take steps to ensure the quality of information flowing between sales and marketing managers remains high. As such, the concept of collaboration and integration leading to alignment between the sales and marketing functions is not only important but also critical to the performance of both functions and the achievement of organizational objectives (Le Meunier-FitzHugh and Piercy, 2007a; Ridnour et al., 2001). Firms excel in market performance by collecting and appropriately utilizing market information. Narver and Slater (1990) argue that whereas information collection is necessary for market performance and will require a firm to be both competitor and customer oriented, information utilization additionally requires a high level of inter-functional coordination (Narver and Slater 1990). Therefore, alignment between the functions should indicate a healthy inter-functional coordination and foment a sustainable competitive advantage by consistently delivering superior customer value (Slater and Narver, 1995). Likewise, strong market or customer-oriented behavior (Jaworski and Kohli, 1993) is an implicit common theme that runs through many strategic approaches to value creation. In fact, marketing literature over the last 10-plus years has acknowledged the role of market orientation as a major source of achieving a sustainable competitive advantage (Castro et al., 2005).

A market/customer-oriented focus starts with a detailed analysis of customer benefits within end-use segments and then works backward to identify the action(s) needed to improve performance. Moller and Antilla (1987) define market research as the set of processes needed to discover information about customer needs; a key capability for a market-driven firm to develop (Vorhies et al., 1999). Information collection and dissemination is broadly construed to be a marketing function. However, in practice, such information gathering is largely performed by the sales team (Guenzi and Troilo, 2007).

Salespeople are in a unique and advantageous position to serve as the primary sources of information about customers and competition for the rest of the organization and but also play a proactive role in shaping markets dynamically (Geiger and Finch, 2009). Further, the quality of the relationships customers build with their salespeople positively influences their propensity to conduct future business (Foster and Cadogan, 2000). Marketing’s discussions with the sales
force related to customers is a valuable way to produce market information (Kohli and Jaworski, 1990) as salespeople are often the primary organizational liaison with customers (Jackson and Tax, 1995). Gordon et al. (2008) found that a high percentage of salespeople and sales managers hold extensive responsibility for gathering customer information related to new product development. While salespeople are often in the best position to collect information on customers and competitors, all too often they are only rewarded for those things directly affecting sales (Cross et al., 2007). Indeed, one salesperson during the exploration phase of this study communicated, “I get compensated for sales. Providing detailed information to our marketing folks takes me away from selling activities. As a result, I try not to spend much time on this activity.”

Firm responsiveness to the information collection process should be a joint action performed by the sales and marketing teams. Guenzi and Troilo (2006) report that effective integration of sales and marketing positively contributes to the generation and dissemination of marketing intelligence, leading to a market-driven organization. Troilo et al. (2009) advocate that by introducing shared decision-making between sales and marketing, the customer-oriented culture of the organization is augmented. Sales and marketing may have different activities to perform, but by being in constant contact in the process of performing said activities, the organization benefits (Kotler et al., 2006). For better or worse, the sales and marketing functions are intertwined in order to accomplish their mandates, and thus, for their best interests and the best interest of the organization, they should cooperate (Dewsnap and Jobber, 2000; Lorge, 1999; Rouzies et al., 2005).

**HYPOTHESIS DEVELOPMENT**

Sales productivity depends upon marketing for a steady stream of qualified prospects (Yandle and Blythe, 2000). Therefore, the need for coordinated planning and goal setting between the two functions makes common sense, but not common practice (Kotler et al., 2006; Strahle et al., 1996). Consequently, when marketing and sales teams are not aligned, it is reasonable to expect dilution in overall business performance (Le Meunier-FitzHugh and Piercy, 2007b). However, business performance has been operationalized as a multi-faceted construct capturing performances in market share, customer satisfaction, competitive position, customer retention, and sales growth (Morgan and Turnell, 2003).

Whether sales-marketing alignment alone contributes to the success on such macro dimensions is debatable. For instance, market share is determined by several market structure variables such as industry concentration, market growth rate, product line width, and other firm-specific resources (Szymanski et al., 1993). Therefore, when investigating the influences of the sales-marketing alignment on business performance, it is better to spotlight metrics more directly attributable to the sales and marketing functions. Metrics linked to the sales pipeline (Figure 1) provide an ideal setting. Broadly speaking, revenue streams should depend both on continuously creating new opportunities and on growing business by retaining existing relationships through effective management. In turn, these activities should lead to growth in the number of transactions and in average billing per transaction, thus resulting in overall revenue growth.

**Lead Generation Becoming New Account Acquisition**

One may explore the influence of the sales-marketing alignment on each of the linkages shown in Figure 1. For instance, a likely scenario would have the marketing team tasked with maximizing lead generation and concurrently, the sales team with lead conversion. Under this scenario, the marketing team may inundate the sales team with low quality leads wasting sales force effort. Indeed, in a study conducted of 1,275 marketers, only 8% could be defined as “lead generation optimizers” (Maddox, 2006). Smith et al. (2006) found a complex interplay between marketing efforts and sales efficiencies. Their findings suggest that improved internal collaboration between the sales and marketing functions can lead to significant firm benefit. For example, the SiriusDecisions Demand Creation Waterfall methodology has marketing working closely with sales to move leads from the inquiry stage to a marketing-qualified lead to a sales-accepted lead to a sales-qualified lead to a close. A coordinated effort between the two entities leads to a larger pool of prospects with a higher probability of closing (CRM, 2009). Thus, a properly aligned marketing team should
positively influence sales results by engaging in joint sales calls which can lead to better: needs discovery, translation of features to benefits, means of handling objections, and closing techniques. Marketing can also provide much-needed information on market changes, new products, and competitors’ positioning strategies which will aid the salesperson in furthering customer relationships and closing sales. For example, in the medical equipment industry, savvy marketers provide their sales force with information on new ways to utilize equipment more effectively, as well as the latest nuances in (government) billing procedures and means to cope with them. The salesperson can then pass this information on to customers. As a result, when marketing and sales work together, great sales results (higher close rates) should occur (Budds, 2004).

In an optimal situation, sales should be accepting and acting on the majority of leads that the marketing function provides. Therefore, generation of qualified leads should be greater in an aligned organization. Marketing and sales can then work together and qualify leads, create scoring and categorization, and then nurture leads until passed to the sales team. For example, a company’s marketing function could run a promotion in a print ad and publish a toll-free number that’s specific to that ad. The marketing function could collect expressions of interest, qualify the leads (based on such factors as financial capabilities, needs analysis, current vendors utilized, switching costs, etc.) , rank them, and pass them on to sales versus just collecting names and passing raw data on (Hosford, 2007b). One prime metric for a qualified lead is a prospect that marketing generated and screened; then, the sales function acknowledges it being an opportunity with a high probability of conversion (Hosford, 2007b).

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H1: The higher the sales and marketing alignment, the higher the growth in number of qualified leads;

H2: The higher the sales and marketing alignment, the higher the lead conversion rate; and

H3: The higher the sales and marketing alignment, the higher the growth in new account acquisition.

Sales Forecasting Accuracy

Sales forecasts require timely and accurate market feedback. Although typically a marketing function, in practice and particularly in B2B markets, many activities pertaining to information collection are accomplished by the sales area (Guenzi and Trolio, 2007). In an aligned organization, sales and marketing teams are able to submerge their group identities under a common goal (Bergami and Bagozzi, 2000). At a minimum, they would proactively provide accurate and timely information on current and anticipated customer needs to the marketing team. They might also be extra vigilant in picking up signals on competitor activity in the marketplace, collecting competitors’ brochures, and reporting any informal buzz on competitive product promotions, channel commissions, and product performance to the marketing team.

In turn, an equally committed marketing team would diligently follow up every lead provided by the sales team, corroborate this information with other streams of information, and take preemptive actions. In a steady state, such mutually responsive behavior by both teams should increase predictability and reduce uncertainty for both functions. It could lead to more frequent communications between the sales and marketing functions and perhaps result in joint sales calls. Therefore, aligned organizations should produce sales forecasts with greater accuracy:

H4: The greater the level of sales/marketing alignment, the higher the sales forecasting accuracy.

Customer Retention and Other Key Performance Criteria

Three key drivers of customer value and, consequently, customer retention, are relationship quality, contact density, and contact authority (Palmatier 2008). Relationship quality is a higher order construct subsuming commitment, trust, reciprocity, and exchange efficiency. Contact density, the number of connections with the customer organization (Palmatier, 2008), is especially useful where customer or employee turnover is high. In contrast, building relationships with a contact authority (Palmatier, 2008), an influential member in the customer organization, is more relevant among customers that are more difficult to access.

Pelham and Tucci (2009) stress the importance of salespeople possessing high quality consulting related behaviors. The ability of the salesperson to serve as an information conduit between the customer and the marketing function is critical to retaining customers and improving relationship quality. Based on feedback from the sales team, an aligned marketing team would strive to create multiple touch points within the customer organization, building both contact density and authority resources. This might be accomplished through targeted marketing programs, webinars, “white” papers, and conferences for the customer product teams. Marketing might also engage senior members of the customer organization by “inviting” suggestions on product development or customer service. Likewise, when customer service receives calls from existing customers, they should recognize that every question, request for information, or even complaint is an opportunity to strengthen the relationship (Saxby, 2009). All of these contacts are leads too; only, they are customer retention leads. These leads progressively strengthen the relational ties with the customer and help ferret out and refine new business opportunities.

The marketing function in an aligned organization does not stop at lead generation for customer acquisition: rather, working together with the sales team, it continually strives to enhance the quality of customer relationships, increase contact density, and build contact authority inside the customer’s organization. In addition, the marketing function in an aligned organization should swiftly act on feedback from the sales team on any incipient customer dissatisfaction issues and take timely corrective action. This should lead to increased effective commitment, satisfaction, and equity with the customer organization which thereby enhances customer’s
relationship perception (Verhoef, 2003). For example, in the financial research company previously mentioned, the marketing function provides its salespeople and their customers (hedge fund managers, mutual fund managers, and analysts) daily information on which of their (customers’) stock holdings have been affected by market changes, competitor actions, and other new research findings. In addition, there is a constant call out to these clients by salespeople to request more information on the research provided. In this case, the salesperson fills the role of active listener and can either on a stand-alone basis or with the help of marketing engage in consulting and problem-solving activities for the customer (Pelham 2002). This alignment on part of the financial research company’s marketing and sales functions allows for higher relationship quality, increased customer density, and higher contact authority thus leading to better results.

In sum, alignment between sales and marketing should lead to higher customer retention rates. Because aligned marketing and sales functions should improve close rates, customer retention rates and new acquisitions, such an organization should also be expected to post higher growth in revenue, billing rates per transaction, and superior sales force performance as reflected by sales quota achievements:

H5: The higher the sales and marketing alignment, the higher the growth in customer retention rates;

As noted before, the three key drivers of customer value and, consequently customer retention are relationship quality, contact density, and contact authority (Palmatier 2008). Aligned sales and marketing functions should foster creation of multiple touch points within the customer organization, building both contact density and authority resources. In turn, these relational assets should build credibility and trust in the selling organization such that there would be fewer objections to future purchases from the selling firm. The focal selling firm should automatically feature in the consideration set on any new bids and requests for quotations. It should be able to get a head-start on emerging sales opportunities within the buying firm. This access to proximity and close interaction with the buying firm is expected to yield myriad upselling and cross-selling opportunities paving way for increased average billing. These facilitating contexts should catalyze easier achievement of sales quotas and thus overall revenues. Stated formally,

H6: The higher the sales and marketing alignment, the higher the growth in average account billing size;

H7: The higher the sales and marketing alignment, the higher the growth in revenue; and

H8: The higher the sales and marketing alignment, the higher the growth in achievement of sales quotas.

METHODOLOGY

Sample Selection

The current study investigates whether organizations with alignment between the sales and marketing functions achieve better operating results as measured by criteria specifically relevant to the sales/marketing interface. Data for the study was collected in conjunction with Miller Heiman, a global leader in sales performance consulting and training, as part of the Sales Best Practices Study, one of the largest, most comprehensive global research studies on sales effectiveness. In return for their participation, respondents were offered an Executive Summary of the results.

Responses came from an email invitation sent to business people engaged in a variety of revenue-oriented job functions ranging from sales representatives, marketing managers, vice presidents of sales, and C-level executives, amongst others. An email was sent containing a link to an online survey. Two follow-up reminders were sent to those not responding to the initial e-mail. All data was collected online. A total of 14,080 individuals clicked on the link and 1,992 respondents completed the 134 item survey for a 14.1% response rate. Of these 1,992 respondents, 1,502 respondents indicated their sales process was “complex”, involving at least three buying influences, and were the only ones considered for inclusion in the study. Of these 1,502 respondents, 821 indicated their job was directly connected to revenue generation. Following Armstrong and Overton’s (1977) non-response bias suggestions, early and late respondent means were compared. This process revealed no statistically significant differences between the respondents during the two months of data collection.
Demographics of the Sample

The respondent profiles represented divergent industries, as shown in Table 1. Industries most heavily represented included consulting and professional services, technology-software, and manufacturing with each representing 10-plus percent of the sample. The business services, technology-hardware, finance and investment, and telecommunications industries each represented between 5 and 10 percent of the sample. Fifteen other industries comprised the remainder of the sample.

Table 1

<table>
<thead>
<tr>
<th>Industry Profiles</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology - Software</td>
<td>103</td>
<td>12.5</td>
</tr>
<tr>
<td>Consulting &amp; Professional services</td>
<td>86</td>
<td>10.5</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>81</td>
<td>9.9</td>
</tr>
<tr>
<td>Business Services</td>
<td>74</td>
<td>9.0</td>
</tr>
<tr>
<td>Technology - Hardware</td>
<td>64</td>
<td>7.8</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>63</td>
<td>7.7</td>
</tr>
<tr>
<td>Finance &amp; Insurance</td>
<td>49</td>
<td>6.0</td>
</tr>
<tr>
<td>Healthcare - Capital</td>
<td>42</td>
<td>5.1</td>
</tr>
<tr>
<td>Healthcare - Consumables</td>
<td>42</td>
<td>5.1</td>
</tr>
<tr>
<td>Industrial &amp; Chemical</td>
<td>25</td>
<td>3.0</td>
</tr>
<tr>
<td>Consumer Products</td>
<td>23</td>
<td>2.8</td>
</tr>
<tr>
<td>Energy (Oil/Gas)</td>
<td>21</td>
<td>2.6</td>
</tr>
<tr>
<td>Transportation</td>
<td>20</td>
<td>2.4</td>
</tr>
<tr>
<td>Energy (Other)</td>
<td>17</td>
<td>2.1</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>17</td>
<td>2.1</td>
</tr>
<tr>
<td>Education</td>
<td>15</td>
<td>1.8</td>
</tr>
<tr>
<td>Hospitality &amp; Food Service</td>
<td>14</td>
<td>1.7</td>
</tr>
<tr>
<td>Construction</td>
<td>14</td>
<td>1.7</td>
</tr>
<tr>
<td>Government</td>
<td>11</td>
<td>1.3</td>
</tr>
<tr>
<td>Media</td>
<td>11</td>
<td>1.3</td>
</tr>
<tr>
<td>Wholesale</td>
<td>8</td>
<td>1.0</td>
</tr>
<tr>
<td>Utilities</td>
<td>7</td>
<td>.9</td>
</tr>
<tr>
<td>Missing</td>
<td>14</td>
<td>1.7</td>
</tr>
<tr>
<td>Total</td>
<td>821</td>
<td>100</td>
</tr>
</tbody>
</table>

As shown in Table 2, approximately 46 percent of the respondents worked for organizations employing 24 or less salespeople, with 18.4 percent employing 25-99 salespeople, 18 percent employing between 100 and 499 salespeople, and 17.5 percent employing 500 or more salespeople.

Table 2

<table>
<thead>
<tr>
<th>Number of Salespeople in the Organization</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9</td>
<td>214</td>
<td>26.1</td>
</tr>
<tr>
<td>10-24</td>
<td>134</td>
<td>16.3</td>
</tr>
<tr>
<td>25-99</td>
<td>160</td>
<td>19.5</td>
</tr>
<tr>
<td>100-249</td>
<td>105</td>
<td>12.8</td>
</tr>
<tr>
<td>250-499</td>
<td>51</td>
<td>6.2</td>
</tr>
<tr>
<td>500-749</td>
<td>32</td>
<td>3.9</td>
</tr>
<tr>
<td>750-999</td>
<td>10</td>
<td>1.2</td>
</tr>
<tr>
<td>1000 or more</td>
<td>82</td>
<td>10.0</td>
</tr>
<tr>
<td>Missing</td>
<td>33</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td>821</td>
<td>100</td>
</tr>
</tbody>
</table>

While the majority (56.3 percent) of respondents came from companies headquartered in the United States, over forty different countries were represented in the sample with the United Kingdom, Germany, Australia, and Canada following in terms of representation. Of the total number of respondents, 17.3 percent were female. Participants came from varying levels and job functions within their organization. While the largest percentage of respondents (26.4 percent) was sales vice presidents or sales directors, sales managers constituted 19.4 percent of the sample. Other categories of respondents constituting 5-plus percent of the sample were business development managers (11.9 percent), sales representatives (9.4 percent), presidents (7.8 percent), C-Level executives (7.2 percent), and account managers (6.4 percent). The goal of the current study is to investigate, from a sales perspective, the impact of sales and marketing alignment on performance outcomes. Therefore, the authors only included sales directors, sales managers, and sales representatives comprising 821 respondents, or 54.7 % of the total survey respondents in the analysis.

Measures

Respondents were sent a survey packet with the following message and survey instructions: Using the past year as a reference, think about your company’s current sales practices in relation to the statements below. Please base your responses on the actual practices in your company, not what you would like them to be.
A series of measures was developed and used to understand the perceived sales-marketing interface and the subsequent performance outcomes. Each of the measures was an individual, single-item, question poised to understand the interaction of the two functions or outcome results. Although multi-item measures increase measure reliability (Churchill 1979), they also risk inadvertent tapping of unrelated domains and thus, could compromise measure validity (Bergkvist and Rossiter 2007). Indeed Bergkvist and Rossiter (2007) show that single-item measures are equally predictive where the construct is concrete and singular (Rossiter 2002). Therefore, use of single-measure items in this study seems reasonable.

Sales-Marketing Alignment was measured via a five-item scale on a seven-point continuum (1 strongly disagree 7-strongly agree). The items included: 1) Sales and Marketing are aligned in what our customers want and need; 2) Our organization collaborates across departments to pursue large deals; 3) Our organization regularly collaborates across departments to manage strategic accounts; 4) Our sales compensation policies are aligned with our business objectives; and 5) Our sales performance metrics are aligned with our business objectives. The five-item scale, with a Cronbach’s alpha = .74, compared favorably with previous studies (Le Meunier-FitzHugh and Piercy, 2007a; Homburg et al., 2008; Troilo et al., 2009).

Growth in number of qualified leads was measured via (Compared to last year, the number of qualified opportunities/leads has:) eight-point scale (1-more than 10% decrease, 4–remained flat, 8-more than 20% increase).

Growth in new account acquisitions was measured via a eight-point scale (Compared to last year, new account acquisition has: 1-more than 10% decrease, 4–remained flat, 8-more than 20% increase).

Sales forecast accuracy was measured via a five-point scale (Compared to last year, new account acquisition has: 1-less than 20% accurate, 5- 80-100% accurate).

Growth in customer retention rate was measured via a eight-point scale (Compared to last year, our customer retention rate has: 1-more than 10% decrease, 4–remained flat, 8-more than 20% increase).

Growth in average account billing size was measured via a eight-point scale (Compared to last year, our average account billing (or average purchase per customer) has: 1-more than 10% decrease, 4–remained flat, 8-more than 20% increase).

Growth in revenue was measured via a eight-point scale (In terms of revenue, how well is your sales organization currently performing compared to last year: 1-more than 10% decrease, 4–remained flat, 8-more than 20% increase).

Growth in sales quota achievement was measured via a eight-point scale (In terms of revenue, how well is your sales organization currently performing compared to last year: 1-more than 10% decrease, 4–remained flat, 8-more than 20% increase).

DATA ANALYSIS AND RESULTS

Sales and Marketing Alignment (SMA) revealed considerable variability across the respondents (Mean = 24.09; Median = 25; Min = 7; max = 35; S.D. = 5.24). SMA data was missing for 26 of 821 respondents because they did not respond to at least one of the five items. These records were set aside from further analysis. A median split was done on the SMA and data was divided into two groups. SMA measures greater than 25 comprised the high SMA level and, correspondingly, those lower than 25 represented the low SMA level. Sixty respondents evaluated on SMA exactly on the median = 25 and these were set aside from further analysis.

In order to control for Type I error from independent ANOVA tests and as a precautionary step before testing the hypotheses, the authors ran a MANOVA with all eight performance measures as dependent variables with the dichotomized SMA as the factor. The MANOVA revealed significant effect of SMA (Wilk’s lambda = .91, F (679, 2) = 7.99 p < .0001). Thus, the foregoing omnibus MANOVA test implies that SMA influences these performance variables taken together at an overall level. That is, sales and marketing alignment influences different facets of firm performance taken together. However, this study focuses on unpacking the influence of sales and marketing alignment on individual facets with separate hypotheses detailed earlier. The data was
divided into two groups via a median split on sales-marketing alignment and t-tests were conducted to explore mean differences across performance metrics based on sales-marketing alignment. A significant difference \((t = 4.58, p < .0001)\) exists between the mean value of the growth in the number of qualified leads on a year-on-year basis between the alignment groups. As a result, Hypothesis 1 is supported. Hypothesis 2, which examined differences as to the growth in the lead conversion rate, was also supported as a significant difference \((t = 4.22, p < .0001)\). At similar significance levels, Hypothesis 3 on new account acquisition \((t = 5.12, p < .0001)\), Hypothesis 4 on accuracy of sales forecast \((t = 6.02, p < .0001)\), Hypothesis 5 on customer retention \((t = 3.6, p < .0001)\), Hypothesis 6 on average account billing \((t = 3.36, p < .0001)\), Hypothesis 7 on revenues \((t = 3.66, p < .0001)\), and Hypothesis 8 on quota achievement \((t = 3.93, p < .0001)\) were also strongly supported. In sum, all the hypotheses were supported at the \(p < .001\) level. The results for each hypothesis are detailed in Table 3. Specifically, each of the hypotheses was supported at the \(p < .001\) level.

Table 3

Influence of Sales and Marketing Alignment on Performance Measures

<table>
<thead>
<tr>
<th>Performance Variable</th>
<th>Level of Sales and Marketing Alignment</th>
<th>Mean</th>
<th>Significance</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compared to last year, the number of qualified opportunities/leads has:</td>
<td>Low</td>
<td>3.55</td>
<td>(t = 4.58, p &lt; .0001)</td>
<td>H1 is supported</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>4.27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I estimate our company's close rate (or lead conversion rate) is:</td>
<td>Low</td>
<td>2.21</td>
<td>(t = 4.22, p &lt; .0001)</td>
<td>H2 is supported</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>2.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compared to last year, new account acquisition has:</td>
<td>Low</td>
<td>3.95</td>
<td>(t = 5.12, p &lt; .0001)</td>
<td>H3 is supported</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>4.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I estimate our company's sales forecast is:</td>
<td>Low</td>
<td>3.25</td>
<td>(t = 6.02, p &lt; .0001)</td>
<td>H4 is supported</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>3.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compared to last year, our customer retention rate has:</td>
<td>Low</td>
<td>3.77</td>
<td>(t = 3.66, p &lt; .0001)</td>
<td>H5 is supported</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>4.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compared to last year, our average account billing (or average purchase per customer) has:</td>
<td>Low</td>
<td>3.36</td>
<td>(t = 3.36, p &lt; .0001)</td>
<td>H6 is supported</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>3.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In terms of revenue, how well is your sales organization currently performing compared to last year?</td>
<td>Low</td>
<td>3.36</td>
<td>(t = 3.66, p &lt; .0001)</td>
<td>H7 is supported</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>3.98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compared to last year, quota achievement for our sales force has:</td>
<td>Low</td>
<td>3.20</td>
<td>(t = 3.93, p &lt; .0001)</td>
<td>H8 is supported</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>3.76</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DISCUSSION

The purpose of this article is to build upon the limited empirical work on topics related to alignment between the sales/marketing functions and the subsequent impact on operating results. The study explored whether firms with more alignment between the sales and marketing functions experienced more positive effects on firm performance measures than those with lower alignment. The study results indicate resounding support for each of eight hypotheses linking sales and marketing alignment to: 1) growth in number of qualified leads; 2) increases in lead conversion rates; 3) growth in new account acquisition; 4) accuracy in sales forecasting; 5) growth in customer retention rates; 6) growth in average account billing size; 7) revenue growth; and 8) growth in achievement of sales quotas. The findings connote
a potential high return on investment for organizations devoting time and resources to improving the relationship between the sales and marketing functions.

Responsibilities of the two groups are distinct; and balancing priorities is difficult to achieve and maintain. In most organizations, this balance is best achieved by a system of checks and balances. Homburg and Jensen (2007, p. 124) found that “market performance is enhanced if one side plays the customers’ advocate while the other plays the products’ advocate.” However, both sales and marketing must have an understanding for and willingness to work with each other’s concerns. For example, a salesperson may come to marketing with a customer complaint regarding a product’s performance. Marketing must not rush to judgment (which is often done) and blame the customer for misusing the product. Instead, a balance must be sought with both sales and marketing working together to fix the problem in such a way that best achieves customer satisfaction and firm profitability. In another instance, sales will always want new leads to be “low hanging fruit”, while marketing may feel any lead is a “qualified” one if it provides the sales force an opportunity to educate and sell potential prospects. Hence, another opportunity to achieve compromise between potentially conflicting mandates exists.

Employees, stakeholders, stockholders, and customers alike should all see the value delivered by positive cooperation between both integral parts of the corporate revenue team. Accurate industry forecasts oftentimes mean the difference between profitability and going out of business. Toward this end, the sales-marketing relationship must aid in producing precise, candid, and competent forecasts for planning, purchasing, and recruiting requirements. For both the separate functions and the organization as a whole, ongoing goals are better lead conversion and increasing revenues. The study’s results show this is best accomplished by sales and marketing working in concert. To do anything less will harm the organization, including the ability to deliver superior customer value (Troilo et al., 2009).

The study results found positive outcomes for customer retention, growth in billing size, quota achievement, and revenue when alignment was evident. Firms with open and constant flows of information build trust within their interface (Malshe, 2010), and this, perhaps, is one of the keys in reaching performance goals versus one’s competition. When the two orientations do not mesh for improved client value, salespeople frequently harbor prejudice, disrespect, and distrust for marketers (Yandle and Blythe, 2000). Thus, they discount any and all marketing initiatives (Strahle et al., 1996) since they do not recognize their marketing colleagues as credible allies. In the end, it is apparent from the results that an aligned sales and marketing interface will have positive consequences on the performance variables. An important aspect of this study is the finding that sales and marketing alignment influences several facets contributing to the overall firm performance. The model in this study unpacks the performance construct into eight different facets, and thereby provides a greater granular understanding of SMA on performance.

IMPLICATIONS

Arguably, there are no functional areas in the organization more responsible for creating revenue than sales and marketing. Thus, management at all levels needs to support each and every effort aimed toward having the sales and marketing functions work seamlessly together. For example, the acquiring of relevant customer information related to potential new products may be viewed as taking too much sales time away from the sales force (Caruth and Handigoten-Caruth, 2004). As a result, these activities are not typically pursued by the sales force because the time required to succeed outweighs the reward received. In this case, it is essential that top sales management and marketing devise an appropriate incentive structure to achieve alignment and information acquisition.

The empirical results of the current study serve several purposes. First, the results issue a needed “wake-up call” for top management to address issues related to fostering alignment between the sales and marketing functions. Second, the results provide powerful ammunition to managers at firms of all sizes, industry, and nationality seeking to have sales and marketing work together to cultivate better performance. Fostering open and useful communication between sales and marketing offers a foundation for greater transparency between the two functions. Malshe (2010) posits that this increased interaction can build trust between the
partners. However, increased interaction (involving meetings, emails, and perhaps training), in and of itself, is only a preliminary step toward alignment. The objective is increased collaboration, which entails information sharing, mutual understanding, and common vision (Kahn, 1996).

Several other aspects of the study are important to all managers engaged in marketing purposes. First, managers representing varied job functions within firms competing in a wide variety of industry sectors and headquartered in many countries participated in the study, thus allowing the results to be more generalizable than those found in previous, more limited studies. Second, results of the study indicate a synergistic effect when alignment between the sales and marketing functions exists.

The sales and marketing functions working in tandem are a much more meaningful contributor to value creation than either working on its own. Management must avoid creating separate mandates for sales and marketing which will tug at their time, resources, and affect priorities. For example, given their own devices, the sales function will always be pulled by their quota requirements and tend to work on making sales happen, irrespective of the product marketing strategy (Strahle et al., 1996). Thus, in order to engender cooperation, a shared destiny needs to be instilled. Aligning sales’ and marketing’s goals and compensation tends to be a powerful tool (Malshe, 2010). The bottom line: salespeople want to make quota, solve customer problems, and generally will work with anyone to accomplish these goals if they perceive the other party brings value. Alternatively, marketers want to build long-term customer relationships leading to organizational profitability and will gladly unite with people who will make success happen. As such, sustainable efforts to move key players toward desired actions are needed.

LIMITATIONS AND FUTURE RESEARCH

Some limitations are associated with the current study. First, the authors relied on several single-item performance measures, which while robust, and used daily in industry to monitor performance, can be improved by triangulation with additional data collection methods. Second, the relationship between the sales and marketing functions can be a complex one with each side having its own perspectives. Gathering data from marketing respondents would provide dyadic validity as the present study focused only on the perspectives of the sales professionals. Third, while the sample size was rather large, it was only a fleeting cross-sectional snapshot in a dynamic relationship between sales and marketing functions. Fourth, although our study operationalized the key sales and marketing alignment construct with five different items to capture its domain with high reliability, these five items may not fully capture the construct. For instance, inclusion of items reflecting frequency of contact, joint calls, and sales force involvement in marketing mix decision should further improve the validity of the measure. Finally, this study does not investigate mediating influences of the intermediate links in the sales pipeline. Such mediation could possibly attenuate the observed direct influence of sales-marketing alignment in the present study.

The findings suggest avenues for future research. Scholars may wish to investigate the potential mediating influences noted above, to take a deeper look into potential moderating effects such as the size of the firm, level of the respondent within the company, or other context variables. Moreover, samples that look across national boundaries to investigate the sale-marketing interface from a global perspective would be beneficial. Certainly, given the importance of this relationship and the revenue generation that is at stake, longitudinal studies should be a priority for future researchers. In sum, aligned sales and marketing functions can only enhance an organization’s efforts to effectively develop and market business products/services which, in turn, create customer sales and long-term relationships.

REFERENCES


