The Effects of Power and Dependence Asymmetry on Marketing/Sales Working Relationships

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Abstract

This paper examines how the power of the Sales unit (department), and the dependence of Marketing Managers on Sales Managers (and vice versa) affect trust in working relationships between those Marketing Managers and Sales Managers. Our results show that the greater the power of the Sales department, the lower the propensity of Marketing Managers to trust the Sales Manager. In addition, our results suggest that the effects of cross-functional dependence on interpersonal trust are not symmetric. Specifically, when Marketing Managers are highly dependent on Sales Managers, they will be more likely to trust the Sales Manager. However, when the Sales Manager is highly dependent on the Marketing Manager, this is not associated with the Marketing Manager having increased interpersonal trust in that Sales Manager.

Introduction

Barely a decade ago, issues of marketing organization were peripheral to scholarly visions of marketing's future (Day, 1997), though today these issues are high on the research agenda. Evidence of their importance can be seen in the large and rapidly growing body of literature examining cross-functional relationships (CFRs) (e.g., Fisher et al., 1997; Workman et al., 1998). To date, the bulk of this research has focused on Marketing/R&D CFRs, though the Marketing/Sales CFR remains relatively unexplored. Our research begins to fill this gap, and as suggested by Ruekert and Walker (1987), we focus on dyadic relations between Marketing Managers (MMs) and Sales Managers (SMs) because individual employees are the appropriate starting point to examine CFRs. By doing this, we add to the small but growing body of literature on the Marketing/Sales CFR (e.g., Biemans and Brenčič, 2007; Dawes and Massey, 2005, 2006; Dewsnap and Jobber, 2002). Here we examine the links between the key relationship variables: *power*, *dependence,* and *trust*. Our study treats the power of the Sales department, and the level of dependence between MMs and SMs as antecedents in our model. These in turn are used to predict interpersonal trust in the Marketing/Sales CFR.

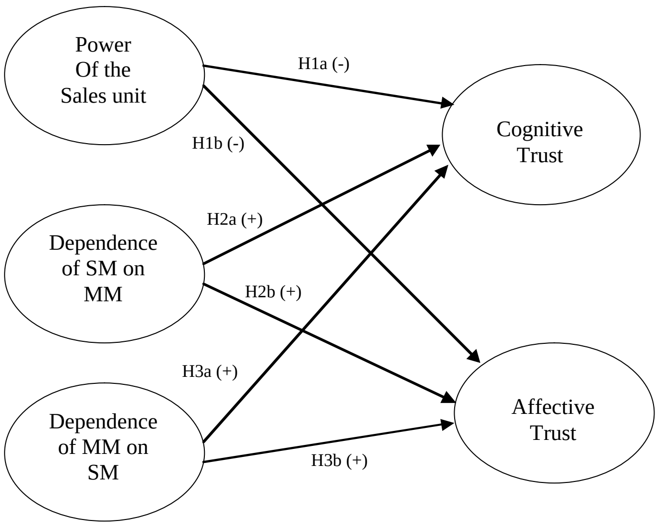
Theoretical Frameworks

In specifying our model we draw on an extensive body of exchange relationship theory which links power, dependence, and interpersonal trust (e.g., Håkansson, 1982), specifically, the "interaction approach" (e.g., Morgan and Hunt, 1994), and "resource-dependence theory" (e.g., Pfeffer and Salancik, 1978). The interaction approach is used in many important studies of Marketing's CFRs as it concerns relational exchange (Ruekert and Walker, 1987). It focuses on how constructs such as power, influence, and trust, predict satisfaction, performance, and relationship continuity in buyer-seller and channel contexts (e.g., Anderson and Narus, 1990; Morgan and Hunt, 1994; Moorman et al. 1993). We also draw on resource-dependence theory, a key tenet of which is that the success or survival of individuals, organizations, or departments depends on their access to, and control over needed resources.

Individuals who control required resources therefore have power and influence over others who require those resources. Hence, because resource acquisition may be problematic and uncertain, individuals must therefore attempt to negotiate successful exchange outcomes with other interdependent individuals, i.e., they must interact, and develop effective CFRs. From the interaction approach we draw the construct interpersonal trust, whilst from resource-dependence theory we draw our two dependence constructs, and the power of the Sales department. In short, our model integrates trust-based and power/influence/interdependence-based models of relationship effectiveness.

Our article is structured as follows. First, we present our conceptual framework, define the key constructs, and justify their inclusion in our model. Next, we specify our structural model and develop six hypotheses. Then we describe our research method and report the results of our empirical tests. We conclude by discussing the implications of our research, its limitations, and possible topics for future research.

Figure 1: Conceptual Model



Antecedent Variable: Power of the Sales Department.

In this research we examine the power of the Sales unit (e.g., Hickson et al., 1971) rather than French and Raven's (1959) five bases of interpersonal power. We define the power of the Sales unit as the relative importance of the Sales unit to the organization. As Kohli argued (1989), a resource dependence view of organizations suggests that different units have varying degrees of power because of their differential ability to obtain resources critical to the organization. Consistent with Kohli (1989), unit power is viewed as an individual resource which can be used by both MMs and SMs. Hence, the greater the sales unit's control over critical resources (i.e., the greater its power within the organization), the more able it is to influence the actions of other units and individuals outside its domain.

Antecedent Variables: Dependence of MM/SM on their Counterpart Manager.

Firms can divide up their key activities in various ways, e.g., product, market, or functional structures. Regardless of the structure adopted, managers and their units are interdependent to some extent (McCann and Galbraith, 1981). Each unit relies on other units for inputs and support to carry out their tasks, and in turn provide inputs and support for downstream activities. The greater the interdependence, the greater the coordination effort required (Thompson, 1967). Hence, CFRs are the result of the interdependence between functional units, and the need to coordinate the activities within a firm. In this study we examine the dependence of MMs on their counterpart SMs, and vice versa. According to Ruekert and Walker (1987), interdependence is the key internal variable affecting marketing's interaction with other functional areas. This view is consistent with a resource-based view of the firm, because MMs do not have all the monetary, information, or human resources necessary to do their jobs, they must seek out those resources from people in other functional areas. Moreover, such exchanges of resources are likely to occur most frequently between departments operating in similar domains; that is, those with shared objectives, closely related tasks and skills. Since Sales and Marketing operate within a similar domain, we expect dependence to have strong effects within the relationship.

Dependent Variables: Interpersonal Trust Dimensions

The importance of trust in behavioural research is reflected in the range of literature which has examined the construct, including economics, psychology, management, and marketing. A number of studies have found that trust between interdependent actors is a determining factor in achieving coordinated action and effectiveness (e.g., Pennings and Woiceshyn, 1987; Seabright et al., 1992). In the marketing channels literature, trust is considered an important contributor to effective relationships between buyers and sellers (e.g., Anderson and Weitz, 1989). Similarly, Morgan and Hunt (1994) found that trust was a key variable mediating effective exchange with a relationship partner. Trust is therefore also likely to be important in intrafirm relationships such as CFRs, because managers are boundary spanners who need to develop effective horizontal ties within the organization (Gabarro, 1990; McAllister, 1995).

Interpersonal trust has been conceptualized in various ways, though the framework we adopt here is that trust has two dimensions, one cognitive, the other affective (McAllister, 1995). *Cognition-based trust* derives from a person's rational bases for trusting another person, e.g., previous occasions in which the other person has been competent, reliable, and dependable. In contrast, *affect-based trust* is typified by emotional bonds between individuals, in which one party exhibits genuine concern and care for the welfare of the other person.

Hypotheses Development

The Effects of the Power of the Sales Department

Few studies have examined the link between Sales unit power and interpersonal trust. Recent research in the US and Germany however, showed that Sales had high relative influence across a range of important issues (Homburg et al., 1999). Hence, the greater the Sales unit's control over critical resources (i.e., the greater its power), the more able it is to influence the actions of units and individuals outside its domain. Though there is little evidence to guide our hypotheses here, we argue that in situations in which the Sales unit is very powerful, they will be in a position to implement their preferred plans and actions through executive fiat, rather than through consultation and collaboration with Marketing. In such situations, we would expect that high Sales unit power would be negatively associated with a MM having interpersonal trust in the SM. We therefore hypothesise:

$H_{1a,b}$ The greater the power of the Sales unit, the lower the MM's (a) cognitive trust, and (b) affective trust in the SM.

The Effects of Dependence on Interpersonal Trust

In justifying our hypotheses we draw from the interfirm, rather than the more appropriate interpersonal level, as there is little research at the interpersonal level linking dependence and trust. In their study of selling partner relationships, Smith and Barclay (1999) argued that greater interdependence leads to greater trust, basing their arguments on the norms of reciprocity inherent in bilateral deterrence theory (e.g., Bacharach and Lawler, 1981) and social exchange theory (e.g., Blau, 1964). Specifically, as interdependence increases, relationship partners have too much to lose to engage in opportunistic behaviour, negative tactics, or coercion. Smith and Barclay's (1999) hypotheses on higher interdependence leading to greater trust were strongly supported.

Similarly, Kumar et al. (1995) found that increased interdependence in channel relationships led to increased trust. Importantly, they argue that high interdependence itself may not directly create trust, but may lead to a channel environment in which trust can flourish due to the convergence of the partners' interests. Here we argue that greater dependence of SMs and MMs on each other will lead to greater trust. We argue this because when one manager is highly dependent on another, they are in a relatively weak position of influence, and may simply have to trust their counterpart manager on operational issues. Thus, we predict:

$H_{2a,b}$ The greater the SM's dependence on the MM, the greater the (a) cognitive trust, and (b) affective trust.

$H_{3a,b}$ The greater the MM's dependence on the SM, the greater the (a) cognitive trust, and (b) affective trust.

Methodology

Our survey used a self-administered, pretested questionnaire mailed to MMs in Australian firms. We received usable responses from 100 MMs (R.R.= 22.3%). Tests of nonresponse bias and key informant competence indicated the data was acceptable. Five reflective multi-item scales were used to measure the constructs in Figure 1. Items with loadings > 0.7 were used to avoid problems with convergent and discriminant validity (Fornell and Larcker 1981). PLS Graph V.3 was used to analyse the measurement and structural models, because of its ability to model using small samples. Also we make no assumptions about univariate or multivariate normality, and our main aim is predicting the endogenous variables (Chin, 1998; Diamantopolous and Winklhofer, 2001; Fornell and Bookstein, 1982).

Principal components analysis revealed that our measures were unidimensional. Convergent validity was established as the average variance extracted (AVE) of our reflective measures was > 0.5 (Bagozzi and Yi, 1988). Reliability was established as the composite reliability for each scale was > 0.7. Discriminant validity was established, because the squared correlation for any pair of constructs was less than the AVEs of each construct (Fornell and Larcker, 1981). As our measures are self reports we tested for common method bias using principal components analysis. No single factor emerged, and no one factor accounted for more than 50% of the variance (Mattila and Enz 2002; Podsakoff et al. 1984), so no evidence of common method bias was found.

Results and Discussion

The R^2 results for cognitive trust and affective trust are .154 and .184 respectively, therefore our antecedents predict between 15% and 18% of the variance in these two trust dimensions. All of our variables were measured on 7-point Likert scales. The means of our trust dimensions were quite high (cognitive trust = 5.35, s.d. = 1.37; affective trust = 5.14, s.d. = 1.74), suggesting that while the variance is fairly high, overall MMs and SMs enjoy fairly high levels of trust. Sales unit power was moderate (mean = 4.40, s.d. = 1.31), and SMs were more dependent on MMs, than MMs were on them. The mean for the SMs' dependence on the MM = 4.87, s.d. = 1.49, and for the MM's dependence on the SM = 3.84, s.d. = 1.41.

Table 1: PLS Structural Model Results

Linkages in the Model	Hypothesis Number	Hypothesis Sign	Std. Beta (t-value)
Power of sales › Cognitive trust	H_a	–	-0.264 (3.5225)***
Power of sales› Affective trust	H_{1b}	–	-0.303 (3.7193)***
SM's Dep on MM › Cognitive trust	H_{2a}	+	0.059 (0.4480)
SM's Dep on MM › Affective trust	H_{2b}	+	0.029 (0.2742)
MM's Dep on SM › Cognitive trust	H_{3a}	+	0.254 (2.4665)**
MM's Dep on SM › Affective trust	H_{3b}	+	0.281 (3.3088)***
R^2 for Cognitive trust = .154; R^2 for Affective trust = .184			

** Sig. at 0.01 level (one-tailed test); *** Sig. at 0.001 level (one-tailed test)

Perhaps the most important finding is that trust formation may be contingent on the state of dependence between the two managers. Where the MM depends heavily on the SM, it is strategically useful to trust the SM upon whom you depend. In contrast, if a SM is highly dependent on the MM, there is no real incentive for a MM to trust that SM. One reason for this might be that highly dependent managers have little choice but to trust the managers upon whom they depend. Again, resource dependence theory would suggest that managers who are highly dependent often need to secure resources from other managers. In such circumstances, it makes little sense strategically for the more dependent manager to not trust the manager on whom they depend. If distrust did emerge, and become overt, this may potentially damage the CFR, and lower their chances of securing the desired resources. Further, our results imply that power and dependence asymmetry could be useful diagnostics for managers wanting to improve Marketing/Sales CFRs. Specifically our results suggest that it would be unwise to allow the Sales department to become very powerful relative to the marketing unit. To do so would be a step back to an earlier marketing era in which selling was the dominant logic, rather than understanding customers via sound marketing research from the marketing unit. Similarly, our results suggest that increased dependence may not always be a good thing. Whilst interpersonal trust is generally considered to be beneficial, it is probably better that it emerges from effective exchanges (e.g., communication and interaction, building trust), rather than from dependence asymmetries. If one manager is too highly dependent on another, this causes an imbalance in trust formation, so senior managers should look for ways to balance the dependence in CFRs.

Conclusions and Directions for Future Research

This research empirically examined the role of power and dependence on trust between MMs and SMs. Our results suggest that when the Sales unit is very powerful, the SM is less likely to trust their counterpart MM. Also, trust formation appears to be affected by the level of dependence one manager has on another, hence treating "inter/dependence" as a global construct potentially ignores an important situational contingency. Future research could further examine the effects of dependence asymmetry on trust formation, and on other important aspects of exchange relationships, e.g., conflict, and effectiveness.

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