Organizational Drivers of Innovation Deployment Process affecting the Marketing/Sales Interface
The Case of Six Latin American Countries

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Abstract

This study investigates the antecedents of information management and its effect on formalization and joint planning as drivers of the marketing/sales perceived relationship effectiveness during the formalized process of new product deployment (NPD).

We examine the effect of communication as perceived by the marketing and sales functions based on two components: communication amount/frequency and communication quality.

Finally, we investigate how process formalization and joint planning affect the perceived relationship effectiveness of marketing and sales during NPD process.

The study uses 152 matched responses from top level managers, responsible for the innovation deployment of six South American subsidiaries of a consumer packaged goods company. The studied firm is ranked within the 50 most admired companies (Fortune 2012) whose product innovation account for more than 70% sales growth.

Empirical results show that communication dimensions influence the perceived effectiveness of marketing/sales relationships during the innovation deployment. The amount of shared communication and its quality also enhance the positive effect of joint planning on this variable, but only the frequency of communication affects process formalization. In addition, the findings suggest that Stage-Gate formalization has no significant (negative) effect on the perceived cross functional relationship.

Whilst numerous studies have researched the drivers of innovation process; this is the first paper that studies the NPD process based on the cross-functional relationship between marketing and sales. These drivers can help managers implement effective team processes to enhance innovation deployment results.
This empirical research also expands theoretical boundaries of marketing/sales interface literature, providing evidence of organizational mechanisms in South America: an emerging geography that has been able to manage innovation process in a post-crisis, turbulent and highly competitive environment.

Keywords: marketing and sales interface, innovation deployment management, South America

1. Introduction
The present paper investigates the antecedents of organizational drivers affecting the marketing/sales perceived relationship effectiveness during the formalized process of new product deployment (NPD) projects in six South American subsidiaries of a consumer packaged goods global company. Consumer packaged goods industries deploy innovation in order to open new streams of revenue, to stay ahead of competitors and to enhance brand equity. Companies facing a turbulent and hyper-competitive environment, require effective management of cross-functional relationships, to maintain their competitive advantage in the marketplace (Guenzi & Troilo, 2007; Malshe & Sohi, 2009a).

Consumer packaged goods industries deploy innovation in order to open new streams of revenue, to stay ahead of competitors and to enhance brand equity. Companies facing a turbulent and hyper-competitive environment, require effective management of cross-functional relationships, to maintain their competitive advantage in the marketplace (Guenzi & Troilo, 2007; Malshe & Sohi, 2009a).

Extant research of the effectiveness of cross-functional integration in new product development has focused on goal incongruity among marketing, research and development (R&D) and manufacturing, perceived R&D and marketing conflicts or interpersonal trust (Massey & Kyriazis, 2007; Xie et al., 2003), inter alia. More recently, Wiebmeier and colleagues (2012) introduced the relevance of sales to unlock synergies during the innovation process.

The importance of marketing and sales interface has been consistently reported as a key cross-functional interface to enhance business performance and to create superior customer value (see for instance: Guenzi & Troilo, 2007; Homburg & Jensen, 2007; Le Meunier-FitzHugh et al., 2011; Malshe & Sohi, 2009a).

In highly innovative consumer packaged goods companies, business performance is embedded with innovation deployment success and measured by relative market share, sales, profitability and objective compliance (Im & Workman, 2004).

The literature highlights key factors that can either contribute to or hamper the coordinated and collaborative marketing/sales interface (Guenzi & Troilo, 2007; Homburg, et al., 2008; Rouziès et al., 2005) inter alia. These studies are based on samples from a specific context of developed economies like the United States, Australia, New Zealand and countries from the European Union, while emerging markets remain under-explored (Huff & Smith, 2008; Malshe et al., 2012; Zhou & Li, 2010). This paper, instead, studies for the first time, the nature of the sales/marketing cross-function relationship and those factors that contribute to the interface effectiveness to gain in NPD effectiveness in six South American countries.

2. Literature review and research framework
2.1. Leveraging sales/marketing synergies
The integration of the customer insights at different stages of the innovation process through sales collaboration is far a more effective source of new ideas than are other
innovation sources, however new methods are required (Cotterman et al., 2009). Over the last decade, a number of studies have offered insights into marketing and sales described by Rouziès & Segalla (2012), like configurations, orientation and influence, interface revenue and profit implications. The marketing/sales cross-function relationship approach considered in this research is established by Rouziès and colleagues (2005, p. 115) as “a dynamic process in which the two functional areas create more value for their firms by working together than they would create by working in isolation.” That is to say, activities are consistent and coherent with each other (same goal) and are coordinated over time during innovation deployment process.

3. Theoretical model and hypotheses

The model was developed building on the theoretical constructs of the multidimensional model drawn by Homburg et al. (2008) and the foundations considered by Massey and Kyriazis (2007) for the marketing and R&D interface.

3.1. Dependent variable: the perceived effectiveness of the sales-marketing relationship (PRE)

The dependent variable is the degree to which sales and marketing managers perceive that the relationship is effective and satisfying in achieving organizational objectives (Dawes & Massey, 2006). The construct was adapted from both, Ruekert and Walker, 1987 and Homburg and colleagues (2008). In spite of being a psychosocial outcome, it can be viewed as a precursor to objective outcomes like product innovation performance, superior value creation or market share growth (De Luca & Atahuene-Gima, 2007; Homburg & Jensen, 2007).

3.2. The inter-functional communication role

Extant literature proposes that the amount and difficulty of communication are important aspects of cross-functional interaction, associated with an improved relationship commitment and perceived justice (Hulland et al., 2012; Rouziès, et al., 2005; Ruekert & Walker, 1987).

Given the established importance of cross-functional communication to achieve functional coordination during NPD (e.g. Fisher et al., 1997; Ruekert & Walker, 1987), we explore two communication dimensions: amount of communication and communication quality.

Amount of communication (CA) is defined as the intensity of information flow among managers via emails, telephone, formal or ad-hoc meetings, reports (Ruekert & Walker, 1987). Communication quality (CQ) - adapted from Fisher et al. (1997) and Homburg et al. (2008) - is defined as the extent to which communication between marketing and sales managers is a bi-directional process of credible, relevant, useful and on time provided information for a flawless NPD. Massey and Kyriazis (2007) found a strong effect of communication frequency and bidirectional communication (a key variable of communication quality). Therefore:

H1 Communication amount is positively related to communication quality between marketing and sales managers.

Extant literature confirmed the importance of communication frequency to promote a more effective relationship between marketing and
other departments, through informal conversation and efficient meetings (Fisher et al., 1997; Lovejoy & Sinha, 2010; Massey & Kyriazis, 2007). We therefore hypothesize that:

**H2** Communication amount is positively related to the perceived relationship effectiveness between marketing and sales managers.

Sales and marketing managers perceive their relationship to be effective if both of them achieve the innovation deployment targets. Fisher and colleagues (1997) found a positive link between bi-directional communication and the perceived marketing-engineering relationship effectiveness during the innovation process. This effect was confirmed by Massey and Kyriazis (2007) between R&D and marketing managers. We therefore hypothesize that:

**H3** Communication quality is positively associated with the perceived relationship effectiveness between marketing and sales managers.

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### 3.3. Formalization (FMZ)

Formalization is defined as the extent to which sales/marketing cooperation is structured by rules and procedures (Homburg et al., 2008). Stage-Gates innovation process enables companies to minimize uncertainty by helping them identify the wrong projects before too many resources are invested (Oorschot et al., 2010). A key managerial role is to direct sales/marketing integration towards the common goals of NPD projects through formalized processes that affect cross-functional relationships (e.g. Song et al., 2006). We therefore hypothesize that:

**H4** Formalization of innovation process between the marketing and sales managers is positively related to the perceived relationship effectiveness.

However, it is also recognized that strictly adhering to the Stage-Gates philosophy may turn out in rejecting viable projects. Therefore, initial flexible processes that are adaptable through information sharing, experience and learning can improve the dynamics of project execution (Kelley, 2009). Therefore:

**H5** Communication amount between the marketing and sales managers is positively related with the formalization of innovation process.

**H6** Communication quality between marketing and sales managers is positively related with the formalization of innovation process

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### 3.4. Joint Planning (PLAN)

Joint planning, one of the structural linkages, is understood as the degree needed in developing the product strategy where marketing and sales ideally should reach a consensus (Homburg et al., 2008). The dimension is built on product strategy agreement and teamwork, as well as objectives, budgets and activities alignment (Homburg et al. 2008). Hence:

**H7** Joint planning between the sales and marketing managers is positively related with the perceived relationship effectiveness during innovation deployment.

The significant negative relationship between the quality of cross-functional information and goal incongruity (Xie et al., 2003) suggests that the joint planning among functions engaged in NPD programs may be improved through cross-functional information sharing. Therefore:

**H8** Communication amount is positively related
with joint planning between marketing and sales during innovation deployment.

**H9** Communication quality is positively related with joint planning between marketing and sales during innovation deployment.

4. Methodology

4.1. Survey context and data collection

This study was conducted in a multinational consumer packaged goods company in six of its Southern Cone Latin American branches (Argentina, Chile, Peru, Bolivia, Uruguay and Paraguay). The total cluster accounts for a significant turnover (higher than $2 billion US dollars) and an intense innovation deployment strategy (representing more than 70% of sales revenue growth).

The data collection instrument is a pre-tested, self-administered written questionnaire sent via e-mail to each of the directors, category, channel and brand managers included in all the six countries’ data base.

4.2. Measurement

Reflective multiple-item measures are used for all the researched constructs. The use of reflective scales allows us to test the constructs for convergence, discriminant validity, reliability, and internal consistency (Bollen et al. 1991).

See the Appendix for a detailed item description.

5. Analysis and Results

5.1. Response Rates

After quality control of the data, 152 valid answers (a high 70% response rate) were received from all six countries, over a period of less than 30 days. Out of the 152 answers, 55% were from marketing, 45% from sales; 7% from directors, 33% from category or channel managers and 60% from brand or client managers. There are no significant differences between the means of respondents from sales and marketing and from different hierarchical levels. Conversely, the resulting significant differences between means among countries highlight different levels of structural complexity and evolution, in spite of being part of the same multinational company.

5.2. Descriptive results

As can be seen from Table 1, the results are consistent with the findings of Homburg and colleagues (2008), for the brand-focused professional taxonomy.

The resulting mean score for sales/marketing perceived relationship effectiveness ($X = 5.26, SD = 1.25$), communication amount ($X = 5.30, SD = 1.45$) and joint planning ($X = 5.26, SD = 1.24$) are significantly high. On the contrary, the quality of communication ($X = 5.07, SD = 1.41$) and formalization ($X = 4.68, SD = 1.37$) show a lower level.

After using exploratory factor analysis, reliability of each multi-item scale was reassessed through calculation of the $\alpha$ -coefficient. The reliability estimate of CA and FMZ, although acceptable, are the weakest (see Table 1).

5.3. Measure refinement

Convergent validity is established calculating the average variance extracted (AVE) for each construct that is higher than 0.50. Discriminant validity is established confirming that the correlation for all pairs of constructs is less than
the AVE root square for each individual construct (Fornell & Larcker, 1981).

6. Model estimation and testing results
The measures were tested and modeled by using two-stage least squares estimation of observed variables (2SLS) (Fox, 2006). As shown in Table 2, the resulting indexes indicate construct acceptable fit (however the RMSEA value poses some limitations).

Both communication dimensions – amount and quality - are positively related with the PRE of the marketing and sales relationship (\(\beta = 0.362, p <0.001; \beta = 0.743, p<0.001\) respectively). Correspondingly, CA is positively related with FMZ (\(\beta=0.488, p<0.001\)) and PLAN (\(\beta=0.573, p<0.001\)), meanwhile CQ is positively related with PLAN (\(\beta=0.741, p<0.001\)) with a weaker relationship with FMZ (\(\beta=0.160, p<0.1\)). PLAN is strongly and positively related with the sales/marketing PRE (\(\beta=0.610, p<0.001\)), in contrast with FMZ that has a negative no significant relationship with the cross-functional interface PRE. See the fit index in Table 3.

7. Discussion
7.1. Research Implications
Despite growing interest in understanding the drivers of innovation process (Massey & Kyriazis, 2007; Song et al., 2006, Xie et al., 2003; inter alia) and more recently, Wiebmeier and colleagues (2012), introducing the relevance of sales, the deployment of innovation based on the cross-functional marketing/sales relationship has not been previously studied.

Secondly, extant research consistently reported sales and marketing as a key cross-functional interface to enhance business performance and to create superior customer value (e.g., Guenzi & Troilo, 2007; Homburg & Jensen, 2007; Le Meunier-FitzHugh et al. 2011; Malshe & Sohi, 2009a). However, any empirical research has been conducted in emergent geographies like South America.

Results show that both – amount and quality communication influence the perceived effectiveness of marketing/sales relationships during the innovation deployment. The amount of shared communication and its quality also enhance the positive effect of joint planning on this variable, but only the frequency of communication affects the formalization of the process. The findings also suggest that joint planning strongly influence the perceived effectiveness of marketing/sales interface, unlike the Stage-Gate formalization non significant (negative) effect on this dimension.

These results are consistent with the findings of Lovejoy and Sinha (2010), stating that efficiently innovative organizations do not look like standard formal organizations with strict and unchanging lines of communication. The strong and positive relationship of communication with sales/marketing effectiveness is consistent with past literature (e.g., Dawes & Massey 2006; Ruekert & Walker 1987). Nevertheless, according to the interaction point of view (Ruekert & Walker, 1987) and contrary to previous research (Massey & Kyriazis, 2007), the amount of communications has a positive effect on the relationship effectiveness between marketing and sales.

7.2. Managerial implications
These findings are relevant for firms deploying innovation through marketing and sales
cross-functional teams, providing insights into how to improve sales and marketing perceived relationship effectiveness to positively affect product innovation performance (De Luca & Atahuene-Gima, 2007). Results indicate that value creation is not just a result of the formalized gate-stage process; it needs to be nurtured over time to promote joint planning in a collaborative mindset and behavior. Further, it is shown that both, formalization and joint planning, can be effectively enhanced by encouraging the amount of marketing/sales communication improving new product success rates, market share and sales growth (Hulland et al., 2012). Managers should implement systems to stimulate information sharing (both quantity and quality) to set and reward sales and marketing based on shared goals (Le Meunier-FitzHugh et al., 2011). Finally, the evidence provided by this research could help multinational companies expanding into emergent markets like Latin America, to implement effective cross-function relationship in the host countries.

8. Limitations and directions for future research

Despite providing a complete picture of South American emerging markets, since this study was performed in a consumer goods packaged company in different countries, the applicability of our findings to other industries needs to be tested.

A more detailed examination of a bigger number of firms, on other taxonomical industries (Homburg et al., 2008), would give us more insightful information of the innovation process. Additionally, cross-functional relationships are affected by a wide range of factors, thus future research could draw on other frameworks such as impact of different “linkage devices” on trust and how social network mechanisms help firms internalize resources and transform them into product and process innovation.

From the methodological point of view, despite being recently studied, (Hulland et al., 2012; Massey & Kyriazis, 2007) future work could add objective measures to the subjective construct of “perceived relationship effectiveness”, such as new product turnover, market share, mix participation, inter alia.

9. Conclusion

This study focuses on the organizational team innovation process between marketing and sales of a successful global company in six different countries of South America. Our study contributes to the understanding of factors that can enhance the team innovation process between marketing and sales managers, specifically in Latin American emerging markets who are capitalizing post-crisis growth by delivering value to consumers and clients.

References


### Tables

#### Table 1. Means, standard deviations and internal consistency of constructs.

<table>
<thead>
<tr>
<th></th>
<th>No of items</th>
<th>Mean</th>
<th>S.D.</th>
<th>α</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMZ</td>
<td>4</td>
<td>4.68</td>
<td>1.37</td>
<td>0.74</td>
</tr>
<tr>
<td>PLAN</td>
<td>5</td>
<td>5.26</td>
<td>1.24</td>
<td>0.88</td>
</tr>
<tr>
<td>CA</td>
<td>3</td>
<td>5.30</td>
<td>1.45</td>
<td>0.73</td>
</tr>
<tr>
<td>CQ</td>
<td>3</td>
<td>5.07</td>
<td>1.41</td>
<td>0.89</td>
</tr>
<tr>
<td>PRE</td>
<td>8</td>
<td>5.26</td>
<td>1.25</td>
<td>0.91</td>
</tr>
</tbody>
</table>

#### Table 2. Unidimensionality assessment.

<table>
<thead>
<tr>
<th></th>
<th>χ²(df)</th>
<th>RMSEA</th>
<th>GFI</th>
<th>NNFI</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMZ</td>
<td>160.6 (6)</td>
<td>0.153</td>
<td>0.971</td>
<td>0.863</td>
<td>0.954</td>
</tr>
<tr>
<td>PLAN</td>
<td>406.7 (10)</td>
<td>0.246</td>
<td>0.872</td>
<td>0.769</td>
<td>0.884</td>
</tr>
<tr>
<td>CA</td>
<td>100.3 (3)</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>CQ</td>
<td>352.9 (3)</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>PRE</td>
<td>700.7 (28)</td>
<td>0.093</td>
<td>0.926</td>
<td>0.945</td>
<td>0.961</td>
</tr>
</tbody>
</table>

Note: Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI), Non-Normed Fit Index (NNFI), Comparative Fit Index (CFI)
Table 3. Marketing/Sales relationship structural modeling results

<table>
<thead>
<tr>
<th></th>
<th>$\chi^2$ (df)</th>
<th>RMSEA</th>
<th>GFI</th>
<th>NNFI</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA to FMZ</td>
<td>303.0 (21)</td>
<td>0.093</td>
<td>0.951</td>
<td>0.904</td>
<td>0.940</td>
</tr>
<tr>
<td>CQ to FMZ</td>
<td>565.9 (21)</td>
<td>0.121</td>
<td>0.929</td>
<td>0.915</td>
<td>0.947</td>
</tr>
<tr>
<td>CA to PLAN</td>
<td>562.4 (28)</td>
<td>0.132</td>
<td>0.893</td>
<td>0.862</td>
<td>0.907</td>
</tr>
<tr>
<td>CQ to PLAN</td>
<td>837.5 (28)</td>
<td>0.140</td>
<td>0.891</td>
<td>0.898</td>
<td>0.930</td>
</tr>
<tr>
<td>PLAN to PRE</td>
<td>184.7 (64)</td>
<td>0.112</td>
<td>0.846</td>
<td>0.878</td>
<td>0.900</td>
</tr>
<tr>
<td>CA to CQ</td>
<td>700.7 (28)</td>
<td>0.115</td>
<td>0.950</td>
<td>0.940</td>
<td>0.968</td>
</tr>
<tr>
<td>CA to PRE</td>
<td>131.8 (43)</td>
<td>0.117</td>
<td>0.866</td>
<td>0.871</td>
<td>0.899</td>
</tr>
<tr>
<td>CQ to PRE</td>
<td>134.5 (44)</td>
<td>0.117</td>
<td>0.842</td>
<td>0.904</td>
<td>0.923</td>
</tr>
</tbody>
</table>

Appendix

Items and source for construct measure 7-point scale (completely agree/completely disagree)

1. **FMZ** (Homburg et al., 2008; Massey & Kyriazis, 2007; Ruekert & Walker, 1987)
   To coordinate the activities during NPD:
   - formal communication channels are followed
   - standard operating procedures are established
   - marketing understands the sales process
   - sales understands the marketing process

2. **PLAN** (Homburg et al., 2008)
   In the course of common goal definition and planning of innovation deployment projects marketing and sales in our business unit/company:
   - Market goals and sales goals are reconciled
   - Both units commit to the efficacy of common collaboration and coordination

   CFI: Market-related activities decisions are taken jointly
   - Market-related activities are carried out jointly
   (Massey & Kyriazis, 2007; Ruekert & Walker, 1987)
   Generally, in coordinating NPD, the frequency of communication is appropriate through:
   - Prompted face-to-face conversations
   - Scheduled one-to-one phone conversations
   - Scheduled one-to-one meetings

4. **CQ** (Fisher et al., 1997; Homburg et al., 2008; Massey & Kyriazis, 2007)
   Generally, in coordinating NPD, people in the sales (marketing) unit of our business unit/company:
   - Respond promptly and without a reminder to two-way information requests
   - Provide useful two-way information
   - Are very satisfied with the two-way content of the information provided by marketing (sales)

5. **PRE** (Homburg et al., 2008; Hulland et al., 2012; Massey & Kyriazis, 2007; Ruekert & Walker, 1987)
   Generally, in coordinating NPD, people in the sales (marketing) unit of our business unit/company:
   - Overall, are satisfied with the working relationship
   - Collaborate frictionless
   - Act in concert
   - Coordinate the market-related activities in a credible way
   - Fully carried out their responsibilities and commitments
   - Respond well to feedback and advice
   - Achieve their common goals
   - From a performance perspective, the relationship between marketing and sales has been effective