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Organizational linkages for new product development: Implementation of innovation projects☆

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ABSTRACT

Effective external and internal organization linkage characterizes new product development. Although prior research covers the external linkages to gain operational efficiencies and develop new products, the current body of scholarship on internal cross-functional linkages requires further attention. This study provides a certain level of inquiry into the antecedents of such internal linkages and presents a framework to establish the relationship between two internal functions at major fast-moving consumer goods (FMCG). The study examines the implementation of 150 innovation projects in 6 different countries over a period of three years. The objective is to study the influence of trust dimension on the perceived effectiveness of cross-functional linkage to highlight how organizational mechanisms like the amount and quality of shared communication affect trust and relationship between two functions.

1. Introduction

Introducing new products is becoming increasingly challenging in face of hyper competition and ever changing consumer preferences. As a result, the focus on new product development (NPD) is crucial, especially in industries like fast-moving consumer goods (FMCG), which have shorter product life cycles and seasonal demand (Mundra, Gulati, & Gupta, 2013). Most of the prior research on NPD focuses on external linkages as part of supply chain to strengthen operational efficiencies and to collaborate for opportunity recognition leading to new product opportunities (Banker, Bardhan, & Ozer, 2006). However, research connecting the antecedents affecting internal linkages across different functions requires further analysis. This study investigates the antecedents of organizational linkages affecting marketing and sales functions during the formalized process of new product development (NPD). According to the literature, marketing and sales interface as an organizational linkage is a key cross-functional interface to increase customer value and business performance (Guenzi & Troilo, 2007; Guzmán-Cuevas, Cáceres-Carrasco, & Soriano, 2009; Homburg & Jensen, 2007; Le Meunier-FitzHugh & Piercy, 2007; Lee, Ribeiro, Olson, & Roig, 2007; Malshe & Sohi, 2009; Ribeiro-Soriano & Urbano, 2010). However, most of the empirical research in this direction remains limited and evidence reports poor collaboration between sales and marketing functions (Kotler, Rackham, & Krishnaswamy, 2006; Rouziès et al., 2005; Ries & Ries, 2009) and even research to support inter-functional conflict (Dawes & Massey, 2005; Le Meunier-FitzHugh & Piercy, 2007).

In this direction, Ernst, Hoyer, and Rübsaamen (2010), and Malshe and Biemans (2014) identify the importance of sales and marketing interaction during new product development to underline the need for a strong relationship between sales and marketing to create organizational success (Guenzi & Troilo, 2007; Le Meunier-FitzHugh & Piercy, 2007; Le Meunier-FitzHugh, Massey, & Piercy, 2011). Further, Hughes, Le Bon, and Malshe (2012) link sales and marketing operational effectiveness with strong new product capability. Research specifies that interpersonal trust and communication are essential antecedents in establishing collaborative, cross-functional relationships between sales and marketing (e.g., Dawes & Massey, 2007; Homburg, Jensen, & Krohmer, 2008; Hulland, Nenkov, & Barclay, 2012). Nevertheless, no specific studies focus on how organizational linkages between sales and marketing can influence the success of new product development in FMCG subsidiaries.

To address this shortcoming on how to improve the implementation of new product launches in FMCG subsidiaries, this study examines interpersonal trust and communication as factors that can influence

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interaction between marketing and sales. This study follows a quantitative method at a major FMCG firm operating in six countries. This research examines some of the relevant variables (communication amount, communication quality, cognitive-based trust, affect-based trust, and perceived relationship effectiveness) in six countries for a major FMCG firm, listed in the Global 500 (Global Fortune, 2013). The studied cluster represents an exemplar case of marketing and sales interface, recognized for its excellence in execution of innovation projects for NPD worldwide.

The novelty of the study lies in its focus on the influence of sales and marketing interactions on the implementation of a new product launch. The study explores the impact of communications and trust on the relationship effectiveness between sales and marketing. Because of the successful performance resulting from the implementation of innovation in the market, the study expands the working procedure between marketing and sales presented in this research to other clusters. The main objective of this research is to study the influence of two trust dimensions on the perceived effectiveness of marketing/sales relationship during the implementation of innovation projects. The study analyzes how organizational mechanisms, like the amount of shared communication and its quality, affect trust and the relationship of effectiveness between marketing and sales functions. The structure of this study is as follows. Section 2 provides a detailed literature background to establish the hypotheses. Section 3 presents the method and the discussion of the results. Finally, Sections 4, 5, and 6 present the conclusions, the relevance of results and their limitations, as well as possible directions for future research.

2. Background

Rouziès et al. (2005, p. 115) argue, "Sales–marketing integration is 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." Therefore, activities are consistent and coherent with each other (same goal) and their coordination over time creates a positive relationship between formal and informal communication, and sales and marketing integration.

Recent work in this area suggests that different firms may organize, manage, and reward their sales and marketing functions differently, which may affect interface dynamics (Biemans, Brencic, & Malshe, 2010; Homburg et al., 2008; Malshe, 2010; Malshe & Sohi, 2009, inter alia). Research reports a positive association between data dissemination and communication, and new product development (Arnett & Wittman, 2014; Fisher, Maltz, & Jaworski, 1997; Kotler et al., 2006). Empirical evidence suggests that communication in internal relationships can influence trust development (McAllister, 1995) and consequently the model presented links communication directly to interpersonal trust and perceived relationship effectiveness (the dependent variable).

The model builds on the theoretical foundations of interaction theory (Mas-Verdú, Ribeiro-Soriano, & Roig-Tierno, 2015; Moenaert, Souder, DeMeyer, & Deschoolmeester, 1994; Ribeiro-Soriano & Castrogiovanni, 2012; Ribeiro-Soriano & Roig-Dobón, 2009; Ruekert & Walker, 1987) and trust (McAllister, 1995). The interaction approach focuses on factors such as trust and communication to predict cross-functional relationships (Ruekert & Walker, 1987) with the concepts of sales and marketing inter-functional perceived relationship effectiveness (Biemans et al., 2010; Homburg et al., 2008; Kotler et al., 2006). Fig. 1 presents the conceptual model that hypothesizes this approach.

2.1. The perceived effectiveness of the sales–marketing relationship

The dependent construct is the degree to which sales and marketing managers perceive that the relationship (dynamic process of consistent and coherent activities coordinated over time) is effective in achieving organizational objectives (Dawes & Massey, 2006). This study operationalizes at the interpersonal level rather than the interdepartmental level, consistent with Ruekert and Walker (1987). In spite of being a psychosocial outcome that managers experience, perceived relationship effectiveness may be an antecedent of objective outcomes like successful innovation, superior value creation, and sales growth or market share (Dawes & Massey, 2005; Homburg & Jensen, 2007; Le Meunier-FitzHugh & Piercy, 2007).

2.2. Interpersonal trust

Scholarly literature highlights the importance of interpersonal trust in intra-organizational relationships (Goris, Vaught, & Pettit, 2003). Studies report an association between interpersonal trust in teams and a wide range of positive outcomes, such as increased satisfaction within the team and team commitment (Costa, 2003) and knowledge and resource exchange, which in turn enhance team performance (Walumbwa, Luthans, Avey, & Oke, 2011). McAllister (1995) explains that peer managers who personally trust each other experiment a significant increase in sensitivity to each other's personal and work-related needs. Greater interpersonal trust between managers can improve overall business performance. Trust is especially critical to firms using cross-functional teams to coordinate work, where trust can improve social coordination, formal and informal cooperation, and organizational decision-making (Williams, 2001).

Interpersonal trust's conceptualizations are diverse, but two of the underlying dimensions McAllister (1995) identifies are cognitive-based and affect-based trust. Trust is cognition-based when we choose

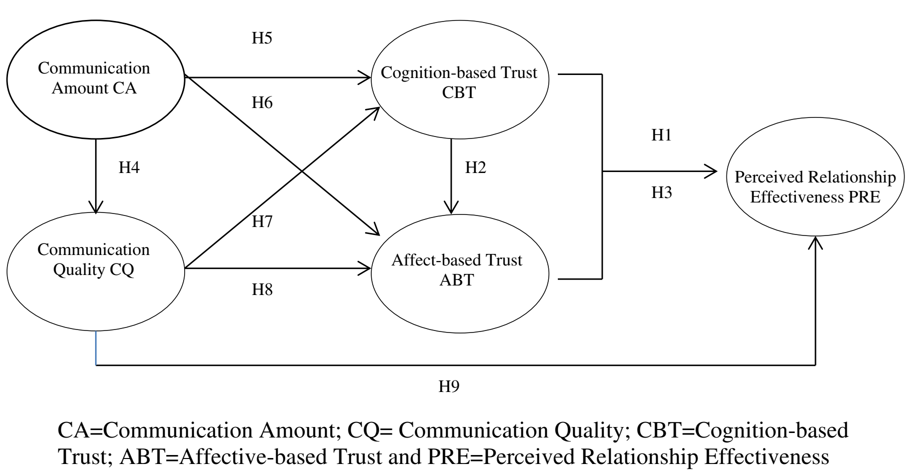

Fig. 1. Hypothesized conceptual model CA = communication amount; CQ = communication quality; CBT = cognition-based trust; ABT = affective-based trust and PRE = perceived relationship effectiveness