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Abstract: This study aims to investigate conflict management practices in dealings between key functions such as Marketing, Sales, Research & Development and Production. Managing cross-functional relationships is crucial for organizational innovation and development in today’s competitive world. Review and synthesis of the relevant literature indicate that conflict influences heavily cross-functional relationships. Organizational effectiveness requires strong collaboration between functional units in an ever changing business environment. Collaboration includes the attribute of integration, since managers try to attain common goals linking cross-functional communication with the utilization of conflict management practices styles in handling disputes. Managers are likely to understand that the interests of their function are served best when the interests of the other functions are also served well. This could mean that they try to build a positive relationship and put emphasis on collectivism and functional conflicts building on integration processes and practices.

Keywords: Cross functional relationships, Conflict Management, Effectiveness.

1. Introduction

Over the past decades, business environments have become complicated and changed in significant ways. Firms are trying to find the appropriate responses in ongoing technological change and the globalization of new markets. To determine how firms can create a global competitive advantage, the internal boundary conditions and conflicts that influence cross-functional relationships have to be investigated. Conflict in organizations occurs when organizational members engage in activities or hold attitudes that are incompatible with those of colleagues or outsiders who utilize the services or products of the organization (Rahim, 2011). Conflict can be classified as intra-organizational (i.e., conflict within the boundaries of the organization) and
inter-organizational (i.e., conflict between two or more organizations). Intra-organizational conflict may also be classified on the basis of the level (i.e., individual or group) at which it occurs. Hence, intra-organizational conflict may be classified as inter-personal, intra-group, and inter-group (Rahim et al., 2000). In today’s organizational environment organizational conflict is inevitable and ongoing. Conflict influences cross-functional relationships and organizational effectiveness. Naturally, if conflict is not dealt with effectively, the consequences for organizations tend to be negative (Barclay, 1991; Jarowski and Kohli, 1997). For example, unmanaged organizational conflict is related to job dissatisfaction among organizational members involved (Menon et al., 1997). Furthermore, with respect to relationships between organizational functions, unmanaged conflict has deleterious effects on the problem-solving process in relationships between different organizational functions (Nicotera, 1995; Jehn, 1995; 1997).

Conflict Management within an organization does not necessarily mean a strategy of averting, lessening or eliminating the conflict (Rahim, 2011). On the contrary, it refers to the planning of effective strategies that primarily aim towards the elimination of the malfunctioning elements of the conflict and the concurrent enhancement of the functional elements (Ashkanasy et al., 2014).

Sources of conflict may relate to differences in ideas, opinions, and attitudes (Jehn, 1995; 1997). Managers representing various departments develop partly different attitudes because of partly different cultures and values (Deshpande et al., 1993). Moreover, the fact that functional units acquire organizational power leads to high conflict intensity within organizations (Ruekert & Walker, 1987a). For instance marketing and production power asymmetry is not beneficial to performance for firms that compete based on cost leadership management (Auh and Merlo, 2012). Departments that have negotiating power try to dominate decisions using informal power (Lawrence & Lorsch, 1967). Also, high levels of internal rivalry make the relationship between cross-functional fairness and innovativeness negative, possibly, because of managers’ reluctance to relinquish power to others through knowledge integration when they operate in highly competitive internal environments (De Clercq et al., 2013). The effectiveness of collaboration between functional units is influenced by the perception of how much this collaboration is productive and satisfying for different parties (Ruekert & Walker, 1987a; Menon et al., 1996).

2. Cross Functional Relationships and Conflict Management

Decision-making requires understanding and cooperation between organizational members and integration of processes and managing conflicts effectively (Claycomb et al, 2000; Polychroniou, 2008; Tjosvold, 2014). The general view is that if functional managers view their inter-dependence in a negative light (e.g., as limiting their own discretion in decision-making, reducing their resource acquisition ability, inhibiting the achievement of their own goals) the outcome tends to be low motivation to resolve conflict formulating their relationships in a negative way (Dyer and Song, 1997; Camelo-Ordaz et al., 2014). Furthermore, interdepartmental conflict may have more negative effects on firms’ market orientation on national cultural dimensions basis (Kirca and Hult, 2009). In such cases managers aim at either avoiding conflict (De Clercq et al., 2013) or at dominating decision-making in order to manage conflict (Thomas, 1976; 1992; Song et al., 2000). On the other hand, if departments view their inter-dependence in a positive light their managers
are motivated to engage in conflict resolution and integrate their goals (Deutsch 1973; 1990; Rubin et al., 1994; Alper et al., 1998; Polychroniou, 2005).

Blake and Mouton (1964) were the first authors to develop a conceptual framework for classifying the styles for approaching intra-organizational conflict. The pivotal notion in their model was the extent to which the manager is concerned for production or for people. Their idea was further developed by Thomas (1976) who placed emphasis on the intentions of the party, namely: cooperativeness (i.e., attempting to satisfy the other party’s concerns), and assertiveness (i.e., attempting to satisfy one’s own concerns).

Rahim (1983) built on that earlier seminal work and considered conflict management styles on two dimensions, which represent motivational orientations of individuals in conflict situations: concern for self, and concern for others. The former dimension refers to the degree (high or low) to which a person attempts to satisfy his or her own concerns in conflict resolution. The latter dimension refers to the degree (high or low) to which a person desires to satisfy the concerns of others. Their combination indicates the existence of five styles of managing conflict: Integrating (high-high), obliging (low-high), dominating (high-low), avoiding (low-low), and compromising (moderate-moderate).

The integrating (also referred to as problem solving) style optimizes the learning outcomes and the effectiveness of conflict management (Blake and Mouton, 1964; Rahim, 1983; 2001; Thomas, 1976, 1992; Janssen and Van de Vliert, 1996). The integrating style involves high concern for the self as well as for others. This style includes the elements of confrontation and problem solving. Confrontation involves communication, which leads to creative problem solving (Rahim et al., 2000). The employment of the integrating style within the organizational context encourages communication, information sharing, and problem solving (Hocker and Wilmot, 1998). Lawrence and Lorsch (1967) found this conflict management style to be more effective than others in attaining integration of the activities of different subsystems of an organization. However, the choice of the style also depends, among others, on power asymmetry, communication and trust between the parties involved in the conflict. Moreover, managers may select alternative conflict styles mainly for managing minor issues, day to day situations and short term planning working under time constraint and quick handling. The prescribed conflict styles include compromising, obliging, dominating, and avoiding (Polychroniou, 2009).

3. The Relationship of the Sales Function with the Marketing Function

The sales and marketing function are critical functional units, as they serve as the communication link between an organization and its external environment (e.g. Reklitis and Trivellas, 2002). They also play a central role in managing and shaping cross-functional relationships within the organization’s top management team (Nath and Mahajan, 2011). These relationships are more intense when the organization is oriented towards effective market coverage in order to meet customer needs (Ruekert and Walker, 1987a) and towards the provision of superior quality products and services (Ellinger, 2000).

Marketing and Sales have to implement differentiation as well as integration policies across the supply chain in order to provide a sustainable competitive advantage (Trivellas et al., 2015a; 2015b). The Sales function pursues high volumes and strong cooperation with retailers, while the Marketing function tries to promote its brand to the end customer (Dewsnop and Jobber, 2000; Polychroniou, 2005) putting special emphasis on promoting information sharing and information quality
In order to meet their goals the Sales and Marketing functions have to manage conflict over promotion policy (business, retailers, and end customers), long/short term sales planning, and pricing policy (discounts) (Polychroniou, 2009).

Effective coordination between functions is more likely to achieve when there is accuracy in their role descriptions and when formal procedures foster their interaction (e.g., joint meetings) (Ruekert and Walker, 1987b; Cespedes, 1993). For example, procedural justice of the performance appraisal system may alienate employees from emotional exhaustion linked with conflict consequences such as resource inadequacy among the job characteristics and role stressors (Trivellas and Kakkos, 2015). Also, all organisation members should cultivate a repertoire of general competences including the market-related ones, in order to promote their effective cooperation (Trivellas et al., 2016). Moreover, job rotation and joint decision-making is related positively to integrating objectives (Bucklin and Sengupta, 1993; Dewsnapp and Jobber, 2000; De Clercq et al., 2013).

Therefore, characteristics of the Sales and the Marketing functions and the nature of their cross-functional relationship are related to the way conflict between them is handled. Furthermore, their inter-dependence means that joint decision-making and information sharing are necessary in order to maximize the benefit for the organization. Decisions made under the influence of different functional orientations can have positive effects on market performance (Homburg and Jensen, 2007). This suggests that effective conflict management between the Sales and the Marketing functions is essential (Dawes and Graham, 2005; 2006; Polychroniou, 2009). Functional departments that receive accurate information from each other are able to better integrate their goals and interests (Song et al., 2000; Kirca and Hult, 2009).

4. The Relationship of the Marketing Function with the R&D Function

In an ever intensive and competitive landscape, innovation has flourished as the need of organizations to develop new products, to compete intensively and to perform their tasks adequately based on cross-functional cooperation. Research and Development (R&D) and Marketing are perceived to be nonsubstitutable functions within the organization (Auh and Merlo, 2012) providing strategic advantages (Trivellas, 2012).

Communication barriers often affect negatively the relationship of Marketing with R&D function during new product development (Perks, 2000). Marketing managers are mainly involved in the later stages of the process while R&D managers generally do not have sufficient knowledge about customer needs (Gupta et al., 1986; Olson et al., 1995). Also, R&D managers do not acquire necessary power in order to develop marketing knowledge to deal with the market, rather than depend on input from the marketing function (Auh and Merlo, 2012).

Under these conditions Marketing and R&D managers cannot easily reach mutually acceptable solutions over critical issues that pertain to new product development (e.g., packaging, technical/functional attributes, laboratory tests), but also to differentiation of existing products, (e.g., packaging, technical/functional attributes), (Souder, 1981, 1988; Song and Parry, 1993; Maltz et al., 2001).

Information flow and joint decision-making is sometimes underdeveloped in these processes, while managers develop stereotypes about each other, which are associated with lack of appreciation and trust (Souder, 1981; Kahn, 1996; Camelo-Ordaz et al., 2014). Informality in communication, which enhances information
sharing, becomes less likely (Perks, 2000). Hence, under these conditions information sharing between functional units is sub-optimal (Kahn, 1996).

On the other hand, integrating goals between functions is a value-adding activity, since new knowledge is continuously developed on the basis of the suitable knowledge sharing culture (Trivellas et al., 2015c). Integrating as a conflict management style includes communication, a two way flow of information, the study of alternative solutions, and constructive analysis of disagreements with the objective of identifying a solution that will bring about the greatest common benefit (Tjosvold et al., 2014). The application of cooperative conflict-handling strategies, of which the integrative approach is a prime example, appears to be an effective tool to leverage intra-organizational exchange relationships (Rahim, 1983).

Integrating implies a great interest both for the objectives of the individual and those of third parties. When functional managers treat one another with respect and care for others’ feelings and needs, they more likely are willing to discuss contentious issues and look beyond self-interests, throughout the product innovation process (Qiu et al., 2009). Also, depending on the type of product that is being developed, incremental or radically different, diverse functional areas may be equipped with more power to achieve the desired results (Auh and Merlo, 2012).

Marketing and R&D integration can be managed through cross-functional fairness (De Clercq et al., 2013), participative management (Gupta et al., 1986; Quelin, 2000), development of informality in communication (Kahn, 1996; Polychroniou, 2005), which can promote innovation and creativity (Parry and Song, 1993; Perks, 2000; Yong et al., 2014). Utilization of formal information channels and formal agreements also contributes to effective conflict management (Ruekert & Walker, 1987b). Moreover, the contribution of cross-functional fairness to product innovativeness becomes stronger when managers rotate across functional departments or take specific roles in departments different from their own (De Clercq et al., 2013). When functional managers shift across departments, they gain greater exposure to new skills and experiences, which creates a deeper understanding of how can handle disputes with peers to attain product innovativeness.

5. The Relationship of the Production Function with the Marketing Function

The relationship between the Marketing and the Production function are very important for organizational functioning, leveraged by logistics operations (Trivellas et al., 2015a). The Marketing function serves as the link between the organization and its external environment; and the Production function serves as the supplier of this link. If the products supplied by the Production function are the appropriate ones, the probabilities for organizational success are enhanced. If not, the success or survival of the organizational is at stake.

A constant process of negotiation, which involves conflict, occurs between these two functional units in their effort to meet their missions and integrate their goals (Lax and Sebenius, 1986). Production and Marketing are perceived to be powerful subunits within manufacturing organizations. Much of the power of the marketing and production functions originates from their level of coping with uncertainty, with marketing being a very significant provider of certainty for other functions and contributing to business performance especially under a differentiation strategy (Auh and Merlo, 2012; Reklitis and Trivellas, 2002).
Many aspects of conflict in the negotiation process between the Marketing and the Production department have been identified, and include conflict in sales planning, packaging, quality assurance, cost reduction, budget constraints, product differentiation, and after sales technical support (Shapiro, 1977; Weinrauch and Anderson, 1982; Chong, 1999). For example, marketing and sales managers often try to differentiate products in order to meet customer preferences and needs; whilst, on the other hand, production managers pursue the standardization of procedures in order to maximise efficiency and minimize costs (Weinrauch and Anderson, 1982; Shaw and Shaw, 1998; Ellinger, 2000).

Due to the different priorities of these functions, their reward systems also tend to be conflicting (Olson et al, 1995; Ellinger, 2000). Reward systems in Marketing functions are also based on benefits and criteria pertinent to sales turnover and market share; while reward systems in Production functions are usually based on minimization of cost and idle time (Shapiro, 1977). This means that outcomes that are viewed positively by the one department may be viewed negatively by the other department; which can be a very serious source of conflict. Furthermore, the fact that Marketing and Production do not have joint, but often conflicting, reward systems creates coordination problems, especially during the process of new product introduction (Olson et al, 1995; Ellinger, 2000).

Joint decision-making and information sharing is necessary in order to achieve competitive advantage in global context and develop market orientation (Polychroniou, 2005; Kirca and Hult, 2009). Also, rotating managers across different functional departments helps the organization develop a better understanding of interdependencies (Fisher et al., 1997).

6. Discussion

Organizational effectiveness requires strong collaboration between functional units (Malindretos et al., 2002; Trivellas et al., 2015a). Cooperation includes the attribute of integration, since managers try to attain common goals. Conflict management allows for an explication of cross-functional relationships, since every relationship includes conflict and cooperation (Polychroniou, 2009).

Cross-functional fairness and trust between managers from different functional units is a critical factor for organizational effectiveness. When functional managers perceive a need to compete for resources or the protection of their own functional turf, they may invest less in productive exchanges and knowledge integration. On the other hand when managers distribute power based on the business strategy and integrate their cultures to a higher degree within cross-functional relationships, decreasing intensity of conflict and developing emotion of trust. Functional managers that use the integrating style in order to handle conflicts with their peers work towards the prescribed orientation.

The greater the degree of informal communication (e.g., telephone, email, and oral communication) between the functional units the more likely was the adoption of integration as a conflict management style in their respective dealings. Informal communication often smoothens the approach to conflict handling when there are potential clashes of interest in the relationships of managers with their counterparts from other functions; increasing the likelihood of adopting a style that potentially caters for the needs of both parties. Informal communication includes off-the-record meetings and discussions between managers on a regular basis, joint decision-making and participative management. In this way, managers from different functions apparently develop understanding of tasks, priorities and problems that
every department has, and this, in turn, leads to willingness to integrate the interests of both parties.

Utilization of formal communication channels, tools and procedures (e.g., formal meetings, written procedures, networking, relationship ties as described in the organizational chart) enhance the utilization of the integrating style by managers when managing conflict in their relationship with their counterparts from other functions. The existence of accurate job and tasks descriptions on departmental basis is associated with the absence of role conflict. In addition, formal rotation is related to improved coordination between functions.

Both channels of communication, the formal and the informal, are needed for optimal conflict handling, and none of them should be neglected since one type of communication cannot serve as a substitute for the other. Formal and informal meetings on regular basis can enhance the probabilities of reaching consensus in inter-departmental conflict. Uninterrupted information flow and open communication between functional units as a consequence of a knowledge sharing culture will increase participation, commitment, trust and the probability that managers exchange accurate information with their peers in other functions and maximize common benefit (Trivellas et al., 2015c).

Managers from all functions should develop analytical job descriptions on departmental basis in order to develop accurate description of tasks that each functional unit performs and avoid role conflict. Furthermore, when personnel from various functional areas (marketing, sales, research and development, production) are formed to develop new products on team basis, the decision to empower which functional area is a key issue to be handled.

Apparently, when formal procedures are in place, and roles are clear, cross-functional fairness becomes stronger and functional managers are more likely to try to integrate goals with their peers based on team consensus and accurate exchange of information. Procedural fairness of the performance appraisal system may boost positive emotions and counterbalance conflicts attributed to role stressors and resource inadequacy (Trivellas and Kakkos, 2015).

Inter-dependency means that the success and smooth functioning of the one function depends on that of the other function. For instance close relationship between the Sales and the Marketing functions, which may have a greater inter-dependency with each other than with the other functions. Hence, functional managers are likely to understand that the interests of their function are served best when the interests of the other function are also served well. In that case managers try to build a positive and trust relationship with the other functions using mainly co-operative conflict handling styles since they have an active interest in taking into account the needs of others. However, all organisational members across all the different departments (e.g. marketing, sales, logistics, production, accounting) should develop the necessary market related competencies in order to pursue the suitable co-operative conflict handling styles promoting organizational change, effectiveness and business excellence (e.g. Polychroniou, 2008; Trivellas et al., 2015c; 2015d; Trivellas and Drimoussis, 2013; Trivellas and Reklitis, 2014).
References


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