The Marketing–Finance Interface: A Relational Exchange Perspective

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In marketing theory and practice the concept of relational exchanges has gained wide popularity particularly with regards to external exchange parties, such as consumers and marketing channel intermediaries. However, the concept of relational exchange could also be applied to marketing interfaces (i.e., marketing’s cross-functional relationships). Particularly, the marketing–finance interface is vital to corporate success as strong interdependencies between the two departments exist. In this article, we focus on five key determinants of a mutual relationship attitude between both functions. The results of an empirical study reveal that particularly resource dependence, procedural fairness and interfunctional rivalry exert an influence on the relational attitude of marketing and finance managers. In addition, while resource dependence is viewed as a basis for a relational attitude by both types of functional managers, from a marketing perspective procedural fairness is perceived as an additional determinant of their relationship with finance. In contrast, according to finance managers, the negative influence of interfunctional rivalry is viewed as an element in determining a relational attitude toward marketing. J BUSN RES 2000. 50.209–215. © 2000 Elsevier Science Inc. All rights reserved.

In the past decade, the marketing function has moved from a focus on discrete transactions to a focus on establishing and maintaining relationships. Thus far, the concept of relationships in marketing has been associated primarily with external exchange parties, such as consumers and marketing channel intermediaries. Traditionally, the marketing function has been viewed as a boundary function between firm and market. Lately, however, the concept of relational exchange has been broadened to intra-organizational relationships, such as marketing interfaces with other functions in the organization (Hunt and Morgan, 1994). It has been argued that in the design, development, and implementation of relationship marketing strategies with external parties, effective cross-functional interfaces form an essential element (Grönroos, 1995). As the use of multi-disciplinary teams is becoming a widespread phenomenon and firms are adopting leaner and flatter structures in order to reduce time to market and increase their flexibility, the integration of functional specializations is becoming crucial (Hutt, 1995).

With the notable exception of the marketing–R&D interface in the new product development literature, there is little conceptual or empirical work that explicitly addresses the phenomenon of lateral cross-functional relationships. Not much is known about the relationship between marketing and finance departments. Yet, this interface seems particularly relevant as it is viewed as instrumental to the firm’s efficiency and profitability. Strong interdependencies between marketing and finance exist. For instance, the marketing–finance interface has a direct impact on such issues as: product-investment decisions, brand valuation, and working capital. Several authors have pointed to the fact that there is the information movement between the two departments is high (Trigeorgis, 1993). Moreover, as maximization of customer and shareholder value has been recognized as drivers of a firm’s long-term viability and survival, it seems important to identify success factors as well as barriers to an effective working relationship between marketing and finance departments.

Previous research has shown that especially real or perceived barriers associated with communications and dependence asymmetry frequently emerge as perceived threats to marketing–R&D relationships (Griffin and Hauser, 1995). Furthermore, it has been argued that the socio-psychological needs of exchange partners involving concepts of trust, empathy, and reciprocity are fundamental to cooperative activity between departments and the reduction of parochial thinking and miscommunication (Hutt, 1993). These are the factors that determine a relational attitude. In the context of cross-functional relationships, we define relational attitude as the...
Barriers to the Marketing–Finance Interface

Dougherty (1992, p. 179) states that functional units within organization can be characterized as “different thought worlds” providing divergent solutions to the same problem which frequently results in defensive behavior. Interpretive differences often form the root cause for dependence and communication barriers in the marketing–finance interface. We briefly introduce a number of specific issues that have been reported to constrain an effective working relationship between marketing and finance. One important issue is that marketing and finance are focused on different stakeholders. Marketing is influenced by the parties in the market, such as customers, suppliers and competitors, whereas financial managers are more focused on shareholders and institutions providing capital.

Secondly, there is the issue of brand valuation. Brand names have value in, for instance, take-overs and frequently goodwill is paid for brands. Incorporating brand valuations in the balance sheet attributes significant status to the marketing department as they constitute a considerable factor in the balance of power/dependence within the firm. Moreover, brand values increase the figure for capital employed which in turn reduces the return on capital employed.

Capital budgeting forms a third potential problem area. Marketing and finance have to reach an agreement on which projects to invest and which projects to reject (Zinkhan and Zinkhan, 1994). Commonly, finance managers are more oriented toward maximization of shareholder value, focusing on the net present value (NPV) of future cash flows. Furthermore, they also frequently emphasize the importance of stable dividend policies. All too often, marketing managers complain that discounted cash flow approaches to investment decisions hinder marketing’s flexibility to adapt and revise projections in order to react to unforeseen market conditions (Kulatilaka and Marcus, 1992). The implicit assumptions with regards to cash flows may differ from the actual realization of cash flows in markets that are characterized by uncertainty and competitor actions (Trigeorgis, 1993). Moreover, as Zinkhan and Zinkhan (1994) have shown, situation-specific, nonfinancial variables (e.g., social responsibility issues) may be more important than NPV recommendations.

Finally, as working capital is considered an important measure for the company’s liquidity, financial managers commonly focus on optimization of working capital in order to improve the performance ratios based on this type of capital. A consequence of this would be that inventory are kept as low as possible, as large inventories consume working capital and lead to an increase in opportunity costs. Marketing managers, on the other hand, are likely to require higher inventory levels in order to meet customer demands for availability choice opportunity.

This by no means exhaustive list of potential conflict areas illustrates that frequently marketing and finance departments focus on different facets of the problem, coming up with different solutions. It also illustrates the need to solve the apparent conflicts of interests pertaining to the marketing–finance interface.

Overcoming Barriers: A Relational Exchange Perspective

Research in organizational behavior has revealed that interdepartmental cooperation and goal congruence depends first and foremost on the establishment of high-quality exchange relationships (Konovsky and Pugh, 1994). The concept of a relational attitude has been used to explain why employees exhibit loyalty to the organization and engage in behavior that is neither formally rewarded nor contractually governed. Furthermore, it has been argued that a relational attitude contributes to the establishment of reciprocal relationships between functions in organizations (Konovsky and Pugh, 1994). In dealing with the concept of relational exchanges, researchers are facing the challenge of conceptualizing and operationalizing what is in essence a heterogeneous and equivocal construct consisting of several building blocks (Wilson, 1995). Taking up this challenge, Callaghan et al. (1995) identified four dimensions that constitute a relational attitude between exchange partners: trust, bonding, reciprocity, and empathy. It has been demonstrated that these four elements are dimensions of a relational attitude in empirical studies. We briefly discuss these four dimensions below.

Various authors (e.g., Kumar et al., 1995) have argued and demonstrated that trust is a central dimension in relational exchanges. Most conceptualizations of trust in marketing relationships draw on Rotter’s (1967) classic view that trust is the expectation that the word of the other party can be relied on. Callaghan et al. (1995, pp. 10–60) define trust as “the dimension of a business relationship that determines the level to which each party feels they can rely on the integrity of the promise offered by the other person.” Trust is an essential building block of a relational attitude (Wilson, 1995). Trust develops when the counterpart is perceived to be sincere,
honest, confidential and tactful, is willing to reduce the first party's uncertainty, displays expertise and acts timely. In the context of interfunctional interfaces, Maltz and Kohli (1996) have found a positive relationship between trust and perceived quality of information. Moreover, it is reported that trust in turn will improve communications in terms of amount and degree of informality, increase mutual commitment and eventually more cooperation and less conflict will result (Allen and Meyer, 1990).

A second dimension of a relational attitude is bonding. Callaghan et al. (1995) view this as working together toward common goals. This component represents an affective orientation toward and value congruence with the business partner which is, as Buchanan (1974, p. 533) describes, "apart from its purely instrumental worth." Relationships in bonding plays a role are likely to last longer than those based solely on the material merits of the exchange. Bonding is based on a general positive feeling towards the exchange partner (Konovsky and Cropanzano, 1991).

Reciprocity is essential in a relationship as research has shown that exchange partners tend to end up in a relationship in which there is a more or less even distribution of outcomes for both partners. The level of commitment a party devotes to the relationship depends, among other things, on the perceived level of commitment of the other party. Unilateral commitment is rare; mutual commitment promotes and improves relationships. Communications will only be effective and breed trust when they are bilateral. A relational attitude, therefore, requires reciprocity. Gupta, Rai, and Wilemon (1986) use the term "give-and-take relationship." They found that integration between functions is greater when there is a high level of give-and-take. This includes challenging and confronting the other in a constructive manner with an interest in the other party's point of view. As a result conflicts are not brushed away, but are resolved together (Callaghan et al., 1995).

Empathy reflects the ability of partners in relational exchange to take each other's perspective. It involves making the effort to understand the internal customer's needs. On the basis of the foregoing discussion we define relational attitude as the orientation that motivates functional units in a relationship to derive complex, personal, noneconomic satisfactions and engage in social exchange based on implicit and explicit assumptions of trust, bonding, reciprocity and empathy. Now that we have elaborated on the concept of a relational attitude will develop a number of hypotheses regarding its antecedents in the context of marketing interfaces in the next section.

**Hypotheses**

Within the firm, the extent to which marketing exchanges resources (including information) in performing its task determines the nature and the strength of its relationships with other departments (Ruekert and Walker, 1987). Functional departments that negotiate vital resource exchanges will come to have greater power within the corporation. With resources as a basis for power and authority, departments try to gain influence in company decision-making (Hutt, 1995). When power levels of the marketing and finance departments are balanced, cooperation is easier to achieve and communication frequency and quality improves. Therefore, we hypothesize that:

\[ H1: \] There will be a positive relationship between mutual resource dependence and relational attitude.

Communication has been identified as an important determinant of interfunctional relationships (Ruekert and Walker, 1987). Communication has also been identified as a barrier to organizational interfaces (Hutt, 1995). Functional units in organizations develop an idiosyncratic language of their own, often as a token of their functional identity. Communication difficulties refers to the problem of getting ideas across to the other party. (Ruekert and Walker, 1987). This may also exert a negative influence on a relational attitude. As argued above, interpretive barriers may originate from different information styles or a mismatch between communication frequency and information need (Maltz and Kohli, 1996). Therefore, we hypothesize that:

\[ H2: \] There will be a negative relationship between communication difficulties and relational attitude.

The perception of fairness is expected to enhance a relational attitude. Dwyer, Schurr, and Sejo (1987), for instance, regard perceived justice in interactions as necessary for developing trust between partners. Anderson and Weitz (1989) observe that suppliers with a reputation for fairness engender greater trust and expectation of continuity. Kumar, Scheer, and Steenkamp (1995) define procedural fairness as referring to the "customer's perception of the supplier's procedures and processes in relation to its customers." Procedural fairness has been shown to have a positive affect on relational attitude. Perceived injustice, on the other hand, will result in unfavorable affective reactions and conflict is likely to arise. This leads to the following hypothesis:

\[ H3: \] There will be a positive relationship between the perception of the procedural fairness and a relational attitude.

Interfunctional distance refers to the geographic or physical distance between departments (Maltz and Kohli, 1996). Functional groups are sometimes located in different cities and countries. Social exchange theory suggests that interfunctional distance is likely to raise the costs of interfunctional intelligence dissemination and, hence, lower the motivation to disseminate. Physical separation may lead to insularity and it may reinforce the "not-invented-here" suspicion (Griffin and Hauser, 1995). Interfunctional distance may have a detrimental effect on the relational attitude as department have less chance to learn and understand each other and to become
familiar with each other’s information needs. Therefore, we posit that:

\[ H4: \text{There will be a negative relationship between interfunctional distance and relational attitude.} \]

Another determinant of the quality of relational exchanges between departments is interfunctional rivalry. Interfunctional rivalry refers to the extent to which members of two different functions perceive each other as competitors (Maltz and Kohli, 1996). Intuitively, when rivalry between marketing and finance is high, a receiver from finance is likely to feel vulnerable about being misled by a marketing manager and will not trust him or her. If rivalry is high, marketing and finance are likely to be less motivated to use the information provided by the other group. Therefore, we hypothesize that:

\[ H5: \text{There will be a negative relationship between interfunctional rivalry and relational attitude.} \]

In the next section we discuss an empirical test of our hypotheses.

**Empirical Study**

**Questionnaire Design**

Scales validated in previous research were used. The item statements (16 items) measuring the relational attitude were adapted from Callaghan, McPhail, and Yau (1995). Trust was measured in five items, reciprocity in five, bonding in three, and empathy in three items as well. Items pertaining to resource dependence (6 items), communication difficulties (7 items) were adapted from Ruekert and Walker (1987). Procedural fairness was adapted from measures developed by Kumar, Scheer, and Steenkamp (1995). Interfunctional rivalry, which is measured in seven statements, and interfunctional distance (single item), are constructs developed by Maltz and Kohli (1996). All items have been adapted for the setting of internal relationships between marketing and finance. Each of the items pertaining to aforementioned constructs was accompanied by a seven-point Likert-type scale ranging from 1 (completely disagree) to 7 (completely agree). Items were translated into Dutch via a procedure of double-back translation.

**Sampling and Surveying**

From the database from the Chambers of Commerce in the Netherlands, a random sample of mid-sized to large companies was selected. The selection contained 361 firms with separate marketing and finance functions. These functions were first approached by telephone to ask their cooperation, before a questionnaire was mailed. A total of 457 questionnaires were distributed, accompanied by a personalized cover letter describing the purpose of the study and a university-addressed return envelope. Two hundred and sixty-seven questionnaires were returned, yielding an overall response rate of 35%; the response among marketing employees was 36% (96) and among finance employees 35% (66). A small sample of respondents who were not willing to participate in the mail survey were asked to answer an abbreviated telephone survey in order to obtain insight into non-response bias. No significant differences between respondents and nonrespondents regarding characteristics and attitudes were discovered. Furthermore, a time trend extrapolation test was carried out. No significant difference between early and late respondents were found. In addition to the survey instrument, eight in-depth interviews were conducted with marketing and finance managers of four companies (a chemical company, an office equipment manufacturer, a car manufacturer and a manufacturer of fast moving consumer goods). In the interviews, which lasted approximately two hours, we were able discuss the concepts that were discerned in our questionnaire. The information gathered from the interviews was used to facilitate our interpretation of the results of our survey and to cross-validate our findings.

**Descriptive and Construct Analysis**

The respondent sample consisted of 89% (144) male respondents. The lines of business represented in our sample were financial services (23%), food supplies (9.8%), retail/wholesale (12.3%), chemical/pharmaceutical (8.1%), metal (4.9%). The remaining 41.9% was dispersed over a large variety of business sectors. Most lines of business are proportionately represented, according to the database categories from which our sample was taken. Finally, the most prevalent job titles among marketing respondents were marketing manager (24%), product manager (14%), head of marketing department (10%), and brand manager (7%). The most prevalent job titles among the finance respondents were financial manager (36%), treasurer (18%), and credit manager (8%).

To validate the constructs in our study we used confirmatory factor analysis. We specified two models or subsets. The first model contained the antecedents of relational attitude, while the second model dealt with relational attitude itself. For both models fit indices were deemed acceptable. Additionally, the reliability of the constructs was evaluated using composite reliability. Our constructs exhibit a high degree of reliability in terms of composite reliability, as all values exceeded the recommended cut-off value. (Information regarding the measurement properties used can be obtained from the authors.)

**Hypotheses Testing**

We conducted hierarchical regression analysis to examine the effect of the antecedents on relational attitude both for the sample as a whole as well as for the marketing and finance subgroups. In the first stage of the hierarchical analysis we entered resource dependence, communication difficulties, procedural fairness, and interfunctional rivalry as independent variables. In the second stage we entered interfunctional dis-
tance as two dummy-coded variables in the equation. As suggested by Cohen and Cohen (1983) we used an incremental F-test to test whether the variance accounted for interfunctional distance significantly contributes to the explained variance (i.e., the $H_0: \Delta R^2 = 0$ is rejected).

For the total sample we find that resource dependence, procedural fairness, and interfunctional rivalry are the main determinants of a relational attitude ($R^2 = 0.28; F = 10.10 \ (p < 0.001)$). Using $\alpha = 0.05$ the magnitude of the effect is somewhat larger for procedural fairness (standardized regression coefficient $= 0.37$) than for resource dependence (standardized regression coefficient $= 0.22$). The negative effect of interfunctional rivalry (standardized regression coefficient $= -0.13$) is also significant and in the hypothesized direction. The incremental F-test indicates that interfunctional distance does not have a statistically significant effect on a relational attitude ($\Delta R^2 = 0.002; F = 0.23 \ (p = 0.79)$). From this we conclude that $H_1$, $H_3$, and $H_5$ are supported by our results. Details on the regression results can be found in Table 1. Alternatively, no support was found for $H_2$ and $H_4$; no negative relationships between communication difficulties and interfunctional distance were encountered.

**Comparative Analysis**

After testing our hypotheses on the basis of the total sample, we now examine the subgroups of marketing (96) and finance managers (66). The regression results for the subsamples are presented in Table 2.

For the marketing managers we can see that resource dependence and procedural fairness have a considerable impact on a relational attitude ($R^2 = 0.32; F = 7.04 \ (p < 0.001)$). Furthermore, we can observe that with a significance level of 5% the magnitude of the effect is somewhat larger for procedural fairness (standardized regression coefficient $= 0.49$) than for resource dependence (standardized regression coefficient $= 0.16$). As was the case for the entire sample the incremental F-test indicates that spatial distance does not have a statistically significant effect on a relational attitude ($\Delta R^2 = 0.002; F = 0.11 \ (p = 0.89)$).

For the finance managers it appears that in addition to resource dependence interfunctional rivalry influences the relational attitude ($R^2 = 0.31; F = 4.34 \ (p < 0.01)$). Furthermore, we can observe that with a significance level of 5% the magnitude of the effect is somewhat larger for interfunctional rivalry (standardized regression coefficient $= -0.29$) than for resource dependence (standardized regression coefficient $= 0.27$). The incremental F-test indicates that spatial distance does not have a statistically significant effect on the relational attitude ($\Delta R^2 = 0.006; F = 0.23 \ (p = 0.79)$).

**Discussion**

Previous studies (Ruekert and Walker, 1987) have shown that resource dependence promotes the amount of interaction and authority in decision making in the marketing–R&D interface. Our results show that the more marketing and finance departments depend on each other’s resources, information or task-specific competence the more likely it will be that they will develop a favorable attitude toward each other. From the interviews it appeared that resource dependence is generally not asymmetrical in relation to the allocation to critical financial resources by finance as proposed by Ruekert and Walker (1987). Instead resource dependence is viewed as mutual by the interviewees. A relatively strong positive relationship between procedural fairness and a relational attitude suggests that the evaluation of other units within the firm is influenced by norms of perceived justice in the process of social interaction (Hutt, 1995). Norms may pertain to impartiality and consistency. These norms may promote behavior aimed at achieving relational goals instead of departmental goals. During the interviews, several respondents remarked that it is important not to discriminate between departments (“every unit has the right to a fair deal”). Most procedures (e.g., the provision of budget information) are standardized and it is viewed as important to apply them consistently.

Our results reveal that interfunctional rivalry exerts a negative influence on the relational attitude of marketing and finance managers. The qualitative data suggest that especially in the case of budget discussion when norms (in terms of allocations or procedures) are under discussion, interfunc-
Table 2. Results of Hierarchical Regression Analysis on Relational Attitude for Marketing and Finance Managers

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Unstandardized Regression Coefficient</th>
<th>Standardized Regression Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing managers (n = 96)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource dependence</td>
<td>0.12</td>
<td>0.16*</td>
</tr>
<tr>
<td>Communication difficulties</td>
<td>0.03</td>
<td>0.05</td>
</tr>
<tr>
<td>Procedural fairness</td>
<td>0.32</td>
<td>0.49*</td>
</tr>
<tr>
<td>Interfunctional rivalry</td>
<td>-0.04</td>
<td>-0.05</td>
</tr>
<tr>
<td>Interfunctional distance</td>
<td>Incremental F-Test</td>
<td>0.11 (p = 0.89)</td>
</tr>
<tr>
<td></td>
<td>ΔR²</td>
<td>0.002</td>
</tr>
<tr>
<td>R²</td>
<td>0.32</td>
<td></td>
</tr>
<tr>
<td>F-Test</td>
<td>7.04 (p &lt; 0.001)</td>
<td></td>
</tr>
<tr>
<td><strong>Finance managers (n = 66)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource dependence</td>
<td>0.18</td>
<td>0.27*</td>
</tr>
<tr>
<td>Communication difficulties</td>
<td>0.11</td>
<td>0.20</td>
</tr>
<tr>
<td>Procedural fairness</td>
<td>0.04</td>
<td>0.07</td>
</tr>
<tr>
<td>Interfunctional rivalry</td>
<td>-0.17</td>
<td>-0.29*</td>
</tr>
<tr>
<td>Interfunctional distance</td>
<td>Incremental F-Test</td>
<td>0.23 (p = 0.79)</td>
</tr>
<tr>
<td></td>
<td>ΔR²</td>
<td>0.006</td>
</tr>
<tr>
<td>R²</td>
<td>0.31</td>
<td></td>
</tr>
<tr>
<td>Adj. R²</td>
<td>0.24</td>
<td></td>
</tr>
<tr>
<td>F-Test</td>
<td>4.34 (p &lt; 0.01)</td>
<td></td>
</tr>
</tbody>
</table>

* p < 0.05 (two-tailed test).

Interfunctional rivalry may exert a negative influence on the relational attitude. With regards to the influence of communication difficulties, we found no support for a negative influence of this variable on the relational attitude. One potential explanation might be that, contrary to the marketing–R&D interface, marketing and finance managers frequently share a common educational background in the disciplines of business administration. Frequently, this is supplemented by cross-training opportunities in each other’s fields, temporary job rotation assignments, and an eagerness to learn about each other’s domains, as our respondents indicated. Finally, with regards to interfunctional distance, no relationship with a relational attitude was found. It can be argued that the participation in a large number of multidisciplinary teams which meet frequently as well as the presence of a modern communication infrastructure ranging from electronic mail to video-conferencing is an important reason why physical proximity is considered less important in the formation of the attitude toward the other department.

We also compared the results for the marketing and finance respondents. Interestingly, for both subsamples a significant positive influence of resource dependence on relational attitude was found. For marketing managers, procedural fairness is considered as another determinant of a relational attitude. One explanation might be that marketing managers, whose primary responsibility is to manage relationships with customers, place more emphasis on interpersonal, socially oriented norms and goals which are conducive to fair procedures rather than maximization of outcome. For financial managers, on the other hand, a significant negative relationship between interfunctional rivalry and relational attitude was encountered. This suggests that this group of respondents is more oriented to interdepartmental or group norms in exchange relationships within the organization.

**Limitations and Future Research**

Our findings exclusively pertain to the marketing–finance interface. Future research will have to reveal whether the results are generalizable to other interfaces that marketing has within the firm. Using the concepts of network analysis (Iacobucci, 1996), marketing interface with a variety of other functional units could be examined simultaneously. Second, all concepts were measured at one point in time, thus essentially from a static perspective. It may be worthwhile to study marketing interfaces over time in order to be able to take into account the dynamics of intraorganizational relationships. In a longitudinal design, the effect contextual influences such as the introduction of new coordinating structures, budget rounds communication, and information technology can be taken into account. Third, future research could explore additional independent variables of relationship marketing orientation between departments. One aspect that deserves a more in-depth study is the relation between a relational attitude and various degrees of dependence asymmetry.

Fourth, we have focused on attitude rather than on intended or actual behavior. Marketing interfaces are likely to differ with the competitive strategies that are used by the firm and the market circumstances that are faced by the organization. For instance, the marketing–finance relationship within businesses operating within rapidly developing markets or pursuing aggressive product or market development will differ...
from those organizations primarily concerned with consolidating product-market positions. Further research is needed to investigate these different types of companies.

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References


