Dirk Weissbrich

The Marketing-Sales-Finance Triangle

An Empirical Investigation of Finance-Related Interactions & Managerial Challenges among Marketing, Sales, and Finance Actors

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With a foreword by Prof. Dr. Harley Krohmer

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Dedication

To Mum & Dad, Olaf, and Daniela.

Foreword

This thesis addresses important research gaps in the literature on the marketing-finance interface. While there have been considerable research activities on marketing-finance topics such as marketing assets or marketing metrics, only few scholars have looked at the organizational interface between marketing and finance. We know surprisingly little about how marketing, sales, and finance units actually work together within organizations.

In his PhD thesis Dirk Weissbrich chooses a qualitative research design to gain insight into this unknown organizational phenomenon. Drawing on 78 face-to-face interviews with managers from marketing, sales, and finance in 42 companies, the author develops a better understanding of the organizational link between marketing, sales, and finance units. Specifically, Dirk Weissbrich makes three major research contributions. First, the author introduces the idea of the marketing-sales-finance triangle and explores eight finance-related key interaction fields and decision areas: (1) Plans & Budgets, (2) Reports & Analyses, (3) Cost Optimization, (4) Calculations & Investment Management, (5) Financial Accounting, (6) Debtor Management, (7) Compliance & Risk Management, and (8) Pricing. The author describes in detail how marketing, sales, and finance cooperate in each key interaction field and decision area.

Second, the author discusses each function's value added to the respective interaction field and decision area in the marketing-sales-finance-triangle. On the basis of these interaction field specific insights, a more general picture on the role of each function in the marketing-sales-finance triangle is developed. In exploring the roles of marketing, sales, and finance in the triangle the author makes a considerable contribution to the state of knowledge in this complex research area. The findings are very insightful and underscore the importance of cross-functional cooperation between marketing, sales, and finance.

Third, the author contributes to the literature by exploring fundamental developments in management practices in the marketing-sales-finance triangle. The detailed descriptions of those dynamic changes and their determinants are exciting and inspiring for managers and academics alike. The author then explains with

methodological rigor why an increased finance orientation of marketing and sales as well as an increased business orientation of finance emerge as a general theme of this research.

Dirk Weissbrich's PhD thesis is a very creative and innovative work that makes a main contribution to our understanding of the important marketing-finance interface. The findings of this research are of high academic and managerial relevance. The thesis is hence recommended to both scholars and practitioners.

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Professor of Marketing
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This dissertation, which I hope you will enjoy reading, is the result of more than three years of intense research as a PhD Candidate at University of Bern's Institute of Marketing and Management. The time at the Marketing Department of the institute has been very inspiring to me. It's been a very exciting mix of research, education, consulting, and fun! I am very grateful that I was given the opportunity to make this priceless experience.

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I would also like to thank all managers that have supported this research project through their willingness to participate in face-to-face interviews. Those interviews have increased my understanding of the MSF-triangle tremendously and have in general been highly rewarding to me.

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There are people in my life that have been supporting me for an even longer time span. Those people were not directly involved in this research project but nevertheless played a crucial role by bringing a lot of joy and fun to my life. This is why I want to thank all my friends and my family for their important indirect contribution to the successful completion of this challenging dissertation project. Specifically, I would love to thank four special persons:

From my first day on, I could always count on my older brother Olaf. Thank you Ojo!

Daniela, thank you for your incredible love.

Mama und Papa, ihr wart in meinem Leben immer für mich da, wenn ich euch gebraucht habe. Danke für eure bedingungslose Unterstützung und Liebe!

Dirk Weissbrich

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1 Introduction

As shareholders and financial analysts increase their pressure on firms to increase shareholder value, top management demands the marketing and sales functions to show their specific value contributions (Ambler 2003). The sales function's impact on the company's top and bottom line is relatively straightforward and its role as a cash flow generator is well accepted in many companies. In contrast, marketing's return on investment is much harder to quantify (Dekimpe and Hanssens 1995; 1999; O'Sullivan and Abela 2007; Rust et al. 2004; Trull 1965; Vakratsas and Ambler 1999). The impact of many marketing activities is complex in nature as marketing activities interfere on the one hand with other non-marketing activities of the firm (e.g., supply chain or R&D activities). On the other hand the impact of marketing activities depends on general market conditions (e.g., competitive intensity, trends, or customer demand levels). In addition, many marketing activities have considerable long-term effects (e.g., spill-over effects of an image campaign) which are hard to measure. As a consequence of marketing's difficulties in quantifying its value for the company, marketing's contribution is questioned and its influence in the board room is diminishing: In many companies, it is the marketing budget that is cut first, when the company struggles to meet the capital market expectations, e.g., with regard to quarterly results (Ambler 2003; Lukas, Whitwell, and Doyle 2005; Verhoef and Leeflang 2008).

Against this background, the link between the marketing, sales, and finance units within an organization gains importance. Especially from a marketing perspective, this link seems to be of high relevance. Quantifying marketing's return on investment and increasing marketing's contribution to shareholder value are challenging managerial tasks. Facing them successfully requires both advanced methodological skills (e.g., financial valuation techniques such as DCF analysis) as well as profound business knowledge. Given the methodological skills of finance and given sales' in-depth market understanding and business sense, cross-functional cooperation among marketing, sales, and finance actors might be a promising way to tackle this challenge. Cooperation between marketing, sales, and finance might enable a firm to determine and to increase marketing's contribution to company success in an efficient and effective manner. In addition, by collaborating with sales and finance, marketing might be better able to demonstrate the long-term profit streams generated by

marketing investments (e.g., investments in brand equity). This might be crucial in securing appropriate resources as well as a strong position within the firm (Lukas, Whitwell, and Doyle 2005; Srivastava, Shervani, and Fahey 1998).

Before we will further explain the academic and managerial relevance of the link between marketing, sales, and finance, the underlying understanding of marketing, sales, and finance in this thesis is specified. In its newest definition, the American Marketing Association (2007) defines marketing from an activity perspective,

> Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

This marketing definition is broad enough to capture the many different facets of the marketing concept. However, it does not explicate who is actually performing the marketing activities within an organization, i.e., it does not distinguish between different organizational functions. In contrast, this thesis does distinguish between different organizational functions and sets its focus on the organizational link between the three functions marketing, sales, and finance. Consequently, in this thesis marketing, sales, and finance are conceptualized rather from a functional group perspective than from an activity perspective: The unit of analysis are the organizational units marketing, sales, and finance that perform marketing, sales, and finance tasks within the firm.

More specifically, with marketing we refer in this thesis to the equally named subunits, positions, and actors that perform various tasks to create, communicate, and deliver benefits to customers and their own firm. In contrast to the cited definition of the American Marketing Association we do not include subunits, positions, and actors in this definition of marketing that are part of the organization's sales function. As a result of this definition of marketing, we explicitly distinguish between marketing and sales in this thesis.

With sales we refer to the equally named positions, subunits, and actors that focus on promoting customer purchase as well as on building and maintaining valuable

relationships with customers and stakeholders. We do not include subunits, positions, and actors in this definition of sales that are part of the company's marketing function.

Finally, with regard to finance, we refer to the subunits, positions, and actors that perform managerial accounting, financial accounting or other financial management tasks. We do not include positions, subunits, and actors in this definition of finance that do not report directly or indirectly to the Chief Financial Officer within an organization.

1.1 Relevance of Research on the Link Between Marketing, Sales and Finance

The link between marketing, sales, and finance receives growing research attention (Ambler 2004; de Ruyter and Wetzels 2000; Doyle 2000; 2001; Shaw and Merrick 2005; Ward 2004; Zinkhan and Verbrugge 2000a). A number of scholars have examined how marketing and sales activities drive finance metrics. In their influential paper, Srivastava, Shervani, and Fahey (1998) have developed a conceptual framework that shows how marketing and sales assets (e.g., brands, installed customer base, partner network) increase shareholder value. The authors show that marketing and sales assets are able to accelerate and enhance cash flow, to lower the volatility and vulnerability of cash flow, and to increase the residual value of cash flow (Srivastava, Shervani, and Fahey 1998).

An important focus of the extant research on the link between marketing, sales, and finance is the relation between marketing, sales, and finance metrics (Ambler 2003; Bolton 2004; Gruca and Rego 2005; Lovett and MacDonald 2005; Lukas, Whitwell, and Doyle 2005; Rust, Lemon, and Zeithaml 2004; Srivastava and Reibstein 2005). As an example of this research stream, Ambler (2000; 2001) and colleagues (Ambler, Kokkinaki, and Puntoni 2004) have examined the "state-of-practice" with regard to marketing metrics usage and found that:

- most firms do not measure marketing performance systematically;
- in many firms, accounting measures are significantly more important than all other measures for top management;
- financial metrics are not linked coherently with non-financial metrics; and

- only some individual metrics, such as market share or customer satisfaction, reach most top executives committees but very few firms have routine reviews for evaluating their brands as a whole.

Compared to the intense research on the link between marketing, sales, and finance metrics, only a limited number of studies on the organizational link between marketing, sales, and finance units have been conducted. As we will show in the literature review (see section 2.1), empirical insight into how marketing, sales, and finance units actually work together within organizations is scarce. For example, Zinkhan and Verbrugge (2000a) remarked,

> There has *not* been a big explosion in the amount of work done at the interface of these two disciplines. To a large degree, finance and marketing remain as separate or isolated fields of study.

Building on the concept of "departmental orientations" that was introduced by Lawrence and Lorsch (1969), some researchers speak of "departmental thought worlds" when referring to differences between organizational subunits (Dougherty 1992; Griffin and Hauser 1996; Workman 1993). The following citations show that considerable differences seem to exist between the marketing and finance subunits:

> Marketing managers focus on customers, while finance managers focus on stockholders and/or lenders (…). They live in different 'thought worlds'. (Zinkhan and Verbrugge 2000a)

> Financial managers value the known, prefer stability and are comfortable with measurement; marketing managers are comfortable with the unknown and are rewarded for vision and creativity. (…) The old adage, 'marketing spends the money and finance worries about it' continues to define the finance-marketing dynamic. (Jenkins and Meer 2005)

> Marketing views finance as the money source, and finance views marketing as a monthly expense. (…) Uniting these two worlds offers the potential to bring mutually beneficial discipline to marketing. (Lenskold 2003)

As a specific example why the organizational link between marketing, sales, and finance is of high relevance, we refer to Ambler's discussion of a shift of the organizational responsibility for integrating and managing metrics from the marketing function to the finance function (Ambler 2000; 2001; 2003). In the face of his empirical finding of a surprising low level of marketing metrics usage in business

practice in United Kingdom, Ambler (2000; 2001; 2003) concludes that marketers are obviously reluctant to manage metrics and marketing performance systematically. Hence, Ambler proposes that marketers should turn over metrics responsibility to the CFO or Chief Knowledge Officer. This shift in responsibility to the independent finance function would also add authority and credibility as marketers are widely seen as selective and manipulative by other functions and the top management in the firm (Ambler 2000; 2001; 2003).

Another, more general aspect that shows the relevance of research on the organizational link between marketing, sales, and finance is the fact that management of cross-functional interfaces constitutes a complex managerial challenge. Specifically, many companies face the problem of "functional silos". As Montgomery and Webster (1997) pointed out,

> There was strong consensus that issues at the interface of marketing with other management processes, functions, and disciplines are among the most important managers are dealing with.

From a managerial perspective, research on the organizational link between marketing, sales, and finance is highly relevant because those functions face interdependencies. To quote Mills and Tsamenyi (2000),

> Marketing and accounting (…) need to work together because of the interrelated nature of their functions.

More specifically, the organizational link between marketing, sales, and finance seems to be at the heart of a number of current management issues. As mentioned before, there is an increased pressure on marketing managers to justify marketing spending and to become more accountable. In this context, See (2006) remarked,

> Given the risk accumulating in marketing, it's time to better align marketing and finance (…). For some companies marketing accountability is no longer the Holy Grail.

Some authors (Cravens and Guilding 1999; Günther and Kriegbaum-Kling 2001) propose that marketers and accountants should work more closely together, for example, to transform data into powerful information for supporting brand management decisions and to evaluate managers based on brand performance. Interestingly, those authors also report that in many firms this potential is unused due

to lack of understanding of the mutual benefits of cooperation between marketing and finance (Cravens and Guilding 1999; Günther and Kriegbaum-Kling 2001).

The high relevance of research on the organizational link between marketing, sales, and finance is also reflected in studies that report a weak position of marketing in top management (Ambler 2003; Lukas, Whitwell, and Doyle 2005; Verhoef and Leeflang 2008). Specifically, marketing's influence in the boardroom is reported to be limited due to its problems to speak the top-management language dominated by finance and shareholder value (Ambler 2003; Verhoef and Leeflang 2008). Lukas, Whitwell, and Doyle (2005) concluded,

> Modern marketing's reluctance to fully incorporate current financial valuation techniques and, thus, properly quantify its contribution to financial market performance has made it a bystander in many boardrooms. (…) Marketing remains underfunded in many businesses because of the failure to take into account the long-term profit streams generated by such investments.

In addition, the managerial relevance of the topic of this thesis can also be derived from an increasing interest of the financial community (e.g., investors) in marketing assets such as brand equity, customer equity, or distribution channel assets. A number of publications show the relevance of marketing assets for a company's market capitalization (Esch and Roth 2003; Tomczak and Coppetti 2004; Ulrich and Smallwood 2003). A key finding is that firms that earn the same profits may have vastly different market valuations even within the same industry (Tomczak and Coppetti 2004).

More specifically, earnings that once explained 80-90% of shareholder value now explain less than 50% of shareholder value (Ulrich and Smallwood 2003). The increased importance of intangible assets can also be indicated through the development of the market-to-book value of the S&P 500 from 1977 to 2001: The market-to-book value has risen from 1 to over 6 in the last 25 years; this means that for every 6$ of market value, only 1$ occurs on the balance sheet and the residing 5$ are due to marketing assets (Ulrich and Smallwood 2003).

Against this background it is not surprising that the link between marketing and investor relations attracts an increasing number of scholars (e.g., Davidson 1999;

Hozier and Schatzberg 2000; Joshi and Hanssens 2004). At the heart of this research stream that follows a behavioral finance perspective is the assumption that investors are human beings and are hence equally receptive to marketing activities as consumers. As a consequence, firms should inform the financial community as best as possible about its marketing strategy, marketing assets and related activities and apply modern marketing techniques to this target group (Tomczak and Coppetti 2004).

Taking an event-study approach, some scholars have examined the relation between marketing events (e.g., sponsorship announcements, awards) and market-based measures of firm performance such as stock market reactions (e.g., Balasubramanian, Mathur, and Thakar 2005; Cornwell, Pruit, and Clark 2005). An important finding is the positive relation between advertising spending and market valuation (Graham and Frankenberger 2000; Hozier and Schatzberg 2000): Advertising spending has a positive and long-run impact on firm's market capitalization - over and above its expected effect through revenue and profit sales increases. This means that investors are willing to pay a price premium for aggressive advertisers and it underscores the relevance of marketing or brand information in investor reporting (Davidson 1999; Esch and Roth 2003).

In the foregoing sections a number of management tasks and challenges have been discussed that might require effective interaction and coordination between marketing, sales, and finance actors within the firm. Against this background, an effective and efficient organizational link between marketing, sales, and finance might be able to serve as a lever for corporate success.

To quote de Ruyter and Wetzels (2000),

> 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 profitability.

By taking an implementation perspective, research on the organizational link between marketing, sales, and finance can assist practitioners in facing the related cross-functional challenges in their organization. For example, research on the organizational link between marketing, sales, and finance can develop frameworks,

guidelines, and specific recommendations with regard to the organization and management of the interactions between marketing, sales, and finance units in business practice.

Besides those managerial aspects, there are also a number of reasons from an academic perspective, why research on the organizational link between marketing, sales, and finance is of importance. For a long time, scholars have pointed to important research deficits with regard to marketing's interfaces with other functions. As an example Hutt (1995) said,

> Future research is needed to classify cross-unit relationship situations, explore the factors that motivate managers to practice adaptive behavior, examine the way in which influence attempts are altered, isolate the particular abilities and information acquisition skills that underlie effective adaptive behavior.

And Montgomery and Webster (1997) remarked,

> Only about five percent of companies have customer profit systems, even at the customer group level. This would be a clear area where accounting and marketing could collaborate to advance the practice of marketing resource allocation...finance and marketing need to be more closely related.

As another example, Ruekert and Walker (1987) commented,

> Though calling for future research has become a cliché, so little is known about how marketing employees interact with those in other functional areas that such a plea seems appropriate, especially given the importance of such interaction to the effective implementation of marketing programs and to the performance of organizations as a whole.

Since 1987, the year of Ruekert and Walker's call for research, a lot of empirical studies have been conducted on the organizational interface between marketing and R&D (e.g., Calantone, Dröge, and Vickery 2002; Fisher, Maltz, Jaworski 1997, Griffin and Hauser 1996; Menon, Jaworski, Kohli 1997, Sethi 2000; Song, Montoya-Weiss, and Schmidt 1997). Those studies have much improved our understanding of marketing's interface with R&D within the firm. As an example, Fisher, Maltz, Jaworski (1997) found that interfunctional communication increases a number of constructs such as understanding and harmony, integration, market orientation, ability

to cope with complex dynamic environments, and new product success. However, Maltz and Kohli (2000) remarked,

> The results obtained in previous empirical studies focusing on the Marketing-R&D relationship (…) may not be generalizable to other interfaces. (…) It would be useful to study the nature of the interaction between finance and marketing in more depth.

The academic relevance of research on the organizational link between marketing, sales, and finance is also supported by the prestigious Marketing Science Institute. Recently, the Marketing Science Institute (MSI) has listed a number of closely related research topics as top research priorities for marketing scholars. For the years 2006 to 2008, the Marketing Science Institute has listed "Connecting metrics with marketing strategy" and "Marketing metrics" among the top research priorities for marketing academics. Among the MSI research priorities for the years 2004 to 2006 were also the following topics:

- marketing metrics (e.g., linking marketing outcomes to financial metrics, marketing ROI, and other topics with strong financial relation);
- role of marketing (e.g., evaluating and controlling marketing performance, managing marketing as a "value-creator" versus an expense, etc.); and
- as a second tier priority 2004-2006: marketing's relation with other functions in the organization.

Furthermore, the fact that the two influential marketing journals (i.e., the Journal of the Academy of Marketing Science in 2005 and the Journal of Business Research in 2000) have dedicated special issues to the interface between marketing and finance further underscores the academic relevance of this research topic. Hyman and Mathur (2005) commented,

> Many marketing academicians and practitioners now recognize the importance of research on the marketing-finance boundary.

Last but not least, examining the organizational link between marketing, sales, and finance means covering a wide array of research fields (e.g., interface management, marketing and sales performance, marketing and sales assets, management accounting, financial accounting, etc.) and theories (e.g., organization theory, social psychology,

organizational psychology, resource dependency theory, agency theory, etc.). It is hence also a particular challenging topic from an academic perspective.

Given the high relevance of the organizational link between marketing, sales, and finance both from a managerial perspective and from an academic perspective in combination with the shortage of related studies it becomes evident, that the topic "The Marketing-Sales-Finance Triangle: An Empirical Investigation of Finance-Related Interactions & Managerial Challenges Among Marketing, Sales, and Finance Actors" is a worthwhile one for both, marketing academia and business practice. We will now turn to the research objectives of the thesis.

1.2 Research Objectives and Structure of the Thesis

Analyzing the extant literature on the organizational link between marketing, sales, and finance units (see section 2.1 for an intense literature review), a number of research opportunities could be identified that will be addressed in this thesis. First, existing studies view the cooperation between marketing, sales, and finance as a bilateral marketing-finance interface, i.e., they do not distinguish between marketing and sales, but rather conceptualize sales as part of marketing. This incorporation of sales into marketing contrasts sharply with business reality and has led to a gap between academia and business practice (Deshpandé and Webster 1989; Lorge 1999; Rouziès et al. 2005). As an example, Workman, Homburg, and Gruner (1998) remarked in their field study on marketing and sales organizations that,

> (…) in the 47 firms we studied, we never observed a sales manager reporting to a marketing manager. (…) We believe it is highly significant that more than 30 years after the call to integrate marketing and sales activities (…), we find no firms that had adopted that recommendation. We believe additional research is needed to explore further the relationship between marketing and sales (…).

In addition, recent research has shown that marketing and sales units make very specific contributions to the organization and need to be distinguished in organizational research (Homburg, Jensen, and Krohmer 2008). Against this background, this thesis proposes to extend prior research by expanding the unit of analysis towards the marketing-sales-finance triangle (MSF-triangle, see Figure 1).

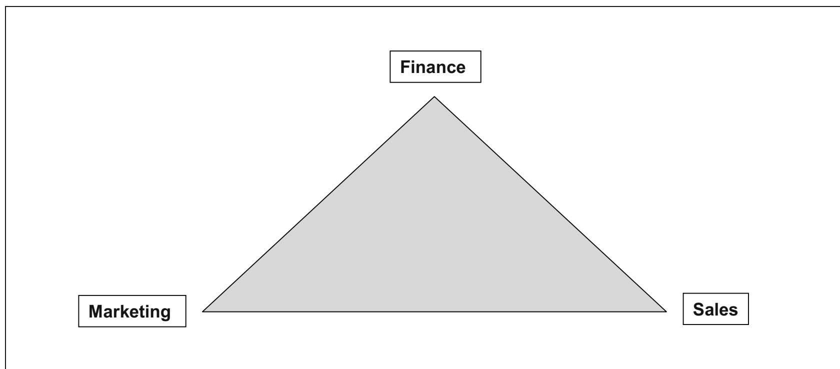

Figure 1: The Marketing-Sales-Finance Triangle (MSF-Triangle)

A second research opportunity we could identify is a current lack of understanding with regard to interactions and fields of cooperation in the MSF-triangle. Even though there is an intense discussion in academia on financial aspects in marketing and sales such as Marketing ROI (see section 1.1), we do not know in what fields and decision areas marketing, sales, and finance actors come together and how they interact. The literature review (see section 2.1) will show that previous studies focus primarily on cross-functional cooperation obstacles (e.g., Mills and Tsamenyi 2000) and on integration mechanisms to overcome those barriers (e.g., de Ruyter and Wetzels 2000). Given the relevance of financial aspects in marketing and sales, there is a need to explore what specific interactions are actually pursued in the MSF-triangle.

Third, while a growing body of research re-discovers the benefits of differentiated knowledge and specialization in marketing and sales (Homburg and Jensen 2007; Pondy 1992; Schmickl and Kieser 2008), we do not know about the specific value added and contribution of marketing, sales, and finance to the MSF-triangle. From a managerial point of view, such an understanding of the specific contributions of each MSF-actor to the MSF-triangle is crucial. It addresses the fundamental question why marketing, sales, and finance actors should cross-functionally work together. As an example, consider the specific contributions marketing, sales, and finance actors are supposed to make in price promotions-related interactions: Sales managers champion price promotions that deliver incremental sales revenues. Finance managers assess the success of price promotions and ensure they have also an impact on the company’s

bottom line. Finally, marketing managers make sure that price promotions do not contradict the brand positioning or the marketing strategy.

To the best of our knowledge there is no empirical study that focuses on the organizational link between marketing, sales, and finance. Against this background, this research is the first to investigate the MSF-triangle. Given the high interest of academia and business practice in financial aspects of marketing and sales, this thesis focuses on finance-related interactions within the MSF-triangle. Specifically, the six following research questions will be addressed:

(1) What is the current state-of-knowledge in academia on the organizational link between marketing, sales, and finance? (see chapter 2)
(2) What are the key organizational actors, i.e., subunits and positions, in the MSF-triangle and what typical structural marketing-sales-finance-configurations do exist in business practice? (see chapter 4)
(3) What are the key finance-related interaction fields and decision areas in the MSF-triangle? (see chapter 5)
(4) What are the individual contributions of marketing, sales, and finance actors to the various interaction fields and decision areas in the MSF-triangle and what specific role does each MSF-actor play in the MSF-triangle? (see chapter 6)
(5) What are the key managerial challenges in the MSF-triangle? (see chapter 7)
(6) What fundamental changes have recently occurred in management practices of the MSF-triangle? Why have such developments taken place? (see chapter 8)

The remainder of this thesis is structured as follows: Chapter 2 lays the conceptual foundations of the thesis. In section 2.1, an intense literature review is given. In section 2.2, a general outline of theories that can be related to the MSF-triangle is offered. In chapter 3, the methodological approach of the thesis is presented. Specifically, the underlying rationale for the chosen empirical approach is discussed and details on sample characteristics are given. To describe the MSF-triangle fundamentally, chapter 4 takes an organizational design perspective. In this chapter, the key organizational actors in the MSF-triangle are identified and typical structural design configurations of the MSF-triangle are explored.

Chapter 5 offers an exploration and categorization of the key finance-related interaction fields and decision areas in the MSF-triangle in business practice. In chapter 6 the individual contributions of marketing, sales, and finance to the various interaction fields and decision areas in the MSF-triangle are discussed. Chapter 7 explores fundamental changes in management practices in the MSF-triangle. In addition, a set of propositions with regard to those changes is developed and discussed from a theoretical point of view. Chapter 8 deals with the key managerial challenges in the MSF-triangle and how companies can address those challenges. In the final chapter of this thesis, chapter 9, a summary of the key findings is offered followed by a discussion of how this work contributes to academic research and business practice.

2 Conceptual Foundations

In this chapter, the conceptual foundations of the thesis will be laid. The chapter begins with a review section on the relevant literature with regard to the organizational link between marketing, sales, and finance. In the second section, several theories and conceptual perspectives are presented and their relation to this research is discussed.

2.1 Literature Review

As mentioned before there is presently no study that focuses directly on the organizational link between the three functions marketing, sales, and finance. However, there is research that indirectly addresses this important topic. This literature can be divided into three groups. The first group of studies examines the organizational interface between the two functions marketing and finance (see section 2.1.1). The second group of studies focuses on the organizational link between the two functions marketing and sales (see section 2.1.2). A third group of studies taps the organizational link between marketing, sales, and finance as a side issue (see section 2.1.3). We will now review the key conceptual and empirical studies within each group.

2.1.1 Studies on the Organizational Interface Between Marketing and Finance

The first group of studies examines the organizational interface between the two functions marketing and finance. In this group of studies the sales function is not considered as a separate function. Most studies of this group do not distinguish between the marketing and the sales function. Typically, sales is conceptualized as a part of the marketing function. In addition, studies of this group often implicitly assume that the sales function does not differ from the marketing function. We will first report on the conceptual studies on the marketing-finance interface before we review the empirical studies.

Conceptual Studies

Reviewing the literature, we learned that there has been a relative early conceptual discussion on the interface between marketing and finance in academia in the 1970ies

and 1980ies (e.g., Anderson 1979; Harrison 1978; Moss 1986; Oldroyd 1994; Watmore 1972; Wilson 1971). We provide an overview of the key conceptual studies on the organizational link between marketing and finance in Table 1 (studies in the literature table are sorted alphabetically by the name of the first author). The conceptual literature on the marketing-finance interface can be structured into three main categories: conceptual studies on (1) information exchange between marketing and finance; (2) differences between marketing and finance; and (3) performance implications of the marketing-finance interface.

The studies of the first category examine **information exchange** in the marketing-finance interface and conceptually discuss coordination necessities between marketing and finance (e.g., Collins 1985; Sizer 1973; Stainer 1984; Ward 2004). Interestingly, some studies focus on individual interaction fields and decision areas that need coordination in the marketing-finance interface. The separately addressed topics in those studies include budgeting (e.g., Egan and Guilding 1994; Locander and Goebel 1997), marketing planning (e.g., Barwise, Marsh, and Wensley 1989; Stainer 1984), marketing performance measurement (e.g., Ambler 2003; Ward 2004), or external reporting of marketing information, such as the reporting of marketing costs or brand performance (e.g., Foster and Gupta 1994; Herremans and Ryans 1995).

A second category of conceptual studies deals with **differences between marketing and finance**. Conceptually discussed are differences with regard to culture (Chadwick and Ratnatunga 1983; Lenskold 2003; Stainer 1984), problem solving approach (Collins 1985; See 2006; Ward 2004; Zinkhan and Verbrugge 2000b), language (Ambler 2003; Barwise, March, and Wensley 1989), time orientation (Ambler 2003), objectives (Jenkins and Meer 2005; Oldroyd 1994), and target groups (Hyman and Mathur 2005; Zinkhan and Zinkhan 1997). Furthermore, a holistic conceptual study by Jenkins and Meer (2005) identifies three relation types of the marketing-finance interface: “adversarial competition”, “dialogue and debate”, and “collaborative partnership”.

Finally, a third category of conceptual studies provides us with insights with regard to **performance implications of the marketing-finance interface**. The performance implications of the marketing-finance interface that are discussed in those studies can

be assigned to three different levels. They can be assigned to (1) the relationship level (e.g., mutual understanding between marketing and finance; Egan and Guilding 1994), (2) the decision level (e.g., decision effectiveness; Zinkhan and Zinkhan 1997), and (3) the business performance level (e.g., organizational performance; Bancroft and Wilson 1979; Jenkins and Meer 2005).

Empirical Studies

In comparison to the relative high amount of conceptual studies, there are, to the best of our knowledge, only five empirical studies on the organizational link between marketing and finance. An overview of those five empirical studies on the marketing-finance interface is given in Table 2.

A first study (de Ruyter and Wetzels 2000) analyzes antecedents of the marketing-finance interface. More specifically, it deals with the antecedents of a mutual relationship attitude between marketing and finance. De Ruyter and Wetzels (2000) empirically confirm the following three determinants: The higher the resource dependence and the higher the procedural fairness in the marketing-finance interface, the higher the mutual relationship attitude; the higher the interfunctional rivalry, the lower the mutual relationship attitude between marketing and finance.

A second empirical study (Mills and Tsamenyi 2000) reports cultural differences and a knowledge gap between marketing and finance. Specifically, Mills and Tsamenyi (2000) find that finance is not facilitating information flow to marketing and that finance is not understanding well marketing's needs. The authors also empirically confirm that marketing is unable to precisely specify its requirements of accounting and is not competent in interpreting accounting information (Mills and Tsamenyi 2000).

The existence of differences between marketing and finance has also been empirically confirmed by a third study (Ratnatunga, Hooley, and Pike 1990). In addition, Ratnatunga, Hooley, and Pike (1990) also find interpersonal differences between marketing and finance people. Interestingly, this study reports that each functions considers the other function's level of knowledge and understanding to be too low for adequate cross-fertilization to take place (Ratnatunga, Hooley, and Pike 1990). Of

high interest is also the empirical finding that only 50% of the surveyed marketing and finance managers report that accountants are involved in the marketing decision-making process (Ratnatunga, Hooley, and Pike 1990).

A fourth study (Roslender and Hart 2003) examines the cooperation between marketing and finance concerning strategic management accounting practices such as strategic pricing, competitor accounting, or brand value monitoring. Based on an exploratory field study of practices at the interface between management accounting and marketing management, Roslender and Hart (2003) identify three types of the marketing-finance interface in business practice: “traditional”, “transitional”, and “synergistic”.

Finally, a fifth study by Trebuss (1976) examines the position of the marketing controller empirically. On the basis of 10 interviews with marketing and finance managers, the performance implications of the existence of a liaison position between marketing and finance are analyzed. Specifically, Trebuss (1976) reports that the existence of a marketing controller position leads to more effective analysis, planning, monitoring, and control as well as to better communication between marketing and finance.

Author(s)	Focus of Study	Key Findings	Distinction between Marketing & Sales	Focus on Integration or Differentiation
Barwise, Marsh, Wensley (1989)	Must finance and strategy clash?	Task of project evaluation is discussed as interaction field between marketing and finance (M/F). Both functions can complement each other: F helps M by giving a common language and framework. M helps F by providing market expertise to the project evaluation task. If M/F fail to coordinate decisions on project evaluation issues like base case, time horizon, and future strategic options, opportunistic manipulation of analyses by M or F managers may result.	No distinction	Focus on differentiation
Collins (1985)	The friction between marketing and finance	Between M/F there are plenty of areas where cooperation is necessary but conflict is common, e.g., credit control, inventory levels, product quality claims, service levels, breadth of product line, pricing. The symptoms of conflict between M/F are: Poor communications, intergroup hostility and jealousy, interpersonal friction, escalation of arbitration, proliferation of rules and regulation, low morale and frustration with inefficiency. The causes of conflict between M/F are differing objectives, unclear roles, and territorial problems.	No distinction	Focus on integration
Jenkins, Meer (2005)	Organic growth: Profiting from the union of finance and marketing	There are inherent conflicts between M/F: F has primarily short-term targets, takes a rather broad perspective, and prefers the known over the unknown. M has primarily long-term targets, takes a narrow perspective, and gets well along with the unknown. There are three relationship types between M/F in practice (continuum): 'Adversarial Competition', 'Dialogue and Debate', and 'Collaborative Partnership'. Discussion of possible interaction fields between M/F: Innovations: Decisions about new products, or new markets (in many firms inconsistent standards are used, unsystematic approach; important questions are, e.g. customer's willingness to pay, competences, growth, margins, nature of competition, pricing). Evaluation of growth opportunities: Not only top line growth, but also bottom line growth as common target (e.g. through common analysis of the dimensions profit margin and customer loyalty). Portfolio Management: Better foundation of decisions about growth options (e.g. marketing campaigns, new products, new product features). Firms that manage interface between M/F well, will outperform other firms.	No distinction	Focus on differentiation
Lenskold (2006)	CFOs are from mars, CMOs are from venus: Using marketing ROI to unite marketing and finance	M/F as different worlds: Analytic, numbers-oriented, responsible, serious F people vs. creative, high-energy M people who live in a world of design, messages, and entertaining advertising shaping consumer perceptions and building brand images. M views F as the money source, and F views M as a monthly expense. M lacks financial discipline, which affects budgeting process: Decisions on budget cuts would be different if M could better educate F on the profit impact for future years. Putting an effective M ROI process in place requires collaboration centered on M/F. M must ensure that the dynamics of the M strategy process are kept intact and the dynamics of customer behavior are considered. F must ensure that financial principles are followed as the ROI formula is customized and simplified to fit within a marketer's area of expertise. Uniting M/F by a comprehensive marketing ROI process, might bring mutually beneficial financial discipline to M. It gives both M/F more credibility when bringing plans and projections to the board.	No distinction	Not applicable

Table 1: Key Conceptual Studies on the Organizational Link between Marketing and Finance (1)

Author(s)	Focus of Study	Key Findings	Distinction between Marketing & Sales	Focus on Integration or Differentiation
Locander, Goebel (1997)	Managing financial variation: Insights into the finance / marketing interface	Many interdependencies between M/F: M relies on a dependable, affordable flow of capital. Likewise, the flow of capital depends on the firm's marketplace offering. These interdependencies between M/F occur at various levels of management. At the upper management level, M/F interact in the strategic planning process (Financial Strategy - Marketing Strategy). At the middle management level, the interaction between M/F occurs in the tools and methods both functions utilize to optimize their respective activities (sales forecasting - operational planning, budgeting - marketing planning, accounting methods - product and pricing decisions). At the tactical level, customer relations interact with financial policies and promotional marketing interacts with operations planning. Uncoordinated interactions between M/F can cause unwanted variation in output of some operational and managerial processes and ultimately, unproductive uses of time and resources. Due to its interdependency, it is essential that M/F design strategies that complement rather than compete with each other. Much time and effort is wasted by managers competing for valuable resources (e.g. budgeting/marketing planning process). Adoption of a holistic view of the firm (e.g. by tying compensation to an overall measure of wealth creation like EVA) and an emphasis on open communication across functions while minimizing the competitive nature of the process can provide stability.	No distinction	Focus on integration
Lovett, Mac-Donald (2005)	How does financial performance affect marketing? Studying the marketing-finance relationship from a dynamic perspective	Task of marketing the firm to the financial community (investor marketing) is discussed as interaction field between M/F. Framework shows the interdependent relation between firm resources and capabilities, consumption markets and financial markets as well as actual firm performance and reported firm performance (numerous positive feedback loops). Often assumed that M influences stock prices and other financial market measures through a firm's performance in consumption markets; but also a direct effect is probable by altering the perceptions of analysts and investors. Currently, accountants are responsible for presenting and framing reported firm performance, while the finance and investor relations departments are typically responsible for managing interactions with investors and other financial entities. Although the content addressed by these functional areas may be outside the traditional marketing knowledge base, superior presentation of this content requires knowledge of communication, relationship building, and perception management, hence, marketing expertise. Interdependency between M/F is stressed by stating that only firms that market to both, financial markets and consumption markets will achieve superior performance. Pitfalls of neglecting investor marketing and consumption markets (bad examples are many 'dot.coms').	No distinction	Focus on differentiation
Stainer (1984)	Marketing and finance - working together	Discussion of differences: M is a significant spender whereas F must conserve. Huge personality differences (typical finance man vs. typical marketer) lead to mutual incomprehension. There is some communication between M/F, but it is narrow in scope and limited to routine monthly accounts and costing data, supplemented by some exchanges at the time the budget is prepared. Discussion of three key fields of cooperation between M/F: Information provision with regard to product and customer profitability: M can use profitability information for decisions on pricing, promotions, sales targeting, product deletion or developing, new product developing. M can use customer profitability information for negotiation of discounts, management of the customer base, sales targeting, promotions, distribution decisions. Measurement of marketing performance. Evaluation of the M plan: Collaboration between M/F on a five-year M plan. Common assessment of the assumptions underlying the M plan. M investment appraisal (applying DCF-methods). Carefully think about cost reduction proposals in the M area. Cooperation between M/F can improve decision quality. F can enhance M approach to planning (more objective, systematic, and accepted due to a formal, standardized approach). Risk of unreflected cost reductions in M are reduced when M/F cooperate regularly.	No distinction	Focus on integration

Table 1: Key Conceptual Studies on the Organizational Link between Marketing and Finance (2)

Author(s)	Focus of Study	Key Findings	Distinction between Marketing & Sales	Focus on Integration or Differentiation
Walters, Halliday (2005)	Marketing and financial management: New economy - new interfaces	Strong interrelationships between M and F. M decisions are explored that have implications for financial management (i.e. working capital, fixed assets, cash flows, capital structure, and investments). M managers often pursue opportunities without considering the wider implications of their decisions for financial management and for the company. Key activities between M/F include: Margin management: P&L account identifies the components of gross margin, operating margin and net profit. Each of the components is influenced by M decisions at the gross and operating profit levels. Asset management: Comprises fixed assets and working capital issues. Fixed assets decisions are based upon the manufacturing and distribution response to market expectations. M will seek to maintain high levels of product availability, customer service(s) and competitive price levels. F is concerned with ensuring that the level of return generated from the M activity will provide satisfactory profit and cash flow streams to ensure profitable continuity, hence issues such as the owning vs. leasing of facilities, the manufacturing process and its impact on costs will be of major concerns. Working capital decisions (net current assets) will consider the costs and ways of achieving M objectives. They will require evaluation to ensure that given the estimates of stock and service levels, together with the proposed customer credit policy, the most cost-effective means of financing the requirements is found. Financial management: Cost of capital and risk play a central role here. M must ensure that it investigates the proposed opportunity in detail, ensuring that the characteristics of it that introduce risk to the firm are thoroughly evaluated. Cash flow management: M must identify the relevant data for F, so that F is able to plan for efficient funds flow and availability when required at reasonable cost. Understanding of cost behavior profile of strategic M decisions is necessary for M managers (cost economies and experience/learning effects).	No distinction	Focus on differentiation
Ward (2004)	Marketing finance - Turning marketing strategies into shareholder value	10 critical success factors of the interface between M/F: 1) Validate the linkages between objectives, strategies and M/F systems. 2) Close the communication gap between M/F managers. 3) Identify the likely types of strategic marketing decisions. 4) Provide the relevant information for the particular decision. 5) Focus on, and measure, the intangible marketing assets of the business. 6) True financial control can only be exercised in advance of financial commitment. 7) Identify where management discretion is restricted through engineered cost relationships. 8) Marketing objectives and the engineered relationships may both change over time. 9) Identify appropriate financial and non-financial performance measures for all levels of the business. 10) Develop an overall marketing investment planning and control process.	No distinction	Focus on integration
Zinkhan, Ver-brugge (2000)	The marketing / finance interface	M/F as different "thought worlds": Focus on identifying and satisfying consumer needs vs. focus on resource allocation and asset management. To a large degree M/F remain separate or isolated fields. M/F rarely interact; they seem to live in two worlds that overlap only in indirect ways (problem of functional silos). M managers focus on customers or accounting profits. F managers focus on shareholders and lenders. M/F will move closer together, as many firms begin to focus more intensively on managing to enhance economic value (e.g. EVA etc.). Major differences also between M/F in academia (e.g. different research approach and different key dependent variables).	No distinction	Not applicable
Zinkhan, Zinkhan (1997)	The interface between marketing and finance	Each functional group tends to concentrate upon a single stakeholder group (purchasing - suppliers, marketing - customers, finance - owners and lenders). The conflict between functions reflects the natural conflicts between different groups of stakeholders. Conflict between M/F can be a source of strength for organizations; they can be productive, since they reflect the reality and provide a way to bring the outside environment inside the organization.	No distinction	Not applicable

Table 1: Key Conceptual Studies on the Organizational Link between Marketing and Finance (3)

Author(s)	Focus of Study	Empirical Basis	Key Findings	Distinction between Marketing & Sales	Focus on Integration or Differentiation
de Ruyter, Wetzels (2000)	The marketing-finance interface	Quantitative survey (162 firms)	Five key determinants of a mutual relationship attitude between marketing & finance (M&F): Resource dependence (sign.), communication difficulties (n.s.), procedural fairness (sign. for marketing managers only), interfunctional distance (n.s.), interfunctional rivalry (sign. for finance managers only).	No distinction	Focus on integration
Mills, Tsamenyi (2000)	Communicative action and the accounting / marketing interface in industry	Quantitative survey (112 responses; dyads)	Cultural differences and knowledge gap at the accounting/marketing interface. Accounting: Too formal, not facilitating information flow to marketing, not understanding marketing's needs, inflexible in providing non-routine information. Marketing: Less formal and emphasis on subjectivity (in contrast to accountants' focus on objectivity resulting in a co-ordination problem), unable to precisely specify their requirements of accounting, not competent to interpret accounting information. Need for accounting and marketing personnel to develop understanding, co-ordination, and socialization (more broadly based knowledge needed).	No distinction	Focus on integration
Ratnatunga, Hooley, Pike (1990)	The marketing-finance interface	Quantitative survey (120 responses; dyads)	Majority of all companies had at least one position (e.g., marketing accountant) to establish a mutual understanding between finance and marketing. Majority of the companies had the location of the two functions on the same floor (a high proportion at least in the same building). Marketing managers are far more knowledgeable about accounting matters than vice versa. Communication/information flow between M&F is quite good (but still room for improvement). Each function considers the other function's level of knowledge and understanding to be lower than that required for adequate cross-fertilization to take place. Majority sees interpersonal differences between accountants and marketers. Although a majority of marketers realize that accountants have a role far beyond financial accounting and taxation, only 50% involve accountants in the marketing decision-making process (preparing the marketing plan, choosing amongst marketing-mix alternatives, setting the total marketing budget).	No distinction	Focus on integration
Roslender, Hart (2003)	In search of strategic management accounting: Theoretical and field study perspectives	Semi-structured interviews in 10 firms (dyads)	Continuum of relationships between management accounting (MA) and marketing management: Traditional: Narrow range of activities, controllership function, some form of budget control system, largely one-dimensional as they involve only limited MA content ("everything is compared to budget, or to forecast..."). Transitional (largest sub group in the sample): Part application of a wide range of MA practices (activity-based costing, customer profitability analysis, direct product profitability, benchmarking, scorecards, attribute costing, strategic cost analysis, target costing), equal and constructive joint exploration of the potentialities of MA. Synergistic: Fully interdisciplinary form of marketing accounting.	No distinction	Not applicable
Trebuss (1976)	The marketing controller: Financial support for the marketing function	Interviews with marketing and finance managers of 10 firms	Most companies with a marketing controller system are extremely satisfied due to more effective and efficient analysis, planning/budgeting, monitoring, and control. Marketing controller sits on all committees of finance as the representative of marketing, and on all marketing committees as the representative of finance. This leads to better communication between M/F. Marketing controller should report to the Vice President Marketing.	No distinction	Focus on integration

Table 2: Empirical Studies on the Organizational Link between Marketing and Finance

2.1.2 Studies on the Organizational Interface Between Marketing and Sales

The second group of studies examines the organizational interface between the two functions marketing and sales. This group of studies does not take the finance function into consideration. An overview of the key conceptual studies on the organizational link between marketing and sales is given in Table 3. In addition, we have summarized the key empirical studies in this research stream in Table 4.

Historically, research devoted astonishing little attention to the interface between marketing and sales. In recent years, considerable efforts have been made by scholars to fill this gap (e.g., Dawes and Massey 2005; Homburg and Jensen 2007; Homburg, Jensen, and Krohmer 2008). Of central interest in research on the marketing-sales interface have primarily been integration and coordination aspects (e.g., Cespedes 1993, Dewsnap and Jobber 2000; 2002, Rouziès et al. 2005). Specifically, there has been a broad conceptual discussion of possible antecedents of the marketing-sales interface. As an example, Rouziès et al. (2005) have developed a conceptual framework with four types of controllable mechanisms for improving integration between marketing and sales: 1) Structure: decentralization, cross-functional teams, and integrators. 2) Process/systems: communications, job rotation, integrated goals, incentives or reward and recognition systems. 3) Culture: organizational norms that place a premium on sharing and adapting. 4) People: relative functional identity.

Another focus of the studies in this group has been on conflicts and differences between marketing and sales (Dawes and Massey 2005; Homburg and Jensen 2007; Krafft and Haase 2004, Strahle, Spiro, and Acito 1996). A clear and important finding of the studies on the marketing-sales interface is that material discrepancies and differences exist between marketing and sales in business in practice (Homburg and Jensen 2007; Krafft and Haase 2004; Strahle, Spiro, and Acito 1996). Dawes and Massey (2005) have empirically examined the antecedents of conflict between marketing and sales. The authors found that communication frequency and communication bidirectionality have the strongest effect on interpersonal conflict. The next strongest effects have psychological distance and the sales manager's formal education (Dawes and Massey 2005). In this study it was also found that the use of

lateral linkage devices (joint incentives, teams, or shared goals) reduces conflict between marketing and sales (Dawes and Massey 2005).

Interestingly, most studies have focused mainly on integration issues and negative aspects of differences between marketing and sales. Hence, those studies propose the logic of integration. Interestingly, a recent study by Homburg and Jensen (2007) takes a more distinguished approach and discovers the potential of differentiated knowledge and specialization in marketing and sales. Hence, this study explains the logic of differentiation. The authors find that differences between marketing and sales hamper the quality of cooperation between marketing and sales but some types of differences actually increase overall market performance (Homburg and Jensen 2007). Specifically, Homburg and Jensen (2007) find that market performance is enhanced, if one side plays the customers' advocate while the other plays the products' advocate. Market performance is also enhanced if one side plays the advocate of short-term considerations while the other plays the advocate of long-term considerations (Homburg and Jensen 2007).

In another important study, Homburg, Jensen, and Krohmer (2008) develop a multidimensional model of the marketing-sales interface. The authors identify five empirical archetypes of the marketing-sales interface which differ with regard to the five dimensions power, structural linkages, information sharing, orientations, and knowledge of marketing and sales (Homburg, Jensen, and Krohmer 2008). More specifically, the study identifies the following five clusters of marketing-sales interfaces (Homburg, Jensen, and Krohmer 2008):

(1) "Ivory Tower": Strikingly low levels of market knowledge, information provision, and structural linkages between marketing and sales; lowest performing cluster.
(2) "Brand-Focused Professionals": Marketing and sales have both high levels of expertise; marketing has the lead role and sales is its congenial counterpart; highest performing cluster.
(3) "Sales Rules": Almost no structured cooperation between marketing and sales; marketing is little more than an appendix to the sales force; belongs to the weaker performing clusters.

(4) “Marketing-Driven Devil's Advocacy”: In a fairly formalized process, the contrasting perspectives of marketing as a strategic product voice and sales as an operative customer voice are confronted; marketing has the power; lowest cooperation quality of all clusters.
(5) “Sales-Driven Symbiosis”: Cluster of complementary skills and very structured cooperation; high levels of team work; sales is more powerful than marketing; second best performing cluster.

Homburg, Jensen, and Krohmer’s (2008) taxonomy shows that the role and the characteristics of marketing and sales vary tremendously across firms and industries. Their findings suggest that the most successful configurations are characterized by strong structural linkages between marketing and sales and a high extent of market knowledge in marketing (Homburg, Jensen, and Krohmer 2008). The less successful clusters are characterized by low levels of information sharing, structural linkages, and knowledge as well as by an extreme power distribution between marketing and sales (Homburg, Jensen, and Krohmer 2008).

Author(s)	Focus of Study	Key Findings	Focus on Integration or Differentiation
Dewsnap, Jobber (2000)	The sales-marketing interface in consumer packaged goods companies: A conceptual framework	Development of a conceptual framework that includes a set of organizational factors as antecedents of integration, the integration variable itself, and the consequences of integration for business performance. Integration is conceptualized as both interaction and collaboration. Argues that all existing studies of marketing's cross-functional relations refer to the following three organizational factors: Structural: formalization, de-centralization, participation, physical proximity, methods of organizing (organizational integrating mechanisms, such as integrators). Senior management: value integration, provides opportunities, background of personnel, joint rewards. Operating characteristics: give-and-take, early involvement, conflict resolution.	Focus on integration
Dewsnap, Jobber (2002)	A social psychological model of relations between marketing and sales	Framework for exploring the social psychological causes and effects of intergroup relations in FMCG marketing. Dimensions of harmonious intergroup relations are: Positive attitudes, friendliness, a non-existence of bias to the in-group, and cooperation. Three propositions are developed: Conflicting goals will be positively related to intergroup differentiation. Strength of in-group identification will be positively related to intergroup differentiation. Intergroup differentiation is negatively related to the perceived effectiveness of the relationship between marketing und sales.	Focus on integration
Rouziès et al. (2005)	Sales and marketing integration: A proposed framework	Different mind-sets of marketing and sales executives. There is no widely accepted measure of functional integration. Important to distinguish the integration construct from related constructs such as interactions, communications, and involvement: Dynamic process in which the two functional areas create more value by working together than they would create by working in isolation. Conceptual framework with four types of controllable mechanisms for improving integration: 1) Structure: Decentralization, Cross-functional teams, Integrators. 2) Process/Systems: Communications, Job rotation, Integrated goals, Incentives or reward and recognition systems. 3) Culture: Organizational norms that place a premium on sharing and adapting. 4) People: Relative functional identity. Four categories of moderators which all are believed to strengthen the positive effect of sales-marketing integration on business performance: Environmental uncertainty, customer concentration, competitive intensity, innovator strategy.	Focus on integration

Table 3: Key Conceptual Studies on the Organizational Link between Marketing and Sales

Author(s)	Focus of Study	Empirical Basis	Key Findings	Focus on Integration or Differentiation
Cespedes (1993)	Coordinating sales and marketing in consumer goods firms	Interviews with 75 marketing and sales managers	Measures to improve coordination between marketing (M) and sales (S): Structural devices (e.g. liaison units), field marketing systems (e.g. multifunctional account teams), management processes (e.g. career paths, training programs). Importance of boundary roles: Without a dedicated unit, informal methods of managing M/S coordination are often too time-consuming, treated as a "secondary priority" by each group, or are ineffective because attempts by M or S personnel to alter the other's plans are viewed as infringements on another's domain. Importance of functional clarity for effective implementation: Organizational clarity about what each unit contributes uniquely to overall business performance, clarity about joint responsibilities and functional responsibilities.	Focus on integration
Cespedes (1995)	Integrating product and sales management	Interviews with 200 managers	Product management and sales management have different perspectives. Differences with respect to role alignment (products vs. accounts), time horizons, and responsibilities. Differences reflect specialization within each group and are hence, necessary to cope with increasingly complex marketing problems.	Focus on integration
Dawes, Massey (2005)	Antecedents of conflict in marketing's cross-functional relationship with sales	Quantitative survey (201 responses)	Surprisingly low conflict between marketing and sales, no country differences. Structural, individual, and communication variables are tested to explain interpersonal conflict levels: The two communication variables - frequency and bidirectionality - had the strongest effects on interpersonal conflict. The next strongest effects were from the individual-level variables - psychological distance and the sales manager's formal education. Sales manager's marketing training and the manager's sales experience had no influence on interpersonal conflict. Two of the three structural variables - use of lateral linkages and being part of a corporation - had the hypothesized negative impact on interpersonal conflict. The use of lateral linkage devices (joint incentives, cross-functional teams, shared functional goals, etc.) reduces conflict.	Focus on integration
Homburg, Jensen (2007)	Marketing and sales: Which differences make a difference?	Quantitative survey (337 responses)	All types of differences hamper the quality of cooperation between M/S. However, some types of differences foster overall market performance (MP): MP is enhanced if one side plays the customers' advocate while the other plays the products' advocate. MP is also enhanced if one side plays the advocate of short-term considerations while the other plays the advocate of long-term considerations. In contrast, differences with regard to product knowledge and interpersonal skills are deleterious to MP.	Focus on differentiation
Homburg, Jensen, Krohmer (2008)	Configurations of marketing and sales: A Taxonomy	Quantitative survey (337 responses)	Development of a multidimensional model of the marketing-sales interface (MSI). Identification of five empirical archetypes of the MSI which differ with regard to the five dimensions power, structural linkages, information sharing, orientations, and knowledge of marketing and sales. The taxonomy shows that the role and the characteristics of M and S vary tremendously. Findings suggest that the most successful configurations are characterized by strong structural linkages between M and S and a high extent of market knowledge in marketing.	Focus on differentiation
Strahle, Spiro, Acito (1996)	Marketing and sales: Strategic alignment and functional implementation	Interviews (25) and quantitative survey (367 responses)	Explores the degree of alignment between business level marketing strategy and functional level sales objectives and activities. There are often discrepancies between marketing executives and their sales managers with regard to specific product strategies. Specifically, many sales managers stress "build" sales objectives irrespective of the product's marketing strategy. The product-related sales objectives of the sales organizations in their companies may not be coordinated as closely as they could be with the goals of their marketing departments.	Not applicable

Table 4: Key Empirical Studies on the Organizational Link between Marketing and Sales

2.1.3 Studies That Tap Marketing's Organizational Interface with Finance or Sales as a Side Issue

Finally, the third group of studies examines marketing's organizational interface with finance or sales as a side-issue. This group of studies does not focus on finance or sales but does rather take a broader perspective on marketing's organizational interface with other functions such as e.g., manufacturing, R&D, or HR. We will first report briefly on the conceptual studies in this category before we summarize the key findings of the empirical studies.

Conceptual Studies

An overview of four key conceptual studies that tap on the organizational link between marketing, sales, and finance as a side-issue is given in Table 5. Two studies, the study by Lim and Reid (1992) and the study by Hutt (1995) focus on integration aspects of cross-functional working relationships in marketing and related barriers. Specifically, Hutt (1995) proposes that besides communication and interpretive barriers, there are turf barriers (expertise, authority, critical access to resources) that hinder effective cross-unit working relationships in marketing. In a conceptual discussion, the author concludes that interdependence, communication, formalization, and coordination uncertainty determine the nature and intensity of the marketing function's relationship with another unit (Hutt 1995).

Interestingly, the study by Hutt and Speh (1984) uses the concept of the marketing strategy center as organizing framework for exploring the industrials marketer's interdisciplinary role in the development and implementation of marketing strategy. In doing so, those authors move away from the typical focus on integration aspects that characterizes so many studies on organizational interfaces. Instead, by elaborating on marketing's boundary spanning role between the firm and its customers, competitors, and stakeholders, Hutt and Speh (1984) move towards an examination of the logic of differentiation with regard to marketing's interfaces within the firm.

In a fourth key conceptual study in this category, Montgomery and Webster (1997) report on the results of the MSI workshop on management of corporate fault zones. In

this study the authors stress the managerial relevance of marketing's interfunctional interfaces and related issues (Montgomery and Webster 1997); they point to the ambivalent nature of conflict, i.e., the functional and dysfunctional potential of conflict in cross-functional interactions. Montgomery and Webster (1997) call for research to further explore this phenomenon. In addition, they (Montgomery and Webster 1997) propose to further examine the key question, when and why boundary-spanning behaviors are critical to success?

Empirical Studies

We have identified six empirical studies that are of relevance to this research, since they tap the organizational link between marketing, sales, and finance as a side-issue. An overview of those key empirical studies is given in Table 6. A first important study deals with marketing's influence within the firm (Homburg, Workman, and Krohmer 1999). Specifically, the influence of the functional subunits marketing, sales, R&D, operations, and finance over management decisions such as the marketing-mix, strategy, or new product development is empirically measured (Homburg, Workman, and Krohmer 1999). On a general basis, the authors find that marketing's influence increases with (1) the frequency of major market-related changes; (2) the pursuing of a differentiation strategy; (3) the dominance of an indirect distribution; and (4) with a CEO with marketing background (Homburg, Workman, and Krohmer 1999). Interestingly, Homburg, Workman, and Krohmer (1999) also find that marketing's influence is lower in Germany than in the USA.

More specifically, the authors (Homburg, Workman, and Krohmer 1999) find that marketing has the most influence on decisions about advertising messages and customer satisfaction management. Interestingly, in decisions regarding major capital expenditures, marketing has its lowest level of influence among all tested decisions, whereas finance has its highest influence (Homburg, Workman, and Krohmer 1999). Of high interest is also the empirical finding that marketing and sales have statistically significant differences in their relative influence for all tested decisions (Homburg, Workman, and Krohmer 1999). This finding is a strong argument for distinguishing the marketing function from the sales function in related research activities.

A second empirical study which is of relevance for this thesis is a study on marketing's integration with other functions (Kahn and Mentzer 1998). In this study the authors (Kahn and Mentzer 1998) differentiate between interdepartmental interaction (conceptualized as information dissemination) and interdepartmental collaboration (conceptualized as mutual understanding, shared resources, and common goals). Interestingly, Kahn and Mentzer (1998) find that marketing's interdepartmental collaboration (i.e., mutual understanding, shared resources, common vision/goals) with manufacturing and R&D has a strong, positive effect on different performance outcomes such as e.g., marketing's own performance or company's performance. In contrast, no significant positive relationship is found between interdepartmental interaction and performance (Kahn and Mentzer 1998).

Another empirical study (Krohmer, Homburg, and Workman 2002) raises and answers the interesting question, "Should marketing be cross-functional?" The authors find the highest cross-functional dispersion of influence for decisions and activities related to new product development and pricing (Krohmer, Homburg, and Workman 2002). The key finding of this study is that cross-functional dispersion of influence on marketing activities increases performance (Krohmer, Homburg, and Workman 2002). Krohmer, Homburg, and Workman (2002) explain this highly relevant finding conceptually by pointing to gains of effectiveness, efficiency, and adaptiveness through a differentiated cross-functional approach towards marketing decisions.

Another study that puts a focus rather on the logic of differentiation than on the logic of integration is Luo, Slotegraaf, and Pan's (2006) Journal of Marketing paper, "Cross-functional coopetition". The authors conceptualize coopetition as the joint occurrence of cross-functional competition and cooperation, i.e., cooperative ability or cooperative intensity (Luo, Slotegraaf, and Pan 2006). The key finding is that cross-functional coopetition has a positive effect on customer and financial performance (Luo, Slotegraaf, and Pan 2006).

A fifth study that we consider important for this thesis is Maltz and Kohli's (2000) paper, "Reducing marketing's conflict with other functions: The differential effects of integrating mechanisms". Following a tradition of studies that focus on integration aspects, the authors find that the relative effectiveness of six mechanisms to reduce

interfunctional conflict differs (Maltz and Kohli 2000). Whereas the use of cross-functional teams for decision making is strongly reducing conflict across all marketing interfaces considered in this study (i.e., R&D, finance, and manufacturing), multifunctional training, social orientation, and spatial proximity have no significant effect on conflict (Maltz and Kohli 2000). The key conclusion of the study is that integrating mechanisms are differentially effective: The use of compensation variety and formalization reduces conflict only at the marketing-R&D interface, but is not effective at the marketing-finance interface and at the marketing-manufacturing interface (Maltz and Kohli 2000). Interestingly, the authors report that the effects of integrating mechanisms at the marketing-finance interface seem to be limited to increasing the use of cross-functional teams (Maltz and Kohli 2000). In the face of their empirical findings, Maltz and Kohli (2000) conclude that results obtained in empirical studies focusing on dyadic relations (e.g., marketing and R&D) may not be generalizable to other interfaces.

In a sixth and last study in this category, a conceptual framework is developed to examine how and why marketing personnel interacts with personnel in other functions in planning, implementing, and evaluating marketing activities (Ruekert and Walker 1987). The authors find that resource dependence and formalization are both positively related to interaction flows which were conceptualized and measured as resource, work, and assistance flows (Ruekert and Walker 1987). In addition, there is empirical support that interaction flows and the amount of communication are both positively related to domain similarity (Ruekert and Walker 1987). Furthermore, interaction flows and resource dependence are both positively related to the influence of the other unit and the influence of marketing on the other unit (Ruekert and Walker 1987). Interestingly, communication difficulty is related positively to conflicts (Ruekert and Walker 1987). Conflict between marketing personnel and personnel in R&D or manufacturing is related negatively to the effectiveness of the respective relationship (Ruekert and Walker 1987). Somewhat surprisingly, and for this thesis of particular interest, is the finding that there is a positive, but not significant correlation between conflict and effectiveness between marketing and finance (Ruekert and Walker 1987).

Author(s)	Focus of Study	Key Findings	Distinction between Marketing &Sales	Focus on Integration / Differentiation
Hutt (1995)	Cross-functional working relationships in marketing	Identification of key barriers to the development of effective cross-unit working relationships: Turf barriers (expertise, authority, critical access to resources), Interpretive barriers (departments are different thought worlds, each focusing on different facets of a problem and making different sense of the total), Communication barriers (shared language within a function). Process Perspective, four stages of internal working relationships: Orientation, exploration, testing, and stabilization. Nature and intensity of the M function's relationship with another unit is determined by: Interdependence, communication, formalization, coordination uncertainty. Trust or mistrust begins to develop as each manager evaluates the judgment, integrity, motives, and consistency of the actions of the counterpart. Framework of antecedents to responsiveness and reputational effectiveness: Structural factors: Constituency background, reward system, measurement system, type of goals, distribution of power. Social factors: Group norms, social information, social categorization, trust and reputation. Individual factors: Conscientiousness, self-monitoring, self-efficacy, adaptive self-regulation, collectivism.	No distinction	Focus on integration
Hutt, Speh (1984)	The marketing strategy center	Concept of the marketing strategy center as framework for exploring the marketer's interdisciplinary role in the development and implementation of marketing strategy. Responsibility charting of interfunctional involvement in marketing decision making. Roles assumed by participants in the decision-making process include: Responsible, approve, consult, implement, inform. Boundary spanning role of M between the firm and its customers, competitors, and stakeholders.	No distinction	Focus on differentiation
Lim, Reid (1992)	Vital cross-functional linkages with marketing	To arrive at truly integrated cross-functional plans, the development of the various functional plans must be coordinated as they are being developed so that each function is aware of and understands what its counterparts are doing. Interfaces between M/F: M forecasts and capital requirements/cash flow analysis. Differences between M/F: Flexible budgets vs. hard budgets, Pricing to further market development vs. pricing to cover costs, Intuitive arguments for spending vs. strict rationales for spending. One way to assess the current state of functional interfaces is to examine the nature of the interfaces on two basic dimensions: The frequency of cross-functional interaction and the quality of those interactions. Critical components in achieving cross-functional integration include active contact and communication between functional areas, informal and formal interfunctional organizational units, establishment of shared functional goals, and creation of a proper organizational climate and reward system. Benefits of cross-functional integration: Improved market orientation, innovativeness, creativity, planning and decision making.	No distinction	Focus on integration
Montgomery, Webster (1997)	Marketing's interfunctional interfaces: The MSI workshop on management of corporate fault zones	Market orientation has been found to have very positive association with various aspects of business performance. Market orientation is directly linked to M's interface management. M's paradigm shift: M is becoming more a process than a distinct and separate management function. Three distinct definitions of M: M as culture, strategy, and tactics. Research has focused more on conflict than on interfunctional cooperation. Most important question: When and how are boundary-spanning behaviors critical to success? Importance of interfunctional issues is stressed. Conflict can be positive as well as negative. Making cross-functional teams effective: Need for performance evaluation and reward systems that are consistent with the goals of team-based management. Interfunctional conflict has its roots in the firm's traditional evaluation and reward systems, geared to the old functional organization form with its emphasis on short-term financially oriented measures of performance and the related need to define areas of responsibility tightly.	No distinction	Not applicable

Table 5: Key Conceptual Studies that Tap the Organizational Link between Marketing, Sales, or Finance as a Side Issue

Author(s)	Focus of Study	Empirical Basis	Key Findings	Distinction between Marketing &Sales	Focus on Integration or Differentiation
Homburg, Workman, Krohmer (1999)	Marketing's influence within the firm	72 In-depth inter-views and quantitative survey (514 responses; M, S, general managers)	Influence of the functional subunits marketing (M), sales, R&D, operations, and finance (F) over management decisions (M-mix, strategy, new product development). Frequency of market-related changes increases M's influence. Differentiation strategy increases M's influence. Direct distribution decreases M's influence. CEO with M background increases M's influence. M's influence is lower in Germany than in the USA.	Yes	Not applicable
Kahn, Mentzer (1998)	Marketing's integration with other departments	Quantitative survey (514 responses; marketing, manufacturing, and R&D managers)	Distinction between interdepartmental interaction (information dissemination) and interdepartmental collaboration (mutual understanding, shared resources, common vision/goals). Collaboration distinguishes successful performance and promotes M's satisfaction with other departments (strong, significant relationship between collaboration and performance; surprisingly, non significant (n.s.) positive relationship between interaction and performance).	No distinction	Focus on integration
Krohmer, Homburg, Workman (2002)	Should marketing be cross-functional?	Quantitative survey (514 responses from marketing, sales, and general managers)	Cross-functional dispersion of influence on M activities increases performance at the SBU level. M activities/decisions (sorted by degree of cross-functional influence): New product development, pricing, programs for improving customer satisfaction, design of customer service and support, procedures of measurement of customer satisfaction, distribution strategy, advertising messages.	Yes	Focus on differentiation
Luo, Slotegraaf, Pan (2006)	Cross-Functional "Coopetition"	Quantitative survey (326 responses from marketing, sales, and general managers)	Cross-functional coopetition enhances a firm's customer and financial performance. This influence is mediated by market learning. Conceptual explanation for existence of cross-functional competition: Direct comparisons among functional units, interdepartmental struggles to obtain limited tangible resources (organizational capital, personnel) and intangible resources (top executive's mental time, attention), divergent goals, and strategic priorities.	No distinction	Focus on differentiation
Maltz, Kohli (2000)	Reducing M's con-flict with other functions: The differential effects of integrating mechanisms	Quantitative survey (774 responses from manufacturing, R&D, and finance managers)	Relative effectiveness of 6 mechanisms to reduce interfunctional conflict differs. Surprisingly, multifunctional training, social orientation, and spatial proximity have n.s. effect on conflict. In contrast, the use of cross-functional teams for decision making is strongly reducing conflict across all three marketing interfaces tested (R&D, finance, and manufacturing). Use of compensation variety and formalization reduces conflict only at M/R&D interface.	No distinction	Focus on integration
Ruekert, Walker (1987)	Marketing's inter-action with other functional units: A conceptual frame-work and empirical evidence	Quantitative survey (151 responses from marketing managers of three divisions of one firm)	Examines how and why marketing personnel interact with personnel in other functional areas in planning, implementing, and evaluating marketing activities. Framework for assessing marketing's interaction with other functional areas: Situational dimensions (internal/external environmental conditions), structural and process dimensions (transactions, communication, coordination), outcome dimensions (functional/psycho-social).	No distinction	Focus on differentiation

Table 6: Key Empirical Studies that Tap the Organizational Link between Marketing, Sales, or Finance as a Side Issue

2.1.4 Summary

Overall, the extant conceptual and empirical studies can provide some interesting insights into the cross-functional boundary between marketing, sales, and finance. However, previous research has focused on either marketing's interface with finance or on marketing's interface with sales. Other studies have taken a generic approach to marketing's interfaces and have tapped the topic of marketing's interfaces with finance or sales as a side-issue. In general, it can be concluded that the body of empirical research that directly or indirectly deals with the organizational link between marketing, sales, and finance is scarce. As a consequence, our understanding of the related organizational issues in the MSF-triangle is still very limited. Specifically, the extant literature does not address the following six key aspects:

(1) Most studies only consider bilateral constellations (e.g., marketing and sales or marketing and finance) or conceptualize marketing as a "super function" that incorporates the sales function. As a result, we lack good understanding of the tri-lateral interplay between marketing, sales, and finance. In this thesis we will address this research deficit by distinguishing between the three functions marketing, sales, and finance when examining their interactions.

(2) Almost all studies implicitly assume a very simple company structure with only one business unit and no international subsidiaries, i.e., it is neglected that most corporations operate on different organizational levels (e.g., corporate vs. business unit level). As a consequence, we do not know what role the various organizational levels play in the MSF-triangle and whether differences exist across them in the MSF-triangle. We will address this research deficit by accounting for various organizational levels when identifying the key organizational actors and structural configurations in the MSF-triangle. In addition, we will gain insights into interactions in the MSF-triangle across different organizational levels.

(3) Most of the extant studies take a very aggregate view on cross-functional interfaces and do not specify the actors, subunits and positions involved in the cross-functional interactions. Hence, we presently do not understand well the responsibilities of individual actors in the MSF-triangle. We will address this research deficit by taking a closer look at the activities, contributions, and roles of the individual actors, subunits, and positions in the MSF-triangle.
(4) Only some studies elaborate specific cross-functional interactions of marketing with other functions. However, those studies are mainly conceptual in nature and focus strongly on marketing activities and on barriers to cross-functional cooperation. To the best of our knowledge there is no study that provides an empirically grounded overview on the underlying interactions in the MSF-triangle. We will address this research deficit by focusing on the finance-related interaction fields and decision areas between the three functions marketing, sales, and finance.
(5) Most studies primarily focus on integration mechanisms for interfacing actors, i.e., they explain the logic of integration, or coordination but do not explain the logic of differentiation, or specialization (see separate columns in the literature tables). As a consequence we lack a good understanding why marketing, sales, and finance should interact and coordinate decisions. We will address this research deficit by paying special attention to the individual contributions and value-added of each actor in each MSF-interaction field. On a more general basis, we will also discuss the role of each actor in the MSF-triangle.
(6) Almost all studies take a static perspective and are hence not able to account for structural or process related changes that occur in the course of time. Hence, we do not know about trends and best practices in the management of the MSF-triangle. We will also address this research deficit by exploring and explaining fundamental changes that have recently occurred in the management practices of the MSF-triangle.

Having answered our first research question which was “What is the current state-of-knowledge in academia on the organizational link between marketing, sales, and finance?” we now move on by giving a general outline of theories that can be related to the MSF-triangle.

2.2 General Outline of Theories Related to the Marketing-Sales-Finance Triangle

In addition to the studies discussed in section 2.1, a range of theories offers implications for the marketing-sales-finance triangle. Specifically, the five following theories can provide such implications and will hence be discussed in this section:

- the social identity theory (see section 2.2.1);
- the boundary theory (see section 2.2.2);
- the resource based view (see section 2.2.3);
- the resource dependence theory (see section 2.2.4); and
- the agency theory (see section 2.3.5).

For each of these five theories, we will first describe its general logic and key considerations. After this short outline, we will discuss possible implications of each theory for the MSF-triangle as a research topic. In this section, in which the conceptual foundations of the thesis are laid, we will only give a fairly general presentation of the theories and its implications, since the individual theories are discussed in more specific contexts in the remainder of the thesis (particularly in section 8.4).

2.2.1 Social Identity Theory

The social identity theory is rooted in a social psychological school of thought and was originally developed to explain intergroup behavior in the context of prejudice and hostility. The theory was strongly influenced by the scholars Tajfel (1982) and Turner (Tajfel and Turner 1986).

The social identity theory offers important explanations for intragroup and intergroup behavior. Special emphasis is given on outgroup discrimination. According to the social identity theory, individuals strive to achieve and maintain a positive self-esteem (e.g., Brown 1983). This self-esteem is partly based on the social identity that is derived from group memberships (e.g., Ashforth and Meal 1989). As a consequence, individuals are in need for positive evaluations of the own group in comparison to

other groups, leading to a biased ingroup preference (see for a meta-analysis of ingroup bias and self-esteem Aberson, Healy, and Romero 2000).

According to the social identity theory, social identity is achieved through the four steps of (1) social categorization, (2) social identification, (3) social comparison, and (4) psychological group distinctiveness (Tajfel 1982; Tajfel and Turner 1986): In the first step of social categorization, individuals categorize themselves according to their values, beliefs, and behaviors. The second step of social identification is part of the individuals' self-concept. Here, individuals become aware of their membership to a specific group and begin to assign value to this membership. In a third step of social comparison, individuals compare their own group with other groups. Often this comparison is already biased towards ingroup preference. Finally, in a fourth step of psychological group distinctiveness, individuals start to interact more intensely with the own group, begin to feel stronger bounds with the own group, and might discriminate outgroups.

Applied to our research on the marketing-sales-finance triangle, the social identity theory might be able to explain differences and conflicts between the three subgroups marketing, sales, and finance. Specifically, the theory might be able to explain the gaps in terms of culture, information, and knowledge between marketing, sales, and finance people that were reported in previous studies (see literature review in section 2.1).

In face of the well established findings of the social identity theory (Hogg and Terry 2000), the degree of functional identification of each MSF-actor in comparison to each actor's degree of organizational identification might play a key role. Specifically, a very strong functional identification and lack of organizational goal integration might lead to dysfunctional effects with regard to cooperation in the MSF-triangle (e.g., reluctance to share information and coordinate decisions in the MSF-triangle).

2.2.2 Boundary Theory

The boundary theory is rooted in an organization theory school of thought. The scholars that have build or strongly influenced this theory are Adams (1976), Aldrich and Herkner (1977), and Thompson (1967).

The boundary theory argues that a condition of organization survival is effective interaction with the external environment of the organization. In this theory, organizations are conceptualized as open systems with boundaries. These boundaries play a central role in performing the required interactions. According to the boundary theory, interorganizational interactions fulfill five functions: (1) organization survival, (2) information generation, (3) representation, (4) market adaptiveness, and (5) competitiveness.

According to the boundary theory, uncertainty at the organization's boundaries constitutes a threat. Factors that help to reduce uncertainty at interorganizational boundaries are, among others, the existence of norms with regard to interactions, the attractiveness of the organization for external boundary spanner, mutual trust, intensive leadership and coaching of (internal) boundary spanners, decision autonomy of boundary spanner, or the perception of just and constructive negotiations.

Interestingly, to the best of our knowledge, the boundary theory has not been applied to "**intra**organizational boundaries". In the context of research on the MSF-triangle, the boundary theory might be able to serve as a theoretical foundation to explain interactions in the MSF-triangle. Specifically, the functions marketing, sales, and finance might be interpreted as open systems with boundaries. The key interaction fields and decision areas in the MSF-triangle can be interpreted as the required interactions at those boundaries. As a consequence, effective and efficient interactions in the MSF-triangle might be a condition of organization survival.

2.2.3 Resource Based View

According to the resource based view, corporate success is primarily dependent on organizational, internal factors instead of market-related, external factors. The resource

based view of the firm was strongly influenced by Barney (1986; 1991), Grant 1991, Hunt and Morgan 1995, and Wernerfelt (1984).

The resource based view distinguishes between two types of resources, i.e., assets and capabilities. Assets refer to the organizational attributes that a firm can value, acquire or sell, develop, nurture, and leverage for organizational and marketplace purposes (e.g., plants, corporate culture, brands, customer base, etc.). Capabilities refer to the abilities of a firm to organize, manage, coordinate, or undertake specific sets of activities and to the adequate deployment of a firm's assets.

The resource based view argues that company-owned resources (i.e., assets and capabilities) are potentialities of corporate success and that differences in the profitability between firms can be explained by their resource heterogeneity. According to the resource based view, assets and capabilities can generate competitive advantages, if they are valuable, rare (i.e., not commonly, easily or readily bought and sold in the marketplace), inimitable, and not substitutable.

Applying the logic of the resource based view to the research on the marketing-sales-finance triangle, it can be stated that both types of resources, i.e., assets and capabilities, play a major role in the MSF-triangle. For example, intangible marketing or sales assets such as brands or a valuable customer base are of high relevance. As another example, also tangible assets such as financial resources provided for the respective marketing and sales budgets are of high interest in the MSF-triangle.

Besides assets, also capabilities are highly relevant in the MSF-triangle. They can be interpreted as a firm's abilities to organize and manage the MSF-triangle effectively and efficiently. Specifically, adequate cross-functional interactions and coordinated decisions in the MSF-triangle might have the potential to deploy marketing or sales assets as well as financial assets in an advantageous manner.

2.2.4 Resource Dependency Theory

The resource dependency theory was strongly influenced by the work of Aldrich and Pfeffer (1976) and Pfeffer and Salancik (1978). Important contributions in Germany have been made by Buschmeier (1995) and Neuberger (1995).

The resource dependency theory argues that organizations' primary objective is to ensure the survival of the organization by reducing uncertainty and ensuring access to required resources. Resources are controlled by actors within and outside the organization, resulting in dependency on these actors (actors have to some degree power over the organization). The degree of dependency of an organization on a resource is influenced by the importance of the resource for the survival of the organization and the structure of control over the resource (i.e., the allocation of the resource among different actors and the control over its acquisition and usage).

The resource dependency theory proposes two strategies organizations can apply to deal with the dependency on resources and actors. First, organizations can increase the actors' dependency on the organization by trying to get access to resources which in turn are critical to those powerful actors. Second, organizations can try to bridge the distance to powerful actors by following a cooperation strategy (e.g., working closely together, building personal relationships, etc.).

Applied to an intraorganizational setting, the resource dependency theory can explain dependency issues among intraorganizational subunits, functions, and actors. Specifically, the resource dependency theory can serve as an interesting basis for an in-depth analysis of dependency issues in the MSF-triangle. In this context it seems worthwhile to explore to what degree each function in the MSF-triangle depends on another MSF-function. Specifically, the following three questions are of high relevance:

- What are the resources controlled by finance that marketing or sales depend on?
- What are the resources controlled by marketing that finance depends on?
- What are the resources controlled by sales that finance depends on?

Furthermore, from managerial perspective, it is essential to explore what strategies are applied in the MSF-triangle to deal with possible dependency issues.

2.2.5 Agency Theory

The agency theory is concerned with the relationship between the principal and his agent in a contractual setting. Important research contributions to this theory have been made by Bergen, Dutta, and Walker (1992), Eisenhardt (1989a), Fama (1980), Jensen and Meckling (1976), Laux (1990), and Ross (1973).

The key assumptions of the agency theory are individual utility maximization, opportunism, and information asymmetries between the principal and his agent. The principal faces, among others, the problems of “hidden action” and “hidden information”. The problem of hidden action results from the fact that the principal is not able to monitor and track the agent’s activities without significant control costs. Hence, the principal does never know for sure if the agent is really acting in his best interest.

Besides this problem of hidden action, the principal faces the problem of hidden information. Due to limited information and attribution problems (i.e., the parallel influence of various factors on outcome), the principal faces difficulties in assessing the agent’s performance. As a consequence, the principal has to deal with the issue of “moral hazard”, i.e., the risk of “shirking” and “consumption on the job” by the agent. To overcome these problems, the agency theory proposes the principal to intensify control activities, to enhance the information system, to perform an appropriate screening process, and to ensure an adequate incentive structure that aligns the agent’s objectives with the principal’s objectives.

Against this background, it seems interesting to examine the possibilities of an application of the “principal-agent” metaphor to the MSF-triangle. The role of the finance function in business practice might be close to that of the principal, whereas the agent’s role might be assigned to both marketing and sales. Hence, the relation between finance and marketing as well as the relation between finance and sales might be worthwhile to analyze from an agency theory perspective.

2.2.6 Summary

The theories described in the foregoing sections (see sections 2.2.1 to 2.2.5) have important implications for the organizational link between marketing, sales, and finance. The social identity theory (see section 2.2.1) offers important explanations for differences and conflicts between marketing, sales, and finance groups. In brief, this theory proposes to ensure balanced identification levels with regard to the respective functional group and the organization as a whole. Specifically, a very strong functional identification and lack of organizational goal integration might lead to dysfunctional effects with regard to cooperation in the MSF-triangle (e.g., reluctance to share information and coordinate decisions in the MSF-triangle).

The boundary theory (see section 2.2.2) understands organizations as open systems with boundaries. Effective interactions at those boundaries are a condition for the organization's survival. Applied to the MSF-triangle, the functions marketing, sales, and finance might be interpreted as open systems with boundaries. The key interaction fields and decision areas in the MSF-triangle can be interpreted as the required interactions at those boundaries. As a consequence, effective and efficient interactions in the MSF-triangle might be a condition of organization survival.

The resource based view (see section 2.2.3) helps us to understand the importance of the MSF-triangle for corporate success. Both types of resources, i.e., assets and capabilities, play a major role in the MSF-triangle. For example, financial resources or marketing assets such as brands or a valuable customer base are of high relevance in the MSF-triangle. In addition, the resource based view provides us with a better understanding of the importance of a firm's capabilities to organize and manage the MSF-triangle effectively and efficiently.

The resource dependency theory (see section 2.2.4) can serve as interesting theoretical basis for an in-depth analysis of dependency issues in the MSF-triangle. Specifically, it seems worthwhile to explore to what degree each function in the MSF-triangle depends on another MSF-function. In addition, it is essential to explore what strategies are applied by each function to deal with possible dependency issues in the MSF-triangle.

Finally, the agency theory (see section 2.2.5) directs our attention to the problems of hidden information and hidden action in the MSF-triangle. The role of the finance function in business practice might be close to that of the principal, whereas the agent's role might be assigned to both marketing and sales. Hence, it might also be worthwhile to explore the MSF-triangle from an agency theory perspective.

3 Methodology

3.1 General Research Approach

As shown in the literature review (see section 2.1), our current understanding of the MSF-triangle is insufficient. Specifically, we do not know in what decision areas marketing, sales, and finance actors come together and interact. In addition, we do not understand what specific contributions each MSF-actor is supposed to make to the respective interaction field, i.e., we lack a good understanding with regard to the reasons for MSF-interactions. Also, we do not know about trends and best practices in the management of the MSF-triangle.

At a nascent stage of insight into a phenomenon, qualitative research approaches such as field interviews are particularly suited (Edmondson and McManus 2007; Gephardt 2004; Huberman and Miles 2002). Qualitative data offer the strong potential to reveal complexity and to provide a better understanding of latent issues that lay beyond the obvious surface (Miles and Huberman 1994). To quote the influential qualitative scholars Miles and Huberman (1994),

> Qualitative data are sexy. They are a source of well-grounded, rich descriptions and explanations of processes in identifiable contexts. With qualitative data one can preserve chronological flow, see precisely which events led to which consequences, and derive fruitful explanations. Then, too, good qualitative data are more likely to lead to serendipitous findings and new integrations; they help researchers to get beyond initial conceptions and to generate or to revise conceptual frameworks. Finally, the findings from qualitative studies have a quality of 'undeniability.' Words, especially organized into incidents or stories, have a concrete, vivid, meaningful flavor that often proves far more convincing to a reader – another researcher, a policymaker, a practitioner – than pages of numbers.

A marketing research area in which field research approaches are frequently applied is consumer research (e.g., Belk 2006). However, field research approaches have also been applied effectively by marketing scholars outside the area of consumer research. Specifically, to improve the understanding of complex organizational issues in marketing, face-to-face interviews with managers have been used successfully (e.g., Homburg, Workman, and Jensen 2000; Kohli and Jaworski 1990; Workman, Homburg, and Gruner 1998). Hence, the best strategy to explore a relatively undeveloped area of knowledge such as the MSF-triangle seems to be an inductive

field research approach (Eisenhardt 1989b; Hirschman 1986; Miles and Huberman 1994; Zaltman, LeMasters, and Heffring 1982).

As Bonoma (1985) pointed out,

> (…) the coordination of marketing activities with other business functions are currently non-quantifiable phenomena; they are so complex it is impossible at this early stage of theory development to know what to count.

Against this background, we have chosen a field research approach to explore the "MSF-triangle black box". Specifically, we decided to conduct face-to-face in-depth interviews with managers from marketing, sales, and finance in Switzerland. The key strength of face-to-face interviews is its ability to go well beyond the surface of an issue, i.e., to achieve depth, and by doing so, to generate natural and meaningful data (Legard, Keegan, and Ward 2003). The inductive field research underlying this thesis is consistent with the approaches used by other studies of marketing organization (Morgan, Anderson, and Mittal 2005; Workman, Homburg, and Gruner 1998).

With regard to field research approaches one generally distinguishes between interpretive studies on the one hand and positivistic studies on the other hand (for an intense discussion of those different field research approaches see, e.g., Miles and Huberman 1994; Snape and Spencer 2003). Since the findings of this thesis are not solely drawing on field observations in the tradition of the "grounded theory" (Glaser and Strauss 1967), we follow rather the positivistic than the interpretive approach. In this research, the key results are derived from both our field observations and previous literature. More specifically, in this thesis we use a highly iterative process consisting of both the analysis of field data and existing theory to develop our concepts, frameworks, and propositions.

3.2 Sample Procedure, Sample Characteristics, and Interview Guideline

In contrast to quantitative research, where a probability sample in which elements of the population are chosen at random is the most appropriate sampling form, qualitative research uses non-probability samples. Here, the qualitative researcher does not know the probability of selection for each element. Whereas the probability sample in quantitative research is intended to be representative, qualitative research rather

chooses a purposive sample that reflects specific features or characteristics that are of crucial importance for the respective research topic and aim of the study.

With regard to qualitative sampling approaches, one typically distinguishes between a criterion based sampling (often referred to as purposive sampling in the literature) and a theoretical sampling (Ritchie, Lewis, and Elam 2003). We followed rather a theory-driven sampling procedure (Glaser and Strauss 1967; Strauss and Corbin 1998) and continued our sampling until we had reached "theoretical saturation", i.e., no new analytical insights could be reached by further field contacts.

To capture the variety of MSF-triangles, we selected industries whose marketing and sales units have heterogeneous roles based on the findings of Homburg, Jensen, and Krohmer (2008). Our final sample encompasses, among others, financial services, consumer goods, industrial goods and services, pharmaceutical and chemical companies as well as utilities. We contacted 160 of the 1600 largest Swiss companies in these industries. The focus on large companies is justified by the need to explore companies with separate finance, sales, and marketing units.

To identify the names and positions of individual marketing, sales, and finance managers in the 160 firms, we searched in a first step the firm's homepage. If the desired information was not available there, cold phone calls were made to gather the information from the respective company. Through this process we were able to identify the contact details of 319 managers from marketing, sales, and finance. The identified managers then received an official letter from University of Bern's Institute of Marketing and Management, Marketing Department, signed by the institute's director and the project leader. In this letter we requested the respective manager to participate in a research project of the University of Bern that deals with the internal cooperation of marketing, sales, finance, and controlling.

Specifically, we asked the managers to support our research project by giving us the opportunity to personally interview them at their company's place. In order to thank them for their participation, we offered them three forms of incentives. First, each interview partner was promised a marketing management textbook with a value of approximately 60 Swiss francs (roughly 60 US-$ at that time). Second, we offered free provision of the study findings (including managerial implications). Third, we

announced to invite all participants to a result workshop at the University of Bern after completion of the research project.

In the letter we also guaranteed that all information gathered in the interviews is treated strictly confidential and anonymous. To enhance the chances of participation, we asked the respective manager to forward our request internally to a possibly interested and suited colleague if the manager we contacted in the first place was not able to participate. Finally, we announced in our letter that we would contact the respective manager directly by phone to clarify if a participation in the research project was feasible.

Sample Characteristics

We achieved the participation of 42 companies, i.e., a participation rate of 26.25%, meaning every fourth company we had contacted actually participated in this research project. Given the low number of free time slots managers typically have in today's business environment, we were very satisfied with this participation rate. Overall, 78 in-depth face-to-face interviews with high-level managers were conducted at the firm's place during a period of more than four months in summer and autumn 2007.

To triangulate the results, we strived for at least two MSF-informants per firm which was successful in 30 cases. In those 30 firms we typically had one informant that was executing marketing or sales tasks in the organization (e.g., Head of Marketing, Head of Sales, Marketing Manager, Sales Manager, Brand Manager, Product Manager, Key Account Manager, etc.) and one informant that was executing finance or accounting tasks in the organization (e.g., CFO, Head of Management Accounting, Head of Financial Accounting, Management Accountant, etc.). More specifically, we interviewed 43 marketing or sales managers, 33 finance or accounting managers, and 2 CEOs.

From the 42 companies in the sample, twelve were from the consumer goods industry (six from the food and beverage sector and six from the personal and household sector), eight companies were from the financial services industry (four banks and four insurance companies), eight companies were from the industrial goods & services sector, three companies from the personal transportation sector (two airlines and one

railway company), three retailers (two non-food and one food retailer), three companies from the pharmaceuticals and chemicals industry, two telecommunications companies, two utility firms, and one conglomerate active in the fields of logistics, financial services, and retailing.

Interview Guideline

On the basis of the extant literature and first empirical insights from 14 preliminary interviews that were conducted at an early stage of this research project with managers from marketing and finance in 2006, we developed a conceptual framework from which we constructed a semi structured interview guideline. A shortened version of this guideline was sent to the interview partner in advance of the respective interview.

Before we started a face-to-face interview, we thanked the manager for the support of our research activities and introduced ourselves shortly. Then we briefed the informant on the research project and explained the structure of the interview. Before we started the interview, we asked the informant for permission to tape the interview for analysis purposes. Only one manager did not allow us to tape the interview. For this interview, we took handwritten notes which we transcribed directly after the interview.

In a first part of the interview, the informant was asked to specify his current position and area of responsibility within the firm. Also, we inquired about the manager's length of company belonging. The intention behind this first interview part was to ensure a smooth and comfortable start of the interview and to confirm that the interview partner qualified as an adequate informant for our research on the MSF-triangle.

In a second part of the interview, we wanted to understand the organizational structure of marketing, sales, and finance in the respective company. Hence, we asked our interviewees to describe the organization of their company. We inquired if we could obtain an organizational chart displaying the company's current organizational structure, its units, and subunits (which was successful in most cases). The interviewed managers were then asked to give an overview of their marketing and sales organization on corporate, division, business unit, and country level. We asked if additional marketing or sales units existed which were not displayed on the

organizational chart or were not mentioned yet. We also asked to explain the reporting lines to the top management. After having understood the organization of marketing and sales we moved on by inquiring about the organization of finance in the same way. At the end of part two we finally asked the informant, what has influenced the company in choosing this particular organizational design of marketing, sales, and finance.

In the third and main part of the interview, we asked the informant to elaborate on interactions and coordinated decisions between marketing, sales, and finance. Specifically, we asked in what tasks marketing, sales, and finance cooperate in the respective company and what decisions are coordinated in the MSF-triangle. In order to receive a comprehensive picture of all relevant interaction fields in the MSF-triangle of the respective company a number of similar follow-up questions were asked like, e.g., “Are there other interaction fields?” “When else is there contact between marketing, sales, and finance in your company?” We also asked which specific positions are involved in the respective interaction from each function.

Starting from questions about the interactions between MSF-actors, follow-up questions deepened the understanding of intentions in the spirit of the laddering approach (Durgee 1986). We asked what interaction field and decision area the informant perceives to be especially important in the MSF-triangle and why the informant thinks so. In addition, we inquired about the challenges that exist with regard to the MSF-cooperation and MSF-coordination in the respective company. Again, we asked what the most important challenges are and why.

To fully exploit the possibilities of a qualitative field research approach, we asked the informant to think of a specific situation in which the coordination within the MSF-triangle was not optimal. We also asked to elaborate on a situation that showed that marketing, sales, and finance have different perspectives on things. This was followed by the question, what decisions and issues lead to discussions in the MSF-triangle. To gain insights into power distributions within the MSF-triangle, we asked the informant to recall and describe a situation in which one MSF-function had “pushed something through” against other opinions in the MSF-triangle.

Furthermore, to account for recent trends and dynamic changes, we asked how the interactions between marketing, sales, and finance had changed in the last years in the respective company. Finally, we asked the informant if there is anything else important, which was not addressed yet in the interview. The last question was added to account for a possible interviewer bias. However, we do not believe that interviewer bias was a problem in our case as we used a high number of open-ended questions, involved more than one interviewer in many interviews, and interviewed more than only one informant in most companies (Strauss and Corbin 1998).

The interviews lasted up to 100 minutes, with an average of 54 minutes net recording time. The interviews were transcribed word-by-word within 72 hours after the interview. Based on more than 4200 minutes or 70.3 hours of recordings, 1400 pages of detailed interview transcripts were produced by the interviewer and junior research assistants. Before the next analysis steps were taken, all text transcripts were checked again by the interviewer (comparison of the written transcript with the audio tape).

3.3 Qualitative Data Analysis Process

The analysis part of a qualitative research project is particular challenging and differs widely from the clearly structured analysis process of a quantitative study where specific standards and conventions for the analysis process and the goodness of the findings are well established as, for example, Nunnally's (1978) rule of thumb for Cronbach's alpha in quantitative measurement. Even though there are is a vivid discussion among scholars on reliability and validity measures in qualitative research (e.g., Rust and Cooil 1994; Varki, Cooil, and Rust 2000), one must conclude that in qualitative research there is not such a clear and widely agreed set of basic rules or analysis process steps that ensure that the qualitative research findings are valid and reliable or that they can be generalized (Lewis and Ritchie 2003; Miles and Huberman 1994).

However, to reach highest possible levels of validity and reliability in our qualitative research we followed the limited number of existing principles and strategies for qualitative analysis and interpretation (Gummesson 2005; Lewis and Ritchie 2003; Miles and Huberman 1994). Specifically,

- we critically checked our research design and conduct;
- we fully exploited the gathered field data and did not rule out contradictory findings when condensing the data;
- we tried our best to make our analytical routes and key conclusion drawing steps transparent so that the reader can follow our actions and thoughts; however, we agree with Gummesson (2005) that it is often simply not possible to make all steps in the complex analysis process transparent; and
- we confirmed, checked, and validated our findings within the research team and through feedback talks with the interviewed managers. As a specific example, we organized a result workshop with our interview partners, where the managers were able to comment on our research findings.

Against this background, we trust to have reached high levels of validity and reliability in this research. With regard to the issue of generalization, it seems important to note that a key objective of this study is to identify challenges, recent trends and fundamental changes in the management of the MSF-triangle. To reach this objective we draw on observations in leading-edge companies and report on best practices. We are convinced those findings are of high interest for academia and a general business community, but it is worthwhile to emphasize that those findings are inherently not representative for a wider group of companies.

However, with regard to more general descriptions of the MSF-triangle (e.g., our descriptions of structural configurations of MSF-triangles or interaction fields between marketing, sales, and finance), we believe our research findings can be generalized to settings that are similar to that of our population. Importantly, we do not claim for inferential generalization. More specifically, we do not claim that our study findings can be generalized to other settings and contexts that differ significantly from ours. Notwithstanding those limitations with regard to generalization, we are convinced that theoretical concepts and propositions can be drawn from our study findings.

After this brief discussion of validity and generalization issues in qualitative research, we now move on by explaining in more detail the specific analysis steps that were taken in this thesis.

With regard to the individual analysis steps needed in qualitative research, the researcher first has to gain an overview of the field data, before the next analysis steps are taken to generate meaning out of the data. In contrast to quantitative research, the qualitative researcher needs to iteratively move between the field data and the own interpretation, concepts, and propositions he derived from the original data (Spencer, Ritchie, and O'Connor 2003). As Spencer, Ritchie, and O'Connor (2003) pointed out,

> Analysis is a challenging and exciting stage of the qualitative research process. It requires a mix of creativity and systematic searching, a blend of inspiration and diligent detection. And although there will be a stage dedicated to analysis, the pathways to forming ideas to pursue, phenomena to capture, theories to test begins right at the start of a research study and ends while writing up the results. It is an inherent and ongoing part of qualitative research.

We started the dedicated analysis process with a thorough reading of the individual interview transcripts immediately after the respective word-by-word transcript was available. Even during the field work phase we had first working sessions within the research team in which we intensely discussed the preliminary findings and new insights from the field.

To reduce the vast amount of field data, we coded the 1400 pages of interview transcripts with the help of the computer-assisted qualitative data analysis software MAXQDA-2. In other words, we discarded non-relevant field data by assigning only the relevant field data (i.e., text passages) to topics (i.e., codes). The initial codes were adapted from our interview guideline. Additional and more specific codes and sub codes that were more empirically "grounded", to use the classical term of Glaser and Strauss (1967), were first assigned within the cases, followed by a cross-case coding.

Through this highly iterative process we were able to condense our field data from 1400 pages to about 1000 pages, approximately. Even more importantly, through the development of an extensive coding system and the use of the MAXQDA-2 analysis package we were able to manage this high amount of data much better. We learned that once the field data is coded, it is very easy to retrieve the classified information with the MAXQDA-2 software. It takes only seconds to retrieve all field data that is assigned to a specific code.

After this successful first data reduction, we further compressed and synthesized data by preparing preliminary texts and displays that summarized the field findings for each code. During this step we condensed the remaining 1000 pages to about 600 pages of field data, approximately. Since we used the MAXQDA-2 software it was very easy to retrieve any specific information if we wanted to go back to the original field data.

In the next analysis step, we prepared preliminary texts on jointly identified key topics of about 350 pages of length. This was the step when we switched from German to English; i.e., we translated the remaining amount of field data and our preliminary notes and summaries. Then we further summarized and synthesized the field data, we went back to the original data, and again, further summarized and synthesized the field data, etc. This process was continued until we prepared the final reports.

In qualitative data analysis, conclusion drawing and verification is a highly iterative process. It actually starts already with data collection where the qualitative researcher begins to see patterns, causalities, possible configurations, or even develops first propositions that are then discussed within the research team or with the remaining interview partners. Through those highly iterative procedures, the interpretation process moved from the textual data to more and more abstract concepts and themes.

4 An Organizational Design Perspective on the MSF-Triangle

We will start to describe the marketing-sales-finance triangle by identifying the relevant organizational actors, i.e., the relevant marketing, sales, and finance subunits and positions on different organizational levels. In a second step (see section 4.2) we will identify typical structural design configurations of marketing, sales, and finance to further disentangle the complex MSF-triangle.

4.1 Identification of Organizational Actors

To reflect the complexity of today's corporations appropriately, we account for four different organizational levels when identifying the relevant MSF-subunits and MSF-positions. Specifically, we differentiate between the corporate group/headquarter level, the division level, the business unit level, and the country/sales company level. For each of those four organizational levels we have identified the key subunits in the MSF-triangle (see Table 9).

Organizational Design of Finance

In our interviews we got insights into how the finance function is organized and which finance subunits do exist. We learned that the finance subunits financial accounting and management accounting are typically represented on all four organizational levels. As a consequence, finance has a strong presence on corporate, division, business unit, and country level. On corporate level, finance is likely to be the biggest of all corporate MSF-functions both in terms of subunits and headcount. The finance subunits we identified on corporate level include typical corporate finance functions such as treasury, performance management, investor relations, mergers & acquisitions, risk management, and taxes. Additional finance subunits on corporate level are typical group functions such as group financial accounting and group management accounting which primarily deal with group consolidation and group reporting.

In the field we observed that many companies use a shared service center to provide divisions, business units and countries with finance and accounting services. Some companies operate own shared service centers at headquarters, other companies offshore or even outsource them to India or East Europe. We also found some industry

specific finance subunits. Financial services companies, for example, usually have an additional asset management & investments unit on corporate level. In addition, it is worthwhile to note that the product management in the financial services industry is very much finance-orientated. Insurance companies normally have an additional actuary unit.

Organizational Design of Marketing

In the interviews we also learned how marketing is organized and which marketing subunits exist. With regard to the subunits of marketing on corporate level we observed that some companies have a professional group marketing unit with separate corporate brand management or group market research subunits. Other firms have on corporate level only a lean marketing communications unit. Interestingly, the idea of a shared service center is not limited to finance but is also applied in some companies' marketing organization. In those companies it is typical that marketing on corporate level provides marketing services to divisions, business units, or countries. Companies with very lean marketing structures on corporate level often outsource complete marketing projects to consultancies and agencies. Some consumer goods and financial services firm have marketing support functions offshore in India, where, e.g., presentations are prepared overnight.

On division and business unit level we often found separate marketing or communications units or at least an industry specific product management unit that executes elementary marketing tasks. Marketing on country level can take very diverse forms depending on the size of the sales company. Smaller sales companies have normally only a rudimentary marketing support often provided by part-time marketers. Bigger sales companies have own marketing units with significant headcount and e.g., own market research and communications facilities. In general, the more the business volume in one country increases, the more will this country eventually lose its mere sales company character. To cope with higher business volumes, the sales company will duplicate more and more organizational design features from the corporate level (except of course for the pure corporate group functions).

	Finance	Marketing	Sales	General Management & Miscellaneous
Corporate Group/ Headquarters	(Group) Finance (Group) Financial Accounting (Group) Management Accounting Performance Management Treasury Investor/Financial Relations Mergers & Acquisitions Risk Management Taxes Shared Finance/Accounting Services Offshore Accounting Services Outsourced Accounting Services	(Group) Marketing (Group) Brand Management (Group) Market Research Marketing Communications Shared Marketing Services Offshore Marketing Outsourced Marketing	(Group) Key Account Management (Group) Sales Management	CEO Division/BU Heads Corporate Development Inhouse Consulting Public Relations Legal & Compliance Internal Auditing IT
Division	Division Finance Division Financial Accounting Division Management Accounting	Division Marketing Division Communications Product Management	Division Sales (for >1 BU)	Head of Division Business Development
Business Unit	Business Unit Finance Business Unit Financial Accounting Business Unit Management Accounting	Business Unit Marketing Product Management Marketing Accounting	Sales Management Regional Sales Management Sales Channel Management Key Account Management Sales Accounting	Head of Business Unit
Country (Sales Company)	Country Finance Country Financial Accounting Country Management Accounting	Country Marketing Country Communications	Country Sales Regional/Local Sales Key Account Management Customer Service Sales Support	Country Head

Table 7: Key Subunits in the MSF-Triangle on Different Organizational Levels

Organizational Design of Sales

With regard to the organization of sales we discovered that sales has a strong presence on business unit and country level but a weaker presence on corporate and division level. In some companies we found a group sales management subunit on corporate level. Depending on the nature of customers served, there might also be a group key account management. However, it is more likely that sales is only indirectly represented on corporate level by the respective general managers of the divisions or business units. On division level, sales is typically only represented, when a sales force is shared across different business units. In the business units we normally find a regional sales management or a specific sales channel management. There might also be a key account management on business unit level. On country level, we discover that sales has a very strong presence. The sales subunits we observed here include a country sales management as well as regional or local sales teams, customer service, and sales support. Interestingly, the headcount of sales in the countries is very likely much higher than the headcount of marketing or finance.

We added the column “General Management & Miscellaneous” in Table 9 because we discovered subunits and positions that influence the MSF-triangle but can not be clearly assigned to either marketing, sales, or finance. Those positions serve as part-time marketers, part-time sales managers, and part-time finance managers. For example, when marketing is not part of the top management team, the Head of Marketing normally reports directly to the CEO, who is then expected to represent marketing in the top management as a part-time marketer. Similarly, it is common that not the sales managers but rather the general managers of countries, business units or divisions are members of the corporate top management team. Hence, sales is only indirectly represented in top management meetings by the Heads of the respective divisions, business units, or countries.

In addition, corporate/business development and inhouse consulting are strategic management units that cannot clearly be assigned to marketing, sales, or finance. Those corporate units are strongly linked to a strategic marketing understanding, but they also have a very strong financial or management accounting component. Furthermore, the public relations unit has strong overlaps with marketing communications but can hardly be assigned to marketing. Legal & compliance units

might have intense interfaces with financial accounting (e.g., IFRS/US-GAAP, SOX), but can not be seen as finance units. Neither can we interpret the IT department as finance unit, although it is often headed by the Head of Finance or CFO as an appropriate company-wide finance IT system has become crucial to the finance function.

Having shown the organizational design of marketing, sales, and finance and having mapped the key subunits in the MSF-triangle, we will now move on by identifying the key positions in the MSF-triangle. To identify the most relevant positions in the MSF-triangle we asked managers what actors are generally involved in the interactions between marketing, sales, and finance and which actors they perceive to be most important in these interactions (see Figure 2).

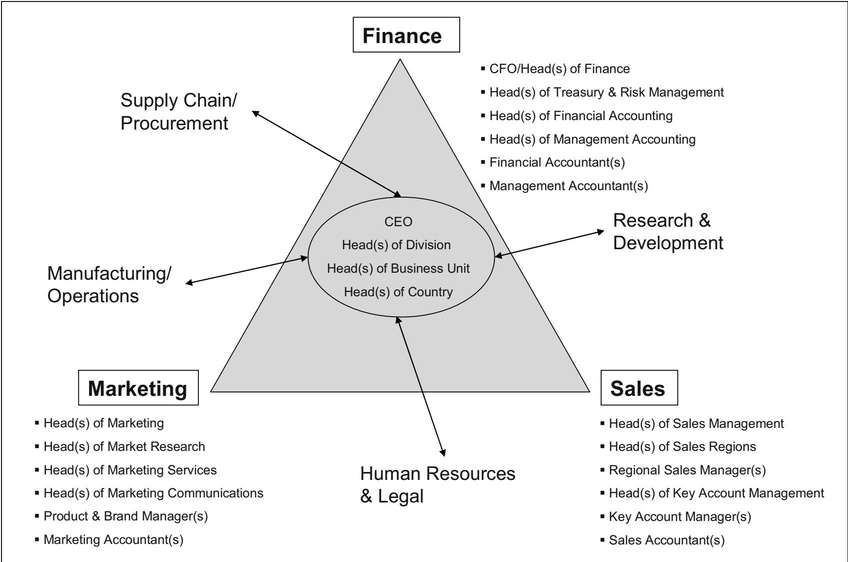

Figure 2: Key Positions in the Marketing-Sales-Finance Triangle

Key actors in finance on corporate level are the CFO and the Head(s) of Treasury & Risk Management. Managers told us that the Head of Taxes, Head of Mergers & Acquisitions, and Head of Investor Relations have only few direct interactions with marketing and sales actors. As a consequence, they were not perceived by our

informants to be key actors in the MSF-triangle. In contrast, there is no doubt that the Heads of Finance in the divisions, business units, and countries play a central role in the MFS-triangle. Important players on those levels are also the respective Heads of Financial Accounting and the Heads of Management Accounting. In addition, it is worthwhile to add that regardless of the organizational level the Financial Accountant(s) and Management Accountant(s) are actors of high relevance in the MSF-triangle.

In the interviews we learned that the protagonists in marketing are the Heads of Corporate Marketing, Division Marketing, Business Unit Marketing, and Country Marketing. Other key actors are the Heads of Market Research, Marketing Services, and Marketing Communications at the respective organizational level. In addition, product managers and brand managers play an important role in the MSF-triangle. If the position of a marketing accountant exists, the position is perceived as a key actor in the MSF-triangle by interviewees. With regard to sales, the key actors in the MSF-triangle are the respective Heads of Sales Management on corporate, division, business unit, and country level. Other important positions mentioned by interviewees are the Heads of Sales Regions and the Head of Key Account Management. In addition, the regional sales managers, key account managers, and sales accountants were perceived to be central actors in the MSF-triangle.

Another possibility to look at the MSF-triangle is to analyze cross-functional communication flows that take place on and between different hierarchical levels. In our interviews we learned that communication flows from marketing or sales to the finance function are quite different when there is a liaison person such as a marketing accountant or a sales accountant situated in the respective functions (see Figure 3).

If the position of a marketing accountant or a sales accountant exists, those liaison persons serve as gatekeepers for cross-functional communication with finance. Interestingly, we find that most of the communication between marketing or sales actors and finance actors is mediated through the marketing or sales accountant. Typically, only the Head of Marketing and the Head of Sales communicate directly with the finance person on the same hierarchical level, i.e., the CFO (e.g., in top management meetings). It is worthwhile to note that all other actors in the MSF-

triangle rely strongly on this liaison person as mediator for cross-functional communication. In the interviews we also learned that the liaison persons do not only facilitate cross-functional communication, they also "translate" technical information into terms which are more easily understood by the respective function (e.g., interpretation of a specific accounting standard or budgeting guideline). Interestingly, the communication between marketing and sales is not affected by the existence or non-existence of a liaison person.

The cross-functional flows of communication change significantly when there is no liaison person in marketing or sales (see Figure 4). The main change that we observe is that marketing and sales have now various contact persons in finance. Consider for example the Head of Marketing (see Figures 3 and 4): Instead of communicating only with the CFO and the marketing accountant, the Head of Marketing now communicates also with the Head of Management Accounting and the Head of Financial Accounting. Furthermore, he now directly communicates with management accountants and financial accountants. A similar shift in cross-functional communication pattern with regard to their finance counterparts can be observed for the other marketing and sales actors on the various hierarchical levels.

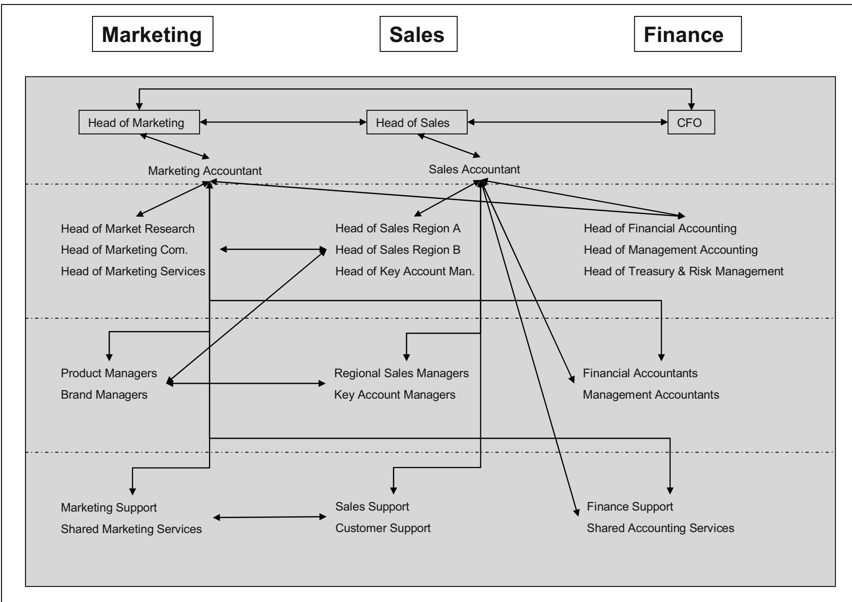

Figure 3: MSF-Communication Flows with Liaison Position

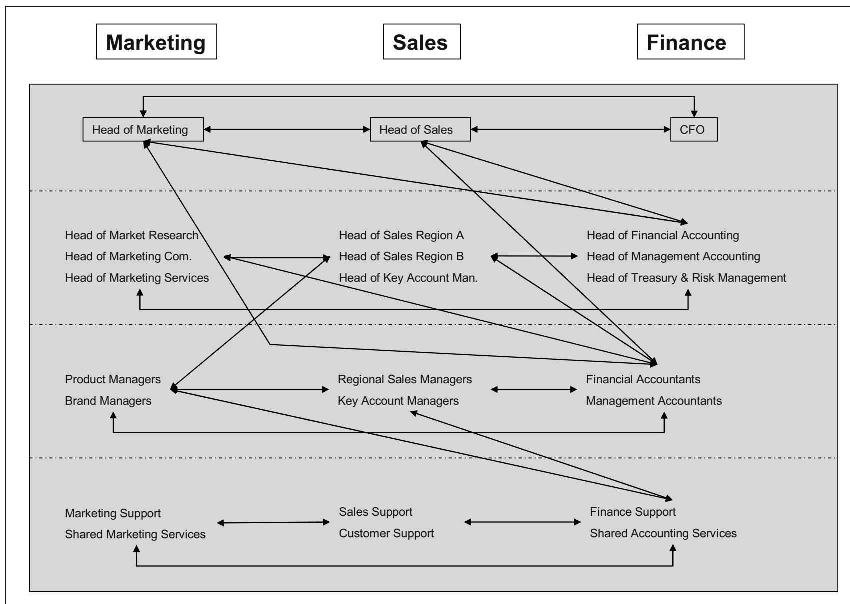

Figure 4: MSF-Communication Flows without Liaison Position

In general, what we found is that in companies that do not have a finance oriented liaison person, the marketing or sales actors speak with more persons in finance. It is important to note that cross-functional communication flows per se only show which actors communicate with each other and which actors do not. However, our communication flows are not able to display the intensity or quality of that communication. In other words, having several contact persons in finance does not necessarily mean that the respective functions cooperate successfully or are well coordinated and integrated. In fact, our field experience rather implies that cross-functional communication in companies without a finance oriented liaison person is likely to be less intense, less trustful and less intimate than in companies that do have such a position. We will now move on by identifying different structural configurations of marketing, sales, and finance in business practice.

4.2 Identification of Structural Marketing-Sales-Finance Configurations

The simplest form of a MSF-triangle we found in our sample is a constellation where marketing, sales, and finance are separate business functions and all three are directly reporting to the CEO (see Figure 5). With the assumption that reporting lines are good indicators for the power of the respective function, we can conclude that in this structural configuration, no function is given more power than any other function as each function is directly reporting to the CEO. More specifically, each MSF-function has one third of relative power within the triangle. This is why we label this configuration the "Balanced MSF-Triangle".

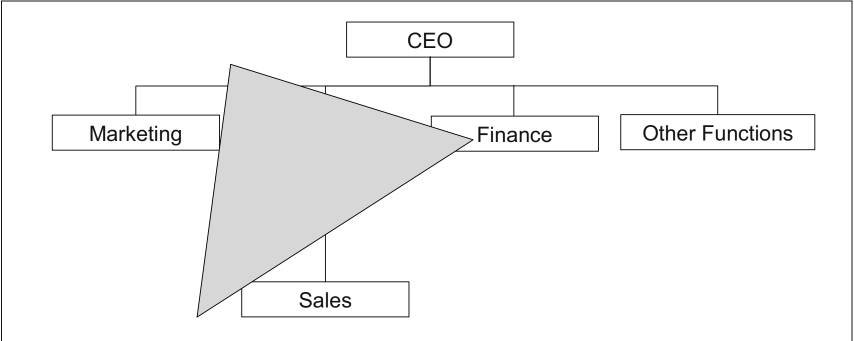

Figure 5: "Balanced MFS-Triangle"

The configuration of marketing, sales, and finance changes slightly, when marketing and sales are headed up by a Head of Sales & Marketing who directly reports to the CEO (see Figure 6). In this case, finance has per structure 50% relative power, whereas marketing and sales have to share the other 50%, i.e., each function has only 25% relative power left. We label this configuration the "Dyadic MSF-Triangle" because we can observe a dyadic structure with an equal power distribution between the units finance and sales & marketing as well as one level below between the two subunits marketing and sales.

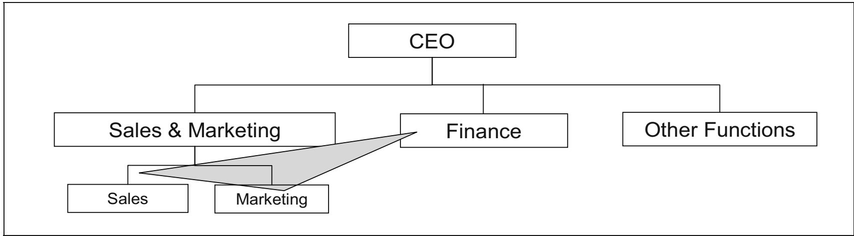

Figure 6: "Dyadic MFS-Triangle"

Another configuration we experienced in the field is that marketing is organized as a simple subunit of sales (see Figure 7). In this case, finance stays steady at 50% relative power, but marketing is likely to have significant less relative power. We assume that the Head of Sales is eager to maintain most of the power given per structure, i.e., the Head of Sales will only cede little power to his Head of Marketing. In this constellation, the Head of Marketing possesses only very limited power in comparison to sales and finance. This is why we label this constellation the "Unbalanced MSF-Triangle".

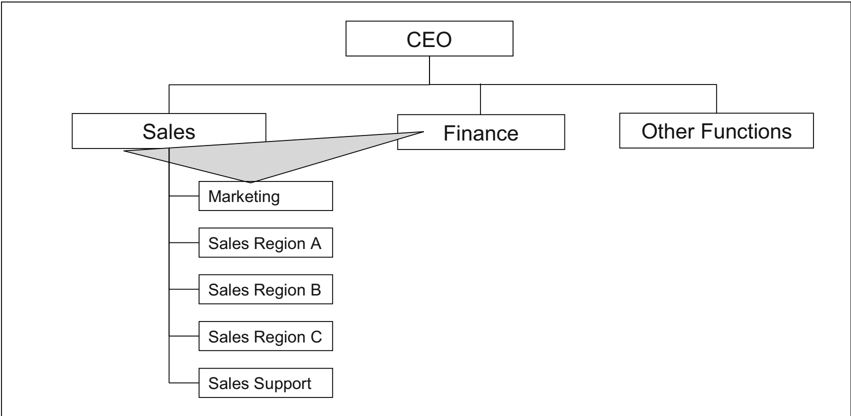

Figure 7: "Unbalanced MFS-Triangle"

So far we have implicitly assumed that organizations are functionally organized "one business unit companies" which neither have a separate corporate level, nor any

international subsidiaries. This assumption is in line with the existing literature on marketing's interfaces with other functions: Previous studies implicitly assume such a simple structure with only one organizational level. However, we learned that this assumption does not reflect the high structural complexity today's companies actually have. In fact, in the interviews we learned that such a simple MSF-triangle is rather the exception than the rule in today's business practice. It is a very special organizational form which can be found primarily in regional companies with a very narrow business focus. In our interview sample only 4 companies had such a "Simple MSF-Triangle" (see Figure 8).

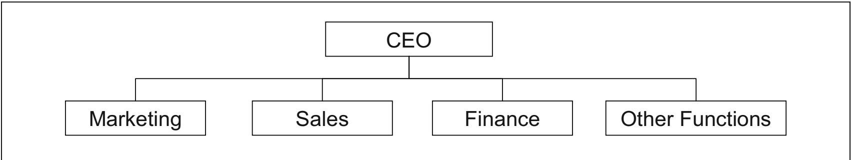

Figure 8: "Simple MFS-Triangle" (only one organizational level)

When companies increase their international business and go beyond simple export structures, they start to build up sales companies abroad. To reflect those activities in our MSF-triangle, we have to account for an additional organizational level, the country level. In small international sales companies, finance and marketing are typically organized very lean as support function to the Country Head, who is typically at the same time heading up sales management (see Figure 9).

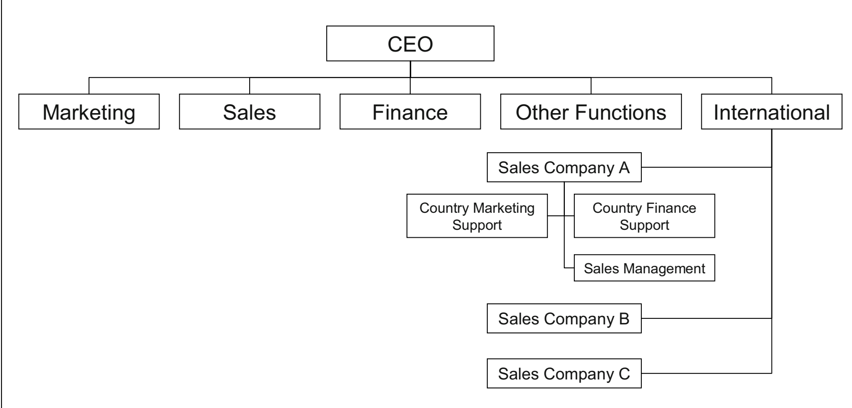

Figure 9: "Simple MSF-Triangle with Sales Company"

When the business volume in the sales company's country increases, a change to a classic functional organization with separate marketing, sales, and finance business functions is likely (see Figure 10). When this happens we can observe the phenomenon of two MSF-triangles: The first MSF-triangle is on corporate level, the second MSF-triangle is within the international sales company. This is why we label this constellation the "Double MSF-Triangle."

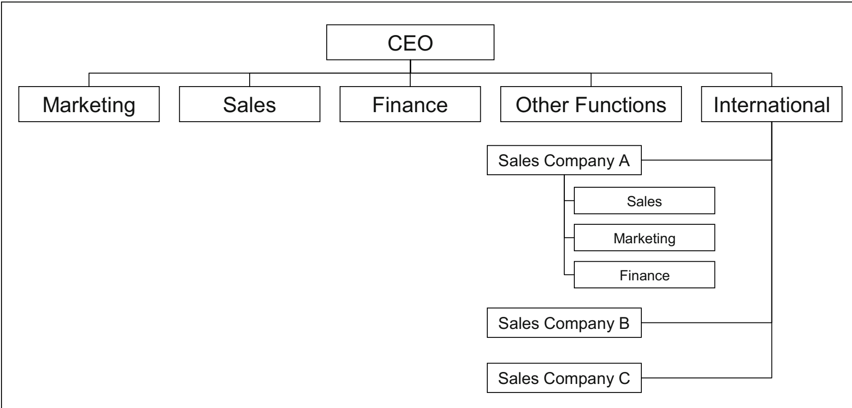

Figure 10: "Double MFS-Triangle"

Before a company with only one business unit builds up sales companies abroad, it has often already exploited existing growth opportunities at home, e.g., by building up new business units. The organizational structure that emerges when this happens is a national company with more than one business unit (see Figure 11). In our sample eleven companies fit well with such a structure. In our interviews we learned that those companies often have neither marketing nor sales on corporate level in true sense. Many times there is a PR/communications unit instead that is organized as a support function to the CEO. There is typically no sales unit on corporate level because sales is only indirectly represented by the general managers of the business units. We observe that only finance is still represented on corporate level and that the former MSF-triangle on corporate level has obviously vanished.

On business unit level we usually observe a functional structure. Sales is sometimes organized across business units, i.e., different business units share a common sales force, but it is more common that each business unit has its own sales force. There is typically both, a finance function and a marketing function in the business unit, except for small business units. It is interesting to see that the MSF-triangle has shifted from a corporate to a business unit level. Hence, we label this constellation the "Business Unit MSF-Triangle."

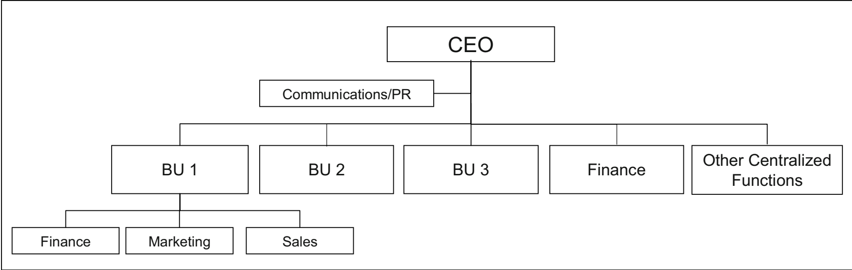

Figure 11: "Business Unit MSF-Triangle"

When a company is active in numerous business units, it normally builds up a limited number of divisions to streamline activities in the various business units. As a result, there is a third organizational level that has to be accounted for. We label this constellation the "Three-Level MSF-Triangle" (see Figure 12).

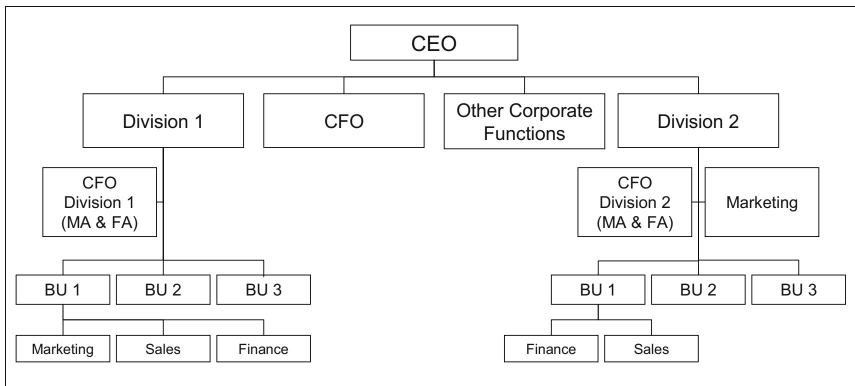

Figure 12: “Three-Level MSF-Triangle”

The Heads of those divisions have often full P&L responsibility and are members of the corporate top management. Each Head of Division has typically a separate finance unit. It is not uncommon that marketing is represented on divisional level, e.g., in form of a strategy & product management support unit reporting directly to the Head of Division. Each of the often various divisions’ business units is also likely to have a separate finance, sales and marketing unit.

It is remarkable that finance alone seems to be represented on all three organizational levels (corporate, division, and business unit) at the same time. In contrast, it is typical that there is no sales unit neither on corporate nor on division level. Sales is only indirectly represented on those levels through the Head of Division. Sales has however a strong presence in the business unit either in form of a business unit specific sales force or in form of a sales force that is shared among the business units of one division.

When it comes to designing the organization of marketing, there seem to be higher degrees of freedom in comparison to designing the organization of sales or, in particular, of finance. First, companies differ with regard to the existence or non-existence of a corporate marketing unit. Frequently there is only a corporate communications unit but not a true corporate marketing unit. In this case, some marketing communications tasks are usually assigned to the corporate communications

unit. However, it seems remarkable that many companies do not have a corporate marketing in true academic sense.

Second, companies differ with regard to the presence or absence of a divisional marketing unit. Sometimes there is a divisional product management that can be interpreted as a marketing unit. Often there is only a business development unit that also accomplishes some strategic marketing tasks. So it might happen that companies have neither a corporate nor a divisional marketing unit in a true sense. However, the firms in our sample have at least either a divisional or a business unit marketing.

To reflect the complexity of today's companies appropriately, we still have to add another organizational level, the country level. Big international companies can comprise up to four organizational levels: corporate, division, business unit, and country. Hence, we label this constellation the "Four-Level MSF-Triangle" (see Figure 13).

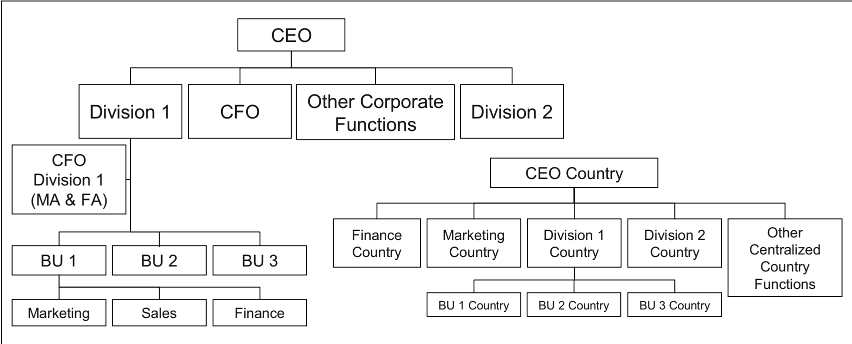

Figure 13: "Four-Level MSF-Triangle"

In such big companies the combined deployment of two structural dimensions, i.e., the use of a matrix structure, is very common. The two dimensions preferably used by the companies in our sample were the country dimension (e.g., Switzerland), and the division/business unit dimension. Such a matrix structure implies complex reporting lines. A Head of Division for the Swiss market for example, faces the challenge of having two bosses: First, he has to report to the CEO of the company in Switzerland; second, he has to report to the Global Head of Division, too. This problem is typically

approached by giving the person with the main P&L responsibility more power (this is normally the Head of Global Division/Business Unit and not the Country CEO).

By adding the country perspective we are able to detect additional finance, sales, and marketing units. Each country typically has its own finance and marketing function, both working across business units and divisions. A general manager, who is in charge of one business unit in a specific country, is also likely to have his own finance and marketing support. The typical sales force can be found in the respective business unit in this country. Hence, in contrast to finance and marketing, sales is unlikely to operate across divisions and business units within one country. However, there might be a special sales unit that coordinates the countrywide sales activities of the various divisions and numerous business units. Again, what strikes, is that finance is the only function which is fully represented on all four organizational levels. We can typically observe two complete MSF-triangles: One MSF-triangle is in the global business unit, the other MSF-triangle is in the country business unit.

On the foregoing pages we have explored typical configurations of marketing, sales, and finance in business practice. This simplifying typology shows that companies differ widely with regard to their design of their marketing, sales, and finance units. However, there seems to be one rather constant variable: The finance function, which is normally represented in form of both financial accounting and management accounting on all organizational levels. In contrast to finance, marketing and sales have very diverse structures in business practice.

Specifically, we observed companies where marketing is represented on all organizational levels. We learned that some firms rely on a strong corporate marketing unit as a central unit that provides marketing services to the business units and countries in which often only very limited marketing support units exist, if any exist at all. Other firms prefer to have a lean corporate structure with a PR oriented communications unit, no corporate marketing but a strong business unit marketing. Interestingly there are companies which officially have no marketing unit at all. In those companies elementary marketing tasks are executed by part-time marketers located in communications, technical product management, or sales management.

Those companies are typically technology and sales driven industrial firms selling complex products to a low number of customers.

In contrast to the organizational design of marketing, it is not surprising that we find no company without an official sales unit. Variations with regard to the sales function are merely due to a diverse orientation on first level. In some companies the sales function is organized by customers; in some companies sales is organized by regions; and in other companies sales is organized by sales channels. Companies differ also with regard to the existence or non-existence of a key account management. They also vary with regard to the decision if the sales force should be organized across business units or if each business unit should have its own sales force.

Interestingly, in companies with only one business unit or few business units, sales is always part of the top management. In contrast, in companies with various business units or even divisions, sales is only indirectly represented by the respective Heads of BU/Divisions in top management but not by a true sales executive.

Having answered our second research question which was "What are the key organizational actors, i.e., subunits and positions, in the MSF-triangle and what typical structural marketing-sales-finance-configurations do exist in business practice?" we now move on by exploring and describing the key interaction fields and decision areas in the MSF-triangle.

5 Interaction Fields and Decision Areas in the MSF-Triangle

Given the high relevance of financial aspects in marketing and sales it is surprising that we do not know in what fields marketing, sales, and finance actors actually interact and what decisions are coordinated in the MSF-triangle. We addressed this important research gap by asking our informants to elaborate on the interactions that occur in their own MSF-triangle. On the basis of our empirically grounded data, we were able to explore the interaction fields in the MSF-triangle. More specifically, we were able to identify eight finance-related key interaction fields and decision areas in the MSF-triangle (see Figure 14). In the next section, we will briefly describe each key interaction field and decision area in the MSF-triangle.

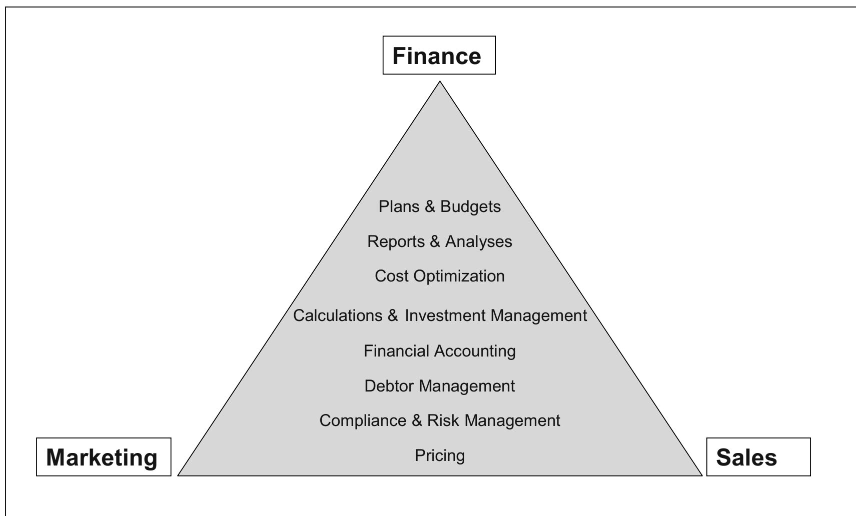

Figure 14: The Key Interaction Fields in the MSF-Triangle

5.1 Plans & Budgets

The first interaction field and decision area in the MSF-triangle we were able to identify is plans & budgets as MSF-managers interact to develop the respective marketing and sales plans & budgets. Those plans and budgets include the marketing and sales activities as well as required resources. The planning & budgeting process

also has to take into account requirements from corporate strategy as well as the longer-term marketing and sales plans as developed by top management. Those requirements may include specific targets with regard to sales volumes, costs, and profitability as well as other strategic objectives. In the planning & budgeting process, crucial decisions with regard to marketing and sales budget size and allocation have to be made. A Head of Sales Management and former Head of Marketing of a FMCG firm said,

> As a Head of Marketing I had permanent discussions with the CFO on how to use the marketing budget optimally. Especially, the ROI of TV commercials was always an issue. I remember the CFO saying, 'It's a great commercial. It's fun watching it. I understand it builds brand awareness and brand image. But when I look at our sales volumes I have to say it doesn't pay off!'

Interestingly, many managers reported the planning & budgeting process to be very political, bureaucratic, and very time-consuming due to its numerous feedback loops. A sales manager of a FMCG company reported,

> We have to make a detailed one-year plan without actually knowing what will really happen. The consequences of this guess-work are that there are of course follow-up changes with regard to projects and their costs. Then it often comes to sharp conflicts with finance because they want to keep the budgets stated in the plans.

In business practice the planning & budgeting process is derived from the developed corporate strategy and the agreed strategic objectives. Typically, the CFO on corporate level is in charge of the company-wide planning & budgeting process. Like other functions, marketing and sales have to submit their plans and budgets to finance. On behalf of finance, the Head of Management Accounting is usually managing and structuring this process. For example the Head of Management Accounting provides forms or templates which have to be filled in by the respective unit or subunit Heads. We learned that some firms use simple Excel sheets for planning & budgeting, while other firms use more sophisticated software solutions like SAP. Finance typically decides about the degree of detail that is expected from the units or subunits and sets a deadline. Absolute basic information required is cost type/cost location and proposed amount.

From a marketing perspective, the planning & budgeting process in business practice typically functions as follows: The Heads of the subunits in marketing (e.g., Head of Market Research) give their planning & budgeting proposal to the Head of Marketing who aggregates all of them before giving an overall marketing planning & budgeting proposal to finance. The same happens in sales. Finance reviews all planning & budgeting proposals with regard to consistency with the corporate strategy and the mid-term and long-term plans of the respective function. We learned that finance might develop counter proposals. For example, managers told us that it is quite normal that finance demands certain cuts from marketing with regard to the submitted marketing communications budget proposal. The submitted proposals are then intensely discussed in planning & budgeting meetings with the top management. Typically, top management proposes some changes in the plans and budgets and informs the functions and subunits on those desired changes. There are normally various loops until there is an agreement, and all units and subunits finally commit themselves to their plans and budgets.

Interestingly, firms vary with regard to the extent to which specific budget positions have to be justified or explained. Generally, the newer the budget position and the higher the proposed amount, the more information finance expects to be given. However, there is seldom a discussion between marketing and finance on concrete activities within a specific budget position. It is worthwhile to note that in some companies finance has begun to dig a bit deeper and is now involved in the discussions between marketing and sales on how the overall marketing and sales budget is split. In those firms, marketing, sales, and management accounting come together to discuss and decide how much money goes into areas like customer acquisition, customer retention, or customer value activities and how much money is spent on classical advertising. Other companies orientate themselves on the "customer journey", i.e., the sales or brand funnel. They partition their overall budget accordingly, i.e., they decide which budget portion should be used to increase target group awareness, brand image, customer preference, or customer retention.

To determine the overall size of the marketing budget heuristics such as the "percentage-of-sales-method" or "last year" are still very common in business practice. In most companies, finance informs marketing and sales in advance on the

cap of the overall marketing budget and sales budget, respectively. Finance might also advice marketing and sales on certain cost cuts which are expected from top management (e.g., advertising costs minus 10%, or sales force costs minus 5%). Some budgeting guidelines (e.g., apportionment of some indirect costs) are broken down from finance on corporate level to the divisions, business units, and countries. The finance units on the respective organizational level then inform marketing and sales about those guidelines. In other companies marketing and sales implicitly know what would be a realistic amount and what not. If marketing or sales submit budgets that exceed certain thresholds, finance will be likely to send the proposals back with a request to make cuts. It is seldom that we observe that the subunits give their budget proposals to finance truly independently. It is typically a combined bottom-up and top-down approach.

Before marketing or sales submit their own budgets to finance, we normally observe bilateral interaction and coordination between marketing and sales on the planned projects and activities. In that phase finance is typically not involved. In most companies, marketing and sales align their plans and agree on their own budgets to avoid uncoordinated plans be submitted to finance (e.g., contradicting volume estimates that diminish both marketing's and sales' credibility as perceived by finance). A typical discussion between marketing and sales concerns the decision on how much money should be spent on tactical marketing activities such as price promotions or dialog marketing in comparison to more strategic forms of marketing communications such as image advertising.

As mentioned before the planning & budgeting process is derived from the corporate strategy and the agreed strategic objectives of the respective company. However, it seems remarkable that only one of the 42 companies in our sample seemed to apply a true zero budgeting approach that has been favored so strongly by academics for a long time. Managers told us that using simple heuristics yields certain advantages. For example, steady budgets mean security for managers. In addition, managers feel that experience has always been a good indicator. In contrast, the advantages managers assign to zero budgeting include improved transparency as well as increased responsibility, flexibility, and overall efficiency.

Companies differ with regard to the flexibility and independence the functions have over their budgets. In one firm, marketing is allowed to spend whatever it deems appropriate under the condition that the results are finally positive. In this company there is hence ex ante literally unlimited credit for marketing combined with a relatively tough and timely control ex post. In many companies however, we observe that marketing has to show ex ante at least to some extent what positive return its new projects yield and when finance can count on the paybacks from these projects. If marketing fails to convince finance that the marketing activity yields a positive return, the specific marketing proposal (often a rise in budget) is likely to be dismissed. As an example, the Head of Management Accounting of a telecommunications firm said,

> We want to go away from the classical marketing budget approach. We are about to change the rules here. We now ask the respective product manager how many "marketing francs" he needs to win one new customer. Of course we check for plausibility. But basically we simply multiply this figure with the figure stated in our strategic objectives in terms of new customers. Voilà, we have found our new marketing budget.

Finance wants marketing and sales to think carefully about how the success of a certain marketing or sales initiative can be measured. Finance demands logical reasoning based on reliable assumptions and suggestions from marketing and sales on proxies to measure success. The ROI of most sales activities is relatively easy to measure (e.g., sales promotions). With regard to marketing activities the challenge to determine a valid ROI is much higher. Whereas the ROI of some direct marketing activities might be relatively easy to measure, the determination of the ROI of softer marketing activities like image campaigns or sponsoring is much more challenging. We learned that in most of the companies, finance is well aware of those difficulties and seldom expects true rocket science from marketing. Finance might be satisfied with a sound conceptual framework that conveys the rationale of a certain marketing proposal in terms of its business impact.

To summarize our field experience, the primarily involved MSF-Actors in the interaction field and decision area plans & budgets are the CFO, Head of Management Accounting, Management Accountants, Head of Marketing, and Head of Sales. Also involved are the respective Heads of the marketing and sales subunits (e.g., Head of Market Research or Head of Key Account Management). Financial accounting is normally not involved in the planning & budgeting process. We observed that all

organizational levels are involved. There are vertical interactions within a particular function and horizontal interactions between the functions. Plans & budgets is typically a task that is performed once a year. However, when plans and budgets are combined with the forecast process this task might be performed on a quarterly or even monthly basis. In the planning & budgeting process the intensity of cooperation between marketing, sales, and finance is very high. In each and every company, plans and budgets are a standard interaction between finance and marketing and finance and sales. Given the fact that the plans & budgets set the relative static financial framework within which every unit has to operate for the next year, the importance of MSF-cooperation in this field is very high.

The MSF-interaction field and decision area "Plans & Budgets" is primarily about paving the way for the company's future by balancing the needs of marketing, sales, and finance. To reflect the nature of this MSF-interaction field we propose to label it "Fighting & Compromising". Typically, in the planning & budgeting process finance acts as organizer, coordinator, and "structurer". Finance is also the pacemaker in this process, communicating requirements and deadlines. In addition, finance provides the necessary tools (e.g., templates) and coaches the functions and subunits in informal bilateral planning meetings. We learned that many companies have specific meetings for plans & budgets. Finance serves as organizer of those formal cross-functional "Planning Workshops", or "Planning Committees". Final decisions with regard to plans & budgets are done in top management.

5.2 Reports & Analyses

The second field of interaction and decision area in the MSF-triangle we were able to identify is reports & analyses. In the interviews we learned that there are basically two categories of reports and analyses in business practice: The first category refers to highly formalized standard reports and analyses that follow the reporting cycle companies have for their external financial reporting. In contrast, the second category refers to reports and analyses that are much less formalized and standardized. Reports and analyses of that second category are done on request and often rather on an ad hoc than on a continuous basis. We begin with describing the MSF-interaction for the first category of reports and analyses.

In the interviews we learned that most companies have either a monthly or a quarterly cycle for their formal reports. Those reports serve as a central basis for control activities and are normally prepared by management accounting or a specific reporting unit in finance. Typical reports in the MSF-triangle show breakdowns of sales volumes, incoming orders, costs, margins, and profits. Besides classical accounting figures most firms include metrics in their standard reports that are not part of their balance sheet or P&L. Those metrics include brand health, customer satisfaction, or customer retention scores as well as other defined key performance indicators. We found that the detail of the information in the reports and the degree of customization by management accounting to the needs of marketing or sales subunits differs from firm to firm. For example, in one company marketing continuously gets detailed information on their brands' market performance, while it receives no information on customer profitability which is sensitive information reserved for sales only.

Our respondents reported very intense discussions in the MSF-triangle when deltas are discovered in formal checks (e.g., comparisons of actual figures with planned figures or actual figures with figures of previous year). We asked managers about the consequences when reports show a disappointing performance. A CFO of an industrial firm told us,

> We have made the experience that it is mostly the sales person who makes it or breaks it. Sometimes it's also an incentive problem, or it's a combination of both. But this is difficult to assess from corporate level. That's the job of the divisional finance unit, they have to dig deeper. (…) When we see no improvement, we will take action and change staff. (…) First, we would sack the responsible sales manager, before his boss would have to leave. If there is still no improvement, we would change the Head of Division. Then the CEO would probably have to go. At last, the CFO would have to resign.

Interestingly, we learned that there is often direct contact between finance and sales in advance of the reports to remove ambiguity or to clarify issues. For example, most reports include a sales forecast, which, if necessary, is updated by sales. Sales is also likely to give a shipment forecast to the production unit, which not necessarily equals the sales forecast due to political reasons (we learned that sales' year-end bonus is not tied to the shipment forecast but it is tied to the sales forecast). Towards the end of the year the intensity of the interactions between marketing, sales, and finance in reports & analyses increases dramatically. Especially in public companies noted at stock

markets, the MSF-Triangle has to face the challenge to land as close as possible to the forecast. The Head of Brand Management in a financial services firm said,

> Every year we have our typical October, November, and December discussions with finance here in our division. We have a substantial, 10-digit marketing budget and the clear objective given by finance is to reach 99% of our forecast, or 101%, that's also okay. Anyway, it happens regularly that in the end the countries inform us that due to some perfectly sensible reasons they couldn't spend as much as they were supposed to do. Then we have to go through tough talks with our finance people who are under tremendous pressure from corporate finance to make a spot landing.

We learned that sales and finance often focus in the standard reporting & analyses process on price issues and sales volume developments. As an example, they intensely discuss their promotion and incentive strategy towards key customers. In addition, when costs have increased, we observe extremely intense discussions between sales and finance on how to still reach the expected profit objectives. To account for the cost increases, finance then often suggests price enhancements, while sales is likely to favor additional promotion activities.

The standard monthly or quarterly reports are reviewed in top management meetings where the current situation and possible actions to be taken are discussed. One aspect is the formal P&L check between Actual and Plan and Actual vs. Previous Year, respectively. Another aspect is the interpretation and the story behind those numbers. For example, we observe that in those top management meetings finance is likely to explicate why costs have increased, while sales might explain why some customers are more profitable than others. Marketing, if participating in those top management meetings at all, might be asked to explain a possible delta between actual and planned budget.

Besides the reports and analyses that follow the financial reporting cycle, a second category of reports and analyses is typically performed in the MSF-triangle. Those reports and analyses are done on request and are typically less formalized and standardized. In addition, they are often performed on an ad hoc basis and not continuously. We observed that there is a high variance among firms and industries with regard to which reports and analyses are part of the standard reporting cycles and

which reports and analyses are only done on request or, as another alternative, are not done at all.

The on demand reports and analyses of the second category can for example show the performance of brands, products, regions, or customers. There might also be reports and analyses on the performance of the sales force (output control) down to specific data on how often a specific salesman has visited a certain customer (behavior control). In the interviews we learned that marketing and sales are dependent on certain financial information from finance. For example, without the analyses from finance, marketing, and sales would not know the correct profitability of their customers in many companies. A Head of Marketing and Sales in the FMCG sector said,

> Finance provides us with the detailed breakdowns per customer. In our business there are a lot of additional aspects to account for besides prices and discounts. For example, for each retail customer we have specific listing costs, advertising costs, promotion costs, and costs for other support activities. In addition, we have our overhead costs that have to be allocated to those customers. We simply need finance to get a clear picture here.

A CFO of a US-pharmaceutical company's affiliate in Switzerland reported,

> We provide our sales force with specific information indicating who bought what and when. For example, 'that doctor used to buy a lot of these products and suddenly he stopped.' (…) We are really trying in finance to find patterns and pattern changes and to discuss with marketing and selling why it happened and what we can do to change it.

Other important reports and analyses that are not part of the standard reporting cycles include customer satisfaction measures and their drivers as well as customer portfolio changes and different direct costing breakdowns. Given the fact that reports and analyses contain sensitive information (e.g., customer profitability), top managers in marketing, sales, and finance must decide what persons should get what information in what detail. Interestingly, companies differ widely with regard to the question who participates in the discussions of the provided reports and analyses. In some companies finance is merely the information provider that would only comment on salient developments or would point to deficiencies. In other companies finance is the first sparring partner for sales or marketing to discuss the newest reports and analyses.

We often observed that finance checks specific customer projects and orders on whether they meet the company's margin objectives. When there are deficiencies, finance would contact the respective sales or key account manager to discuss the reasons for the poor margins and actions to increase them in future. A CFO reported on the introduction of a customer profitability analysis in his company,

> It's been a mind shift for the whole company, especially for our sales management, that traditionally has had some difficulties in dealing with profitability measures. I remember some awkward incidents we had in the past when our sales managers boasted to everyone about a sensational sales deal which in fact had very humble margins.

A Head of Marketing of an insurance company told us,

> Three or four years ago we were not able to say how many customers we actually have, because all product categories had their own IT systems. We now have a system in place where we immediately see customer profitability. With our management accountants we then discuss and calculate on which customer groups our sales and marketing activities should focus. For example, we know now that 2% of our customers destroy 97% of our margins. It is clear that our sales force doesn't waste scarce time on those customers.

Another issue between marketing, sales, and finance in the area of reports and analyses is inventory control and management. A CFO of a consumer electronics company reported,

> In our company marketing is in charge of managing our inventory. But our management accounting has of course the job to monitor our inventory which decreases in value in the course of time. It is also finance's job to ensure correct stock evaluation. When we see need for action, we discuss possible solutions with marketing and sales.

A CMO of an industrial firm explained a typical conflict between sales and finance on corporate and country level:

> When corporate sales management sees that the countries lack behind in ordering the agreed amount of products from corporate level, it puts pressure on the countries to immediately buy products. Funny enough, on the same day those countries get a call from the CFO that they have too much products on stock and that they have to clear stock immediately. This happens quite often.

Other companies, especially retailers but also airlines, use their own loyalty program to gather customer information and run specific analyses. A CFO described the interfaces with marketing and sales with regard to the airline's customer loyalty program,

> I am primarily involved when it comes to transferring the virtual miles our loyal customers earn into financial accounting terms, i.e., costs and liabilities. (…) We recently faced an interesting situation. Fortunately, the load factors of our flights are rather high at present. Regretfully, our customers now have some difficulties to redeem their loyalty miles for certain flights. It was also featured on TV, recently. (…). We did some industry benchmarks that showed that we were actually still offering more than our competitors. However, the customer perception partly was that we do not offer enough. We had of course intense discussions with sales and marketing in the top management team how to deal with this situation. We agreed on keeping seating capacities for miles redemption steady to not forego sales revenues that we need to prepare for tougher times in this highly competitive industry.

We learned that companies have often a central IT system where the respective functional Heads can run certain analyses by themselves. We observed that if marketing or sales perform certain analyses by themselves, finance will be likely to inquire about the performance of specific marketing projects. For example, finance then wants to know what specific control and measuring activities are performed to assess the effectiveness and efficiency of marketing projects. Finance gives marketing and sales also feedback on how to improve their autonomously performed control activities. For example, finance is likely to suggest new analysis tools to marketing or sales. A Head of Sales Management of a bank told us,

> We are currently increasing the intensity of cooperation with finance in marketing campaign tracking. (…) Last year management accounting came to us and was highly skeptical towards our costly marketing campaigns. They also complained that we don't track those campaigns. They were quite surprised when we told them that we actually do a proper campaign tracking. It was then when we decided to work more closely together.

It seems interesting to note that in a number of companies, management accounting is not fully aware of the performance measurement activities done in marketing or sales. However, if performance measurement activities are not coordinated in the MSF-triangle, it will be likely that certain efforts are duplicated while others are neither done in finance, nor in marketing or sales.

We also learned that some companies strive to improve the IT system they use for reports and analyses. The key challenge here as perceived by our informants is to establish a system that fulfills both, financial reporting requirements and management needs. In this context some managers reported that the systems that are currently in use for their budgeting and reporting are user unfriendly, inflexible, and time-consuming. For example, one CMO stated that it takes him too much time to retrieve the information he needs from the system as the system is not made for supporting business decisions but only to fulfill financial reporting requirements. This CMO said,

> For example, I see at a glance what is the company's EBIT and what are the company's personnel costs. But I cannot see at a glance what costs we do have in marketing and what costs we have in sales. With the current system it's time-consuming for me to get that important information.

Managers told us that they would like to obtain timely information on customer developments (e.g., acquisition and churn rates). A management accountant told us,

> Our management reporting system is currently under construction. It's a current cross-functional project we have with marketing and the sales channels. IT is also involved here of course.

We also learned in the interviews that sales people are sometimes reluctant to feed the system with customer information. A Head of Management Accounting reported,

> It's quite a problem that the systems are not always well updated by the sales people.

Another challenge with regard to reports and analyses in the MSF-triangle is complexity. Besides the complexity that results from the sheer size and international scope of many of today's corporations, it was often the IT systems in place that were reported to be complex and challenging.

A Country Head of Sales reported,

> Until recently, when we wanted to know what sales revenues our corporation makes as a whole with a specific customer, we had a problem: This information was on 12 different SAP systems as each legal entity in the corporation had its own IT solution.

A Head of Marketing said,

> We have quite a number of IT systems. We are currently working on integrating them to reach low levels of excel sheets and shadow accounting. We call this project 'Marketing 2.0.' It's a huge project because we want to build up an international data warehouse. It's a true challenge, especially to integrate all the countries with their specific legal requirements.

To summarize our field experience, the primarily involved MSF-Actors in reports & analyses are the Head of Management Accounting, Management Accountants, CFO, Head of Marketing, Product & Brand Managers, Head of Sales, and Sales managers. All organizational levels are involved in the reports & analyses process. Reports and analyses that follow the financial reporting cycle are typically performed on a monthly or quarterly basis. The frequency of reports and analyses of the second category differs widely. Those reports and analyses are often performed on request.

The intensity of MSF-cooperation in the preparation of reports and analyses is normally low either due to a highly standardized process or a clear separation of tasks (or both). Typically, marketing and sales say precisely what reports and analyses they want to be performed. Finance, or more specifically, management accounting then provides the desired reports and analyses which are reviewed by marketing and sales. However, with regard to reviews and discussions of reports and analyses we observed the intensity of MSF-interaction in some companies to be high. Specifically, a number of managers reported very intense discussions in the MSF-triangle when there are deltas or surprising developments revealed in the reports and analyses. We learned that the reports and analyses (together with the respective plans and budgets) serve as central basis for any cross-functional interactions in the MSF-triangle. Hence, even though one can argue that some performed reports and analyses are only nice to have, the importance of MSF-interaction in reports & analyses in general is high.

The MSF-interaction field and decision area “Reports & Analyses” is primarily about accountability and learning from the past to avoid similar mistakes in the future. To reflect the nature of this MSF-interaction field we propose to label it “Moments of Truth & Lessons Learnt”. Typically, in the reports & analysis process, finance acts as information provider, watchdog, supervisor, and sparring partner of marketing and sales. Finance serves as economic conscience of the company. Marketing and sales provide background information on reports and analyses to better understand financial figures. Key reports and analyses are discussed in top management meetings in which finance acts as interpreter of reports and sparring partner of top management. Reports and analyses are also on the agenda of the regular functional meetings and initiate a lot of informal discussions across and within functions.

5.3 Cost Optimization

The third interaction field and decision area in the MSF-triangle we were able to identify is cost optimization. We learned that one of the most important goals finance follows is to keep the company’s cost under control, i.e., to reduce cost and to avoid cost increases whenever possible. Whereas cost optimization is hence in the primary interest of finance, marketing and sales may have other (conflicting) priorities: They primarily want to achieve marketing and sales objectives such as a positive brand image, customer satisfaction, or a high market share. Specifically, sales primarily wants to acquire new customers and retain existing ones. Marketing primarily wants to enhance the brand image and the value of the company offers to customers. As those objectives require substantial resources and a mid- or long-term perspective, marketing and sales may be less interested in short-term cost optimization. Many respondents stated that such a conflict between finance (“finance loves to save money”) and marketing and sales (“marketing and sales love to spend money”) exists in their company and reported the toughest discussions in the MSF-triangle in the field of cost optimization. An airline-CFO remembered,

> We had the most difficult discussions with sales when we had to cut our personnel by about 50% a couple of years ago. The Head of Sales was of course arguing, ‘if we cut sales staff, we will lose revenues.’ In those days, we had really hard talks. But being the CFO, it’s part of my role to enforce painful decisions of the CEO.

The Head of Marketing & Strategy of this airline company told us,

> In the last 20 years, the airline industry has been facing a dramatic price decrease, with real consumer prices falling almost 80%. In such a competitive environment, companies will perish if they fail to reduce their cost continuously. Hence, together with finance we continuously try to identify intelligent cost optimization possibilities that don't contradict our value proposition towards customers.

A Division Head of Management Accounting said,

> Our company offers complex logistics solutions. It's the job of the management accounting team to ensure that we operate with competitive cost structures. Hence, we check all our costs thoroughly on a continuous basis. Nevertheless, our sales managers might hear in negotiations with prospects that we are too expensive. As our prices are cost based, we then re-check the specific cost drivers of this project. After the check, we know if the customer is bluffing or if the competitor has really offered a significant cheaper solution. This information is priceless for our sales people.

Another cost optimization issue in the MSF-Triangle is low-cost country sourcing. A Head of Management Accounting of a global division reported,

> We are about to change our sourcing from Europe to China. But there is definitely a certain quality risk involved in doing this. We have to manage this risk properly.

Interestingly, it's not necessarily the finance function that takes a critical look at company's cost structures. We also observed intense discussions between finance and sales on the competitiveness of the company's cost structures (e.g., personnel costs). In some companies, sales pushes finance to take advantage of certain cost squeezing possibilities (e.g., sales proposes cuts in marketing or a shift to low-cost country sourcing). The reason for this surprising pattern is that sales is highly interested in offering competitive prices (which were often determined on a cost-plus basis in the companies we interviewed). When own costs are higher than costs of competitors, sales will face difficulties in selling products. This would endanger sales' objectives and the sales managers' year-end bonus payments. A CFO of an industrial firm said,

> Our sales people are travelling a lot and have global customers. They always challenge our sourcing strategy which is focused on Europe and the U.S. They propose to change it to China. Frankly speaking, they don't understand why our R&D unit that is in charge of our sourcing skips this opportunity so easily. On the other hand both marketing and sales won't accept

> compromised quality. We have very intense discussions on this issue here at the moment. In my opinion, it's a classical trade-off between quality and costs.

Personnel costs often account for a large percentage of all costs. It is hence not surprising that personnel costs are an important issue between marketing, sales, and finance. A CFO said,

> We have very intense discussions in top management meetings when it comes to headcounts and especially when it comes to recruiting additional staff. In this company nobody is hired without the personal agreement of the CEO regardless of budgets. My position as CFO is 'Freeze headcount, keep overhead cost steady.' But marketing and sales say 'We need additional support for our Core Customer Treatment Team'. But finally I have to answer the question, 'can we really afford it? Does it make sense to increase personnel cost? Only if I can answer both questions with a clear 'yes', we will recruit new people.

Sales costs and allowable expenses are another sensitive issue in cost optimization. The related questions here are for example how to deal with business lunch expenses, travel expenses (flying business class vs. economy), or what type of car is appropriate for the sales force. In those issues, HR is strongly involved too. In general, the clear impression out of the interviews was that marketing and sales seem to favor convenience and seem to appreciate a certain business lifestyle, whereas finance wants marketing and sales to be economical and modest.

Another issue we observed in cost optimization is outsourcing & offshoring. A Head of Brand Management of a Swiss bank reported on offshoring activities that have taken place in marketing,

> We recently build up a service center in Hyderabad, India. They are now designing the charts for our presentations overnight. (…) The initiative to do this came from our CMO but it was supported by finance. Finance appreciates the cost savings, we value the time savings.

One Head of Sales Management noted,

> We recently outsourced our bookkeeping unit. Our suppliers now send their invoices to Holland where invoices are scanned and electronically sent to Poland. In Poland a check is performed before invoices are finally paid from China. (…) This process was very professionally designed, but to be honest, until now, it doesn't properly flow. Once and again there are disagreements between the information on the invoices and the respective data in the

> IT system. In the past, our bookkeeping unit handled all those issues and clarified everything. Now I have to do this by my own. I have to admit, I am an extremely expensive accountant.

A CFO of a U.S. affiliate in Switzerland reported intensely on a corporation-wide ongoing outsourcing initiative in finance,

> We have outsourced our whole accounting. So in affiliates we are keeping one accounting service manager. But all the other accountants that we used to have, have left the company and we are now having agencies doing the service for us in another country. For English speaking countries it is done in India. For Latin countries it is going to be done in Bucharest, I think, and for more German countries, like ours or Germany, it is done in Prague. So for us, the whole accounting is in Prague.

He added,

> (…) The process started with a few countries in the world. USA did it, UK did it, Switzerland did it. And with the rest of the countries in the corporation we do it until the end of the next year. (…) The idea is to have the CFO's less focusing on accounting and having the least possible workload on accounting and focusing more on business support. (…) So we said ok, we are going to remove as much transactional activities as we can from our offices, so we don't do accounts receivable here anymore, we don't do accounts payable here anymore, we don't do general ledger here anymore. Our chief accountant has been renamed accounting service manager, because we are not managing local people here anymore. We are managing the service which is provided by someone else somewhere else. At the same time we said, the controllers should spend less time on controlling, because we have to get organized to spend less time on controlling but provide more value added to the business, therefore we should be business reports managers. And below we are still in the process of changing names and titles, but underneath the business report managers we have business report executives and business report analysts. This title change is a corporation-wide initiative. Once they are doing the switch to the outsource-services, then we are also changing the switch in controlling to really have them focus on the business report.

The CFO continued,

> (…) All transactional activities are gone. Our supplier sent the invoices to that office in Prague, they don't come here and when there is a discussion there with the supplier or with a customer it is done by the people in Prague. In my opinion such an outsourcing process for small countries or small affiliates as we are is not that interesting in terms of headcount or even money…, it doesn't make sense. However, I am certainly saving time on the human questions. The accountants are not directly reporting to me but indirectly. (…) And as you know, managing people is managing conflicts between them, or between them and the

> management or other teams, and handling backups, training and everything. So when you don't have the people anymore, you don't have those issues anymore. And today training, backup, replacements, conflicts is not my problem anymore. It is a problem in Prague, and for that we are paying them. So I am saving time on the discussions about HR or human aspects of these employees.
>
> (…) It is actually more about a shift in mindset. (…) We want to make it clear that finance people are not only people behind their PC, crushing numbers. Especially, that is really true for the CFO, the ex-controllers and new business report managers and its team. These people have to be in touch permanently with the business. And of course we have basic requirements in terms of reporting, even the controlling group, so we don't spend as much time as we would like as business support. For instance, we are involved in reporting and analyses for the corporation.
>
> But we are trying to involve them as much as we can in the business. I spend a lot of time with the business unit managers. I go to symposia and congresses for our products. I meet the customers, I meet the key opinion leaders and the business support manager, we meet less than we should because of time limitations but for every month we have got a strategic meeting about the sales force about each of the business units, we got the three of them above, and I attend this meeting and the business support manager are attending these meetings too. So every month we've got these meetings. Two of us meet with the sales manager, the general manager, and the business unit managers, just to discuss the sales strategy together.

To summarize our field experience, the primarily involved MSF-actors in cost optimization are the CFO, Head of Management Accounting, Management Accountants, Head of Marketing, and Head of Sales. All organizational levels are involved in the process of cost optimization, which is done typically on a monthly or quarterly basis in the course of the reporting cycle. It is also addressed in the yearly planning & budgeting process and is in addition a typical ad hoc issue between marketing, sales, and finance. The intensity of cooperation between marketing, sales, and finance is very high. It is a very important interaction field, as decisions on cost optimization that are not coordinated in the MSF-Triangle might have detrimental consequences for customer satisfaction, brand image, and customer behavior.

The MSF-interaction field and decision area "Cost Optimization" is primarily about finding unused cost squeezing opportunities in marketing and sales to increase efficiency. To reflect the nature of this MSF-interaction field we propose to label it "Bottom Line Exercises & Unpleasant Decisions". Typically, in the cost optimization process finance controls cost in marketing and sales and acts hence as policeman, or

"kill-joy". Finance is only willing to accept certain cost increases if the underlying rationale is truly convincing. In addition, finance initiates intense cross-functional negotiations on cost issues and acts as hardliner to keep costs low. The CFO also acts as a communicator of unpleasant top management decisions (e.g., cuts in personnel). There are normally no specific meetings to address cost issues. This subject is typically addressed in the regular meetings or in meetings that take place in the planning, budgeting, and reporting process, or informally.

5.4 Calculations & Investment Management

The fourth interaction field and decision area in the MSF-triangle we were able to identify is calculations & investment management. We learned that MSF-actors interact in the preparation of calculations that enable systematic and well founded decision making. Intelligent decisions and investments are the foundation for long-term success of each and every company that operates in a competitive environment. Marketing and sales are the two functions closest to the market and might hence play a key role in identifying attractive investment opportunities and assessing the consequences of any marketing or sales decision.

Typically, calculations are performed to anticipate the costs and consequences of a specific marketing or sales decision that have an investment character. This means, the decision or project is characterized by a considerable cash outflow at the beginning and follow-up inflows of cash in the course of time. In investment management the net present value (NPV) of an investment is calculated on the basis of the expected future cash flows, the underlying risk, and the related capital costs of the investment. Often, calculations form the central basis for formal investment proposals that have to be performed when a certain money volume is exceeded. We observed that in business practice finance supports marketing and sales in the preparation of investment proposals. Specifically, finance is likely to decide about the underlying assumptions of the proposal (e.g., cost of capital, depreciation rates, etc.) and typically provides marketing and sales with specific tools, e.g., a calculation sheet to perform a NPV or discounted cash flow (DCF) analysis.

Even though calculations are often closely related to investment management, there are also calculations that are not related at all to investments such as for example

production occupancy calculations. We observed that MSF-actors interact to plan production capacities and to account for production occupancy issues in marketing and sales decisions. We also learned that finance cooperates with sales to get realistic customer demand estimates, which are crucial to calculate production occupancy. A Head of Central Management Accounting reported,

> We are familiar with most of the projects that our sales people try to win at present. The tricky part is to assess how probable it really is that we get those projects, and when!

A Head of Corporate Communications stated,

> A couple of years ago we had severe problems to fill our plant. The reason for our poor occupancy was that we had the wrong product mix. Instead of filling our plant with some low margin orders we preferred to have cost of idleness. This policy led to tough restructuring activities and finally to a cut of personnel. This is a classical example of poor coordination between marketing, sales, and finance.

Other calculations that are not related to investments are calculations that are done in the customer quotation process. Before a customer or prospect receives a quotation or tender from sales, there is often interaction between sales and finance. When it's a standard customer request or a standard product, sales people themselves will fill in the calculation sheets provided by finance to determine the parameters of the customer quotation. The more complex the product or project (e.g., degree of customization), the more likely is direct interaction between sales and finance persons that goes beyond mere provision of calculation sheets. For example, sales people might just drop by and ask management accountants to calculate a quotation that accounts for e.g., foreign exchange risks. A Head of Management Accounting of a supplier of pharmaceutical firms outlined the pre-sales customer quotation process in his company,

> Typically, a customer comes to us with a specific request. We then perform a first check together with the respective sales manager: Does this request fit our production capabilities? Are there safety-related obstacles? Do we possess the necessary chemical skills to produce it? Then we make a very thorough analysis and calculate our long-term costs for this project. (…) Making a customer quotation in our industry typically means making a long-term commitment for the next 5 to 8 years. That's why it is so important that we are involved in the customer quotation process right from the beginning.

A Head of Corporate Communications and Corporate Secretary said,

> We have restructured our customer quotation process. A couple of years ago, some sales managers used to make customer quotation without properly checking the complexity and the related costs of the project. We experienced that such an approach is destined to be unprofitable and troublesome. Hence, we decided to limit the decisive power of our sales managers in making proposals for complex projects. Now sales management has to comply with strict formal requirements for the customer quotation process that finance has defined together with our legal unit. When sales managers want to make a quotation that doesn't meet our margin objective or exceeds risk thresholds, the quotation has to be approved by the respective Division Head or even by our CEO.

Other examples for MSF-interactions in calculations such as new product developments or product enhancements are closely related to investments. Interestingly, we learned that the initiative for the development of a new product does not necessarily need to come from marketing only, but might also come from finance or sales. For example, finance might strive for a new product with a better cost structure. Or sales might forward feedback from customers that the product is not competitive anymore. With regard to product enhancements a CFO of an airline company told us,

> Marketing is always very bullish when it comes to product enhancements. But the key question for us is simply: Will the customer really pay more for this enhancement or not? That is a big challenge that we always face with marketing.

And a Head of Management Accounting of a private bank reported,

> We have intense discussions when marketing comes up with innovations to enhance customer convenience. For us, customer convenience is nice, but does it have an impact on our bottom line? Do we generate more sales or does it lower our costs? 'No, this is just customer convenience.' From our perspective this is a weak argument. Those 'wishy-washy' issues are a classic.

Interestingly, companies differ with regard to the extent to which finance is involved in the follow-up decision making process in marketing and sales. In some companies finance acts as a mere calculator and provides only numbers to sales or marketing. In other companies finance is actively involved in actual decision making based on the

provided calculations. A Head of Marketing and at the same time Head of Business Unit of a FMCG company said,

> We discuss almost everything with sales and finance before we make a decision. For example, we discuss what products we should primarily push with our advertising. It's highly interesting to see the different functional perspectives... Finance favors the products with which we get the fastest payback from our advertising. Sales might respond: 'This product might not have the best payback, but if we don't push it, we'll be delisted with our core retailer.' Remarkably, all those different perspectives are valid from their respective functional view. It is my job to bring them together to make the best decision.

In the interviews we learned that most companies rely on specialized media agencies for media planning. Interestingly, only one company in our sample (a FMCG company) reported to do some form of marketing-mix-modeling (basically a regression analysis). In this company, finance or more specifically management accounting calculates sophisticated marketing-mix models based on experience to account for the importance of various marketing activities in future decisions. Nevertheless, even in this company there is still enough room for management judgment. The CFO of that company reported,

> The assumptions of our calculations are primarily based on experience and market research. But partly it's of course a 'finger-in-the-air-approach'. That's why it is so important that our finance people are very objective and don't believe in everything what marketing says. (…) Marketing always wants new products. But when these new products don't yield a positive return, we should either not launch them or we should launch them differently. I teach my people to move more to the latter instead of just blocking proposals from marketing. I always tell them, 'by blocking proposals we won't grow either'.

We learned that marketing, sales, and finance work closely together to develop business cases. A Head of Target Markets of an insurance company described how investment decisions are based on a business case that is developed in the MSF-triangle,

> It all starts with an idea, let's say… for example from a product manager in car insurance. This product manager, the initiator, will then build a mini case. Next, my department and our management accounting will look at it. If it looks promising, we'll make a thorough business case, i.e., we'll do extensive market research on customers and competitors. Management accounting will perform sophisticated calculations to estimate profitability. Together with

> them we'll develop a recommendation which is to some extent already coordinated with sales. Then we'll come together with the sales channel management in our pricing committee in which the Head of Corporate Development & Market Management, the CFO and the Head of Management Accounting are also present. In this committee we'll finally decide whether we implement the case or whether the whole project dies.

Writing a business plan forces the product manager to structure the initiative and to anticipate and calculate the financial aspects of the project, i.e., the costs and revenues the project is likely to generate. Depending on the complexity of the project the product manager would make a proposal that is then verified and altered by the assigned management accountant. Interestingly, in many companies the responsibility for the business plan is shared between the product manager and the management accountant. As both of them have to sign the business plan, they have to come to an agreement on the contents before the business plan is discussed in upper decision making bodies. A Head of Management Accounting of a private bank commented,

> It is like playing ping-pong: On the one side, our product manager who knows the product like nobody else. He knows exactly where he wants to go with the product. On the other side, our management accountant, he provides the full financial picture and ensures methodological rigor.

One important aspect mentioned by managers is the timing of MSF-cooperation. A Head of Management Accounting said,

> The earlier finance is involved in the whole process, the easier it gets in the decision making process. Sometimes product managers consult us last minute. Then we can only assess the status quo. In contrast, when we are involved from the beginning we can suggest changes and discuss different options with the product manager. At the end of the day this can make the difference between an approved and a dismissed business plan.

We learned that there is intense interaction in the MSF-triangle when it comes to assessing and financing identified investment opportunities. Specifically, we observe that finance supports marketing and sales in the preparation of investment proposals that are formally required when a certain money threshold is exceeded. Managers told us that the most difficult decisions are related to investment proposals that do not yield a positive return in the short run, but might offer an interesting mid- or long-term return.

Interestingly, companies differ with regard to the extent to which investment proposals can be approved by marketing or sales by themselves. In most companies finance has to check investment proposals that exceed a certain money threshold. Finance is then expected by the top management or the CEO to give a recommendation whether the company should accept or dismiss the proposed investment. A CMO of a telecommunications company reported,

> In our company any mature decision, e.g., pricing or an investment, has to go through the finance department. We need their approval.

A CMO of a Swiss bank said,

> When it comes to significant marketing investments, we always build a business case. When the case is not completely convincing, we discuss it intensely with our management accountants. In those discussions it might happen that there are currently better investment options. We would then withdraw our proposal.

An airline-CFO described the interactions with sales and marketing in advance of a recent 8-digit investment decision,

> (…) we agreed on building a top management steering group to analyze the feasibility of a major increase of our aircraft fleet. The Chief Distribution & Network Officer provided a meticulous long-term market projection with specific estimates on customer demand, prices, and seat loading factors. Management accounting put those estimates in our calculation model. At the end of the day we saw that the investment proposal had good chances to take all our corporate's hurdle rates for investments. Then intense discussions with marketing started on the layout of the seats in the aircraft, i.e., the distribution of first, business, and economy class seats. It was also a challenge to agree with marketing on a specific in-flight-entertainment-system for our entire fleet.

Interestingly, we learned that how well a company fares has a strong impact on how investment proposals are handled by finance. We observe that when a company has financial problems, finance just denies any investment proposals due to money shortage. In contrast, when a company fares well, the assessment of investment proposals is much more challenging for finance. Managers told us that the most difficult decisions are related to investment proposals that don't yield a positive return in the short run, but might offer an interesting mid-term return. A CFO said,

> Now that we fare much better, we cannot dismiss investment proposals so easily anymore. The challenge is, it’s seldom black or white. The investment might have a poor payback in the next two years but might be sensible on a mid-term basis. Now we discuss those proposals in the TMT. In the past, we could just say ‘no’ because there was simply no money available.

A Head of Marketing of a non-food retailer reports how he could enforce considerable investments into a sophisticated CRM project,

> Our media spending is quite high and our communication has been effective, but there was some room for improvement with regard to efficiency. (…) We were convinced that a modern CRM system would allow us to communicate more efficient with our customers. A project budget was approved to test the system in our German market. We incorporated all criteria into the test that corporate top management and the country managers wanted to have checked. We agreed together on the criteria before the test started. Looking back, that was extremely important to get this investment proposal through. We’ll now implement the CRM system internationally.

The Head of Financial Accounting of this retailer added,

> We would have never approved a CRM investment proposal of that size without proper testing. In addition to the official test results, i.e., the data on customer behavior, we asked the country sales managers directly what they think about the project. In our company it is the sales function that makes the decisions. At the end of the day, they bear the full P&L responsibility.

He continued,

> Interestingly, the closer we get to the roll-out of this marketing project, the more interfaces with finance seem to emerge. And I don’t mean the classical financing issues. For example, we are currently trying to work out what tax implications our new customer loyalty program has and how we have to show the bonus points our customer can accrue on our balance sheet.

A Corporate Secretary and Head of Corporate Communications reported on a recent investment decision for a CD-relaunch,

> The initiative came only partly from me, it was primarily our finance unit that pushed it. They said we increasingly have problems to justify the trade-mark-fees we charge our affiliates against the foreign tax authorities, because we haven’t done anything in this respect for years.

Another Corporate Secretary and Head of Corporate Communications described how he enforced a recent corporate design (CD)-relaunch,

> The sales managers regarded our CD-relaunch as the most expensive and unnecessary exercise ever. We were able to simply push it top-down because we had the support from the CFO and the CEO.

Interestingly, a number of marketing managers reported difficulties to enforce specific marketing investment proposals. For example, a Head of Marketing of a financial services firm said,

> Three years ago we started a big project to change our brand strategy. In our corporation we have numerous regional and product brands. It was obvious to see that a single brand strategy would have advantages, e.g., it would reduce complexity and allow us to streamline all our split marketing activities. Unfortunately, we were not able to show a hard ROI for this brand strategy change. Then you don't have a chance to get the money needed from top management to do this change.

A Head of Marketing of an international retailer reported,

> The challenge is that corporate marketing has no P&L responsibility, but conceptualizes and proposes projects that have direct consequences for the budgets of the international sales companies. In such a constellation it is almost impossible to enforce marketing projects that do not have a timely measurable positive return. For example, none of our sales companies would ever support a project which promises insecure and 'fluffy' long-term effects resulting from a better brand image. The great advantage of our CRM project is that it almost immediately shows positive returns. When this happens, sales companies stop being your 'enemy' and become your 'ally' in enforcing the project company-wide.

Another topic in calculations & investment management in the MSF-triangle that was mentioned by our informants were mergers & acquisitions (M&A). M&A is also a rather exceptional and limited cooperation field between marketing, sales, and finance as it is an extremely sensitive subject and hence only a very limited number of persons is involved (normally only the top management). When an interesting M&A opportunity is identified, a cross-functional project team is formed, typically consisting of specialists from corporate finance, corporate development, and the corporate legal & compliance unit. In some companies also managers from corporate marketing become part of those M&A project teams; sales is normally not represented.

Typically, there is very intense cooperation under immense time pressure within the M&A project team, but the cooperation between marketing, sales, and finance outside the project team is rather limited to discussions on the strategic fit of the M&A candidate. Interestingly, both sales and marketing are likely to be involved beforehand, when opportunities and possible candidates are discussed with top management. Specifically, the Head of Marketing and Head of Sales might be consulted beforehand by the CEO to take advantage of their market knowledge. Later on those two actors might be informed by the CEO about the proceedings but are normally not further actively involved before the deal is perfect. Finance is cross-checking assumptions for plausibility and ensures the internal comparability (e.g., check for distortions due to accounting methods, etc.) and compatibility (e.g., ERP software issues) of the M&A candidate. In addition, finance ensures compliance with financial reporting standards and other regulations during the whole M&A process.

To summarize our field experience, the primarily involved MSF-Actors in the calculations & investment management process are the CFO, Head of Financial Accounting, Financial Accountants, Head of Management Accounting, Management Accountants, Head of Marketing, Product Managers, and Head of Sales. Typically, product managers and management accountants perform all necessary calculations and prepare the documents for actual decision making done by top management. All organizational levels are involved in calculations & investment management that are performed on demand. The intensity and importance of MSF-cooperation in calculations and investment management is high as there is often a high amount of money involved in the underlying marketing and sales decisions. The decision whether to accept or decline a specific investment proposal can have central consequences for the company. This decision is typically strongly influenced by the provided calculation, business case, or investment proposal.

The MSF-interaction field and decision area "Calculations & Investment Management" is primarily about anticipating the consequences of optional marketing and sales actions and investments to make better decisions. To reflect the nature of this MSF-interaction field we propose to label it "Avoiding Mistakes & Taking Chances". Typically, in the calculations & investment management process finance acts as objective referee, sparring partner, and kill-joy. We learned that interactions in the

MSF-Triangle in calculations and investment management are informal at the beginning (e.g., first interactions between initiator and accountant). The MSF-interactions then become more and more formalized when it comes to assessing investment proposals. For example, in the investment decision process, predefined tools (e.g., NPV models) have to be applied or specific investment proposal sheets provided by finance have to be filled in by sales or marketing actors. Interestingly, we observe that there are intense informal bilateral discussions between marketing and finance, finance and sales, and marketing and sales before an investment proposal is officially submitted to the formal investment decision making body which is often the top management meeting. In the top management the pro's and con's of every investment proposal are intensely discussed. Only for exceptional investments (e.g., very high investment volume or high complexity such as in M&A) we observe that some companies build formal cross-functional teams.

5.5 Financial Accounting

The fifth field of interaction and decision area in the MSF-triangle we were able to identify is financial accounting. In contrast to the internally oriented monthly or quarterly reports or any specific management analyses, financial accounting is about addressing the information needs of external stakeholders by providing financial reports that comply with IFRS or US-GAAP.

We learned that before the CFO and CEO officially present the quarterly or annual report there are interactions between finance, sales, and marketing. In those interactions, the content of the financial report is coordinated in the MSF-triangle. More specifically, the Head of Financial Accounting might exchange with the Head of Marketing and the Head of Sales to cross check figures, e.g., on order balance. In addition, there are intense discussions among MSF-actors on aspects that yield some room for interpretation, e.g., the risk assessment of outstanding debits.

Specific issues in financial accounting that were stated to need coordination in the MSF-triangle are the treatment of value added taxes, customs duties and tariffs in import and export business, and fiscal issues in transfer prices for other companies in the corporation. Marketing and sales also consult finance in questions of how to deal with foreign currencies, inventory differences, and credit card issues. We learned that

marketing and sales initiatives must be properly coordinated with financial accounting requirements, such as clearing and control necessities to avoid inefficiencies (e.g., time consuming ex post exercises). A Head of Division Marketing of a transportation firm reported,

> I remember a sales promotion, where customers could hand in discount coupons when buying a ticket at our counters. As our marketing man did not coordinate this promotion with finance, it was not integrated into our IT system. At the end of the day, our cashiers had to count manually thousands of coupons and our financial accountants had to correct all bookings.

One key issue among MSF-actors in the field of financial accounting is the challenge set by the investor community to make a spot landing in terms of revenues and costs reporting. Against this background it is understandable that finance pressures marketing and sales to strictly keep the assigned budgets. Interestingly, in one firm a CFO on country level took over the task of forecasting from the Head of Sales to improve the reliability and accurateness of the forecasts that serve as central basis for the externally communicated outlook on corporate level.

This CFO reported,

> I take the ownership for our forecast because I have to bear the consequences of an inaccurate forecast. Our forecast is consolidated centrally in the US-head office. They use it to forecast their earnings per share since we are on the stock exchange. (…) If your forecast is not accurate then your revenue is not accurate, your income is not accurate, and your earnings are not accurate. They want a very accurate forecast because they need to know what is going to happen at the end.

Remarkably, it might not only be an improved accurateness that goes in hand with a forecast by finance, it might also lead to a gain of time. The CFO said,

> When the forecast anticipates poor performance, the general manager would straightforward challenge the business unit managers to prove that the CFO is wrong.

Indeed it can be argued that if the business unit manager makes the forecast, he will be tempted to hide possible problems in hope to catch up later on. But then it might be too late to take the necessary actions to ensure a P&L that meets the raised expectations.

Financial accounting related interactions in the MSF-triangle go beyond strict budget keeping and appropriate revenue forecasting. We learned that in some companies corporate marketing is highly involved when it comes to writing the lyrics in the annual report. A Head of Marketing commented,

> Our annual reports are read by our competitors. Hence, the CEO and I write only those things that are correct, but unimportant.

In the interviews we discovered that most discussions on disclosing sensitive information are a top management issue, i.e., besides the CEO, primarily the CFO, the Head of Marketing, and the Head of Sales would discuss this issue on corporate level. Interestingly, a number of managers reported different point of views among MSF-actors when it comes to disclosing information. A finance manager said,

> Sales and marketing always think that we disclose too much competitive information, e.g., information on segments or regions. We always try to explain them that this is information we have to disclose to comply with IFRS. (…) To some extent we understand their concern. A couple of years ago we disclosed very good figures for Latin America and especially Brazil. Our strongest competitor didn't hesitate long to build up an own sales company in Brazil.

Interestingly, we observe that the general reluctance to disclose information diminishes when financial figures are below expectations of the capital market. In this case it is likely that the report contains detailed information on marketing activities to position the related marketing costs as long-term investments. A Head of Financial Accounting of an international retailer reported,

> Frankly speaking, our half-year figures were quite disappointing; below expectations of many analysts. We had several marketing activities in this period, but sales figures did not rise immediately. That's why we decided to elaborate more on those marketing investments in our report.

In big corporations, transactions occur among the various internal companies. Internal accounting is about coping with those transactions to comply with accounting standards while taking advantage of tax optimization possibilities (advantageous inter-company prices, allocation of costs, etc.) at the same time. A Head of Business Unit Marketing reported on the challenges in internal accounting,

> When you have so many sales companies with their own accounting and financial reports, their own audits, etc., you truly have to anticipate and manage the internal transactions that result from a specific marketing activity. (…) I remember a social marketing campaign where we collected donation money in the countries. As it was not properly coordinated with finance and sales, it ended up in extremely time-consuming exercises. (…) To set up those internal transactions properly right from the beginning is an important interface we have with finance.

He continued to describe the style of cooperation in internal accounting,

> First, central marketing and central finance here in this division have to agree on and coordinate those activities. Second, the countries are informed on how to deal with it. Then we simply stay the course.

Speaking face-to-face with managers we discovered that internal accounting is not only about minimizing the effort of internal transactions. Interestingly, some companies deliberately increase the complexity of internal accounting to take advantage of existing tax loopholes. The fiscal optimization of cash flows within the corporation is a central objective for the respective tax officers and management accountants. One lever to reach this objective of tax optimization is to determine advantageous inter-company prices that have a huge impact on the profits the company generates in the respective country. Of course, countries differ widely with regard to the taxes they charge companies. Another lever is to decide about which company should bear certain costs (e.g., marketing communications costs). Fiscal profit optimization is a field where finance has of course a strong foothold. On the other hand sales and general management in the countries have a stake in it as their bonus payment depends strongly on the reported profits. To account for the fiscal distortions, some managers tell us confidentially that finance does some shadow accounting on corporate level when all reports have to be consolidated. We learned that MSF-actors discuss internal accounting issues intensely, because their bonus payments depend strongly on reported profits.

Another interesting finding from the field was that firms differ with regard to how corporate marketing costs are allocated to the business units or countries. Often marketing costs such as advertising activities or sponsoring engagements are treated as corporate headcount, i.e., as a free service for the decentralized units. However, in other companies marketing has to allocate certain cost on its internal customers. For example, a corporate market research unit has to refinance its personnel and data base

costs by allocating those cost according to usage to business units and countries. Those costs are subject of intense discussions between corporate marketing and the sales companies as they have a direct negative influence on their P&L. A Head of Sales reported on interactions in internal transfer prices and indirect cost allocation,

> In all big corporations you have those discussions about whether to put the money in the left pocket or in the right pocket. The problem is, all the energy put into these discussions doesn't yield any market related value-added but it does, in fact, set strong incentives. This is why it is such an explosive issue. (…) Finance usually takes the lead when it comes to proposing a concept for internal prices and indirect cost allocation. The problem is that finance's perspective is only cost based, it lacks the market perspective. (…) When those indirect cost allocations lead to poor product profitability you can observe heated talks between the product managers and our finance people.

Other companies do only allocate indirect costs to specific units or products that they can influence themselves. A CFO of a FMCG said,

> In our P&L we have this measure called 'Profit before Indirects' which our Business Unit Heads can perfectly influence. For example, we assign directly their specific cost for advertising, promotions, growth, etc. The 'Indirects' are the costs they cannot influence, e.g., the costs of this building, my salary or the salary of our CEO. In fact, it is in my responsibility to ensure that our overhead is competitive and that our operating margins in total are high enough to cover overhead cost comfortably.

In companies that operate with a centralized sourcing or production, the transfer prices for the respective sales companies in the countries are determined on corporate level. Typically, finance develops a proposal together with the procurement and production unit which is then often formally and informally discussed with corporate marketing and sales. When chances are good for an agreement (i.e., formal hurdles such as a positive NPV are taken), the proposal is presented in top management meetings by the CFO, where the top management team members finally decide on it.

A particular issue in food retailing is the question who is responsible for depreciations on expiring food. A Senior Manager explained the issue,

> Our outlets are in charge of delivering certain revenue levels. We at corporate level ensure that certain margins are reached. But the tricky part is to deal properly with food depreciation. The current situation is that the outlets have to account for them. In doing so we certainly

> undermine the chances of new products, which traditionally run a certain risk of not being sold, i.e., to expire. As a result, in the current situation new products are too fast delisted from the outlets.

Furthermore, managers told us that it is common business practice to apply certain accounting tactics that fall inside the bounds of acceptable accounting practice. For example, finance would discuss with marketing and sales if they had one-time exceptional charges that could be booked separately and would hence not undermine operating profits (EBITDA). Another possibility to alter the appearance of the income statement is to coordinate the timing of certain marketing or sales costs. For example, finance might ask marketing or sales to postpone a market research project or a sales training into the next year to smooth current earnings.

Generally, revenues are recognized when goods and services are exchanged for cash or claims to cash, i.e., receivables. However, for manufacturing firms with construction projects taking years to complete, IFRS offer an exception. Those firms can use the "percentage-of-completion method" for revenue recognition if specific conditions are met such as for example a long-term contract and the possibility to estimate the percentage of project completion, revenues, and costs.

Using this method instead of the "completed-contract method" allows companies to recognize revenues, costs, and gross profit for each period based upon the project progress. Typically, companies used to compare the cost incurred to-date by the estimated total for revenue recognition to determine the percentage of the cost incurred. They used to multiply the total revenue of the contract by the percentage of the cost incurred, and recognized this amount as revenue on the income statement. However, this approach has been shown vulnerable to report too high profits due to understated estimated total cost.

IFRS now favor a direct orientation on the real progression of the project regardless of the incurred cost. We learned that the assessment of a project's real progression is an issue in the MSF-triangle. A Division Head of Management Accounting remarked,

> I am in charge of the monthly project reporting in which a local management accountant and I assess the progress of the project and determine the actual percentage of completion. We also have to check if the total estimate of cost is still realistic. When we see that we have more cost

> than expected, we have intense discussions with the project and sales managers on what cost are still coming. In that situation you have two options. You can either say: 'Okay, I close my eyes. I don't see any additional cost.' Then you have a better result for this period. Or you say: 'I don't believe in the estimates of the project managers and the sales managers, there will be additional cost, and we have to account for those costs in our report.' Then you will have interesting talks with the project managers and the sales managers…

Interestingly, in some companies finance tries to give marketing and sales feedback from the capital market. A CFO of an insurance company reported,

> I always try to forward the feedback I get on the road shows from the capital market to our people at the front. I want all our managers to understand how our shareholders tick. I also let them feel the heat. For example, when sales management defends sloppy margins with price pressure in the market, I make clear that we cannot tell this the investor community. We need better answers or our company would have lost its right to exist.

To summarize our field experience, the primarily involved MSF-actors in financial accounting are the CFO, Head of Financial Accounting, Head of Investor Relations, Head of Tax, Financial Accountants, Management Accountants, Head of Marketing, Head of Corporate Communications, Head of Sales, and Sales Managers. All organizational levels are involved in the financial accounting process. The intensity of MSF-cooperation is low when it comes to ongoing booking of standard transactions in daily business. The intensity of MSF-cooperation is high when financial reports have to be finished under time pressure or when exceptional issues need to be discussed such as internal accounting exercises to boost corporate profits and accounting tactics to smooth earnings. Depending on the extent of those exceptional issues, financial accounting is an interaction field of either moderate or high importance in the MSF-triangle.

The MSF-interaction field and decision area "Financial Accounting" is primarily about complying with accounting standards and satisfying the capital market. To reflect the nature of this MSF-interaction field we propose to label it "Accounting Standards & Shareholders Rule". Typically, in the area of financial accounting finance acts as voice of the capital market and rule maker by developing and providing the company-wide binding financial accounting manual. Marketing and sales might protest or express their discontent but finally have to follow those rules provided by finance. In addition, finance acts as tax and process optimizer. Finance takes advantage of existing tax

loopholes and proactively designs corporation wide processes and transactions to minimize internal accounting efforts and tax payments. Related decisions are typically done in top management meetings.

5.6 Debtor Management

In the interviews we learned that debtor management is another interaction field in the MSF-triangle. Interestingly, in companies with a high number of customers, the billing process is not performed in finance units but is often assigned to a customer care center that is part of the marketing or sales function. We learned that finance and sales discuss the specific payment deadlines, payment related discounts, or credit limits for business customers. Finance continuously checks the status of the accounts receivables and identifies debtor issues. A CFO reported,

> We keep everybody well informed by providing an overview on the outstanding receivables. We have very few losses, because we discuss all issues and the underlying reasons with sales. When we see that a customer has severe problems we immediately try to get securities from that customer.

We learned that the more important the customer and the more complex the underlying issue, the more probable is it that finance delegates the dunning process to sales. Interestingly, companies differ with regard to what power finance has to enforce certain consequences as for example stopping delivery to customers with significant outstanding amounts or requiring prepayment before delivery. A Head of Management Accounting commented,

> There are quite often big discussions with sales (…). Unfortunately, we cannot simply send out mass reminders to our customers because there are often some project or customer specific issues. We always have to push our sales people to inquire why there are still amounts outstanding. However, if this doesn't prove to be successful, we'll have to write a firm letter to the customer.

Especially in small or medium sized enterprises, losses in accounts receivables can have a major impact on networking capital. A CFO of a midcap-sized industrial firm reported,

> One of our customer accounts for 30% of our total revenues. If this customer doesn't pay, it will have a massive impact on our cash situation. Hence, I go myself into the monthly business review meetings for this customer. I also decided to handle the whole billing process myself and my contact person on the customer's side is the CFO and not the procurement unit our sales people normally have to deal with. When this customer is late in paying our bills, I call the CFO directly.

To summarize our field experience, the primarily involved MSF-actors in debtor management are the CFO, Head of Financial Accounting, Financial Accountants, Head of Sales, and Sales Managers. Marketing actors are normally not involved. All organizational levels are involved in debtor management. It's an ongoing standard process with rather moderate importance. The intensity of the cooperation is normally low, but can also be high when follow-up actions are discussed for a customer that is not able or willing to pay.

The MSF-interaction field and decision area "Debtor Management" is primarily about enforcing customer payments without annoying the customer. To reflect the nature of this MSF-interaction field we propose to label it "Kindly Making the Customer Pay". Typically, in the debtor management process finance acts as watchdog to identify possible problems in accounts receivables. In ad hoc meetings sales is informed and invited to solve the specific issue with the customer as soon as possible. Sales then acts as sensitive cash maker. Marketing is typically not involved. We did not observe that companies have a specific meeting to address accounts receivable issues.

5.7 Compliance & Risk Management

In our interviews we learned that marketing and sales are also involved in compliance and risk management tasks, the seventh interaction field and decision area in the MSF-triangle. Compliance management is about ensuring that the company's actions and the employees' behavior are in line with legal requirements, accounting standards, and the company's policies. Risk management is about identifying all risks a company is exposed to and is furthermore about developing specific activities to account for those risks. Typically, the corporate management accounting unit or the corporate treasury unit is in charge of compliance & risk management tasks (often supported by a small legal unit). In some companies there is even a special risk management unit on corporate level.

In the interviews we learned that one key compliance issue in the MSF-triangle is Sarbanes-Oxley (SOX). A Head of Marketing of a Swiss bank told us,

> SOX is an extremely important topic for us; but of course it's also an additional effort. For example, we need three bits for every activity; two managers have to sign the order confirmation and the bill. Sometimes even three managers; it depends on the amount. Then it's checked by finance and finally paid.

An Assistant Trade Marketing Manager of a FMCG company reported,

> Due to all the rules, regulations, and guidelines we have, it's extremely difficult to implement certain things quickly. We have a very strict audit control. For example, I need a proof of performance for every project that we do or every item that we buy. Otherwise I am not eligible to issue a goods receipt. What this means is I have to convince our customers to send me a picture of the point of sale promotion material. Sometimes it's simply not possible…We have many different distributors in a lot of different countries. It's also extremely time-consuming. Our customers are not happy either about wasting time on bureaucratic tasks. But finance doesn't care much about those problems and always asks, 'Where is the proof of performance?' (…) Another problem is that all promotion items we want to use have to go through a quality test. This test takes three months which means when a customer urgently needs a specific item, we can not deliver anything…

A Country CFO of the same company said,

> We don't like to be seen as watchdogs by marketing or sales but it's actually not that wrong. It's our job to ensure that the company is compliant, that the defined processes and regulations are followed…that the sales people's field work doesn't go out of hand. (…) We have to point to things that are not okay…for example SOX-related issues…credit limits…customers that invoices from the Cayman Islands…money laundering those things… as an American company we have to check whether the customer is on a black list, etc.

We also observed that a number of firms are currently working on enhancing their internal control system (ICS) to ensure compliance with legal requirements, accounting standards, and company policies. A Head of Financial Management of a utility firm stated,

> At the moment, we could not hinder sales from signing a contract that would bring us nothing but losses. This is definitely something a proper ICS would account for.

Besides compliance management, we observed that MSF-actors interact to identify risks and to decide about follow-up actions to manage identified risks such as e.g., foreign exchange risk exposures. Interestingly, marketing and sales do not only report the functional risks they perceive to finance. They are also involved when it comes to deciding about specific actions to manage the screened risks with finance. In manufacturing firms, for example, excess stock is a key risk management issue. A Head of Business Unit and at the same time Head of Sales reported,

> We learned our lesson when one of our customers churned and we had unpaid stock left for that customer of more than 100.000 Swiss francs. Since then we have formalized quarterly risk review meetings, where key account management, logistics, and finance come together to manage our risk exposures.

Other risks mentioned by marketing managers include changes in the competitive environment, customer consolidation, price erosions, climate change, or reputation losses. In the business-to-business (B2B) segment, customers increasingly try to cede risks that are associated with a purchase or project to the supplier. For example, sales manager are expected by B2B-customers to guarantee compensations for any follow-up costs due to product failure or late delivery. Managers say they have intense cross-functional contact when it comes to provide performance and delivery guarantees to prospects or existing customers. More specifically, we observed that in international companies it is often the treasury unit that performs a contract or offer check. Then the treasury unit typically decides together with the business units and the respective sales managers which specific guarantees can be given. Interestingly, those guarantees are not standardized but are often customized to customer needs. We learned that the better the payment terms the more willing is the treasury unit to give customized guarantees. A Head of Sales of an industrial firm said,

> We exchange with finance when we see that a new product causes some trouble with customers, e.g., due to technical problems. (…) We then discuss together with the general managers how we deal with this issue. If we decide to go forward with the product in the market we might adapt our terms and conditions to the higher risk exposure to protect the company from follow-up costs.

A Head of Global Key Accounts reported,

> In Germany we once had a product that was priced exactly at the threshold that still allows for immediate depreciation. (…) Public companies often ask for special terms and conditions that fit with their financial reporting necessities. We then talk with our finance people what that shift would mean for us in terms of risk exposure.

As mentioned before, coverage and hedging of foreign exchange risk exposures is a key risk management topic in the MSF-triangle. In the field we learned that it is crucial that finance and sales come together as early as possible to coordinate related actions. Typically, what we observed is that the Business Unit CFO analyses the demand of foreign currencies and reports it to Corporate Finance, where the specialized treasury unit handles everything at the capital markets. In capital intensive industries sales managers typically offer their customers tailor-made financing solutions like leasing or sale & lease back solutions. In some corporations there are specific companies that are specialized in offering financing solutions for customers in the corporation. A Head of Sales Management remarked in this context,

> In sales you are always driven by the next deal. You want to close your next deal; you want to take advantage of the current opportunities in the market. You don't like to think on what could happen in the worst case. This is clearly finance's job, to anticipate and to prepare for the worst case.

A CFO of a bank elaborated on the interfaces between marketing, sales, and finance in risk management,

> A current strategic objective of our bank is to sell more mortgage credits. Hence, marketing has started an advertising campaign to support sales in reaching this objective. (…) However, the more aggressively we try to sell credits, the higher the risk that we contract with sub-prime borrowers. To manage this risk from finance, sales must not sell mortgage credits to customers who don't have at least 20% of own equity. When this criterion is not met, the case must not be handled by sales but by finance at corporate level.

Interestingly, some managers report that they are currently increasing their risk management capacities. A Head of Management Accounting reported,

> We have got our risk reviews and our risk data base where certain information has to be entered for some years now. (…) What we are currently trying to enhance is our customer

> related risk management. Until now the business units or countries would assess the customer risk by themselves. Now we want to centralize and standardize all customer risk information and provide the units with more valid assessments.

Those customer related risks include solvency issues, open accounts, terms of conditions, or foreign exchange risks. In order to manage those risks, finance cooperates closely with sales. In the project business sales is often calculating a customer quotation and is filling in a risk review sheet. The specific technical and financial risks are then discussed with finance before a final decision on the offer is made. Managers told us they have formalized escalation steps within the firm. As a rule of thumb, the higher the sales volume of the project, the higher the hierarchical position of the managers involved from finance and sales.

Companies that are engaged in complex projects have often formalized project reviews on a continuous basis where the status of a current project is assessed in terms of costs and progress. A frequent issue in those project reviews are change orders. Many managers complain that customers are prone to change their mind but are seldom willing to pay for the resulting extra services. A Corporate Secretary said,

> Sales managers tend to give in too early when customers want free project changes. The problem is, those change orders can easily break the profitability of a whole project. (…) A proper tracking of the projects by finance right from the beginning is hence crucial.

A CFO of an insurance company reported on an alternative way to manage risks,

> Surprisingly, the payment behavior of our customers correlates highly with their actual risk behavior. A customer with impeccable payment behavior is likely to mean less risk and cost for us than a customer with salient payment behavior. We provide our sales team with this information who then tries to increase cross-selling with this attractive customer segment.

To summarize our field experience, the primarily involved MSF-actors in compliance & risk management are the Head of Risk Management, Head of Treasury, Head of Management Accounting, Management Accountants, Head of Financial Accounting, Financial Accountants, Head of Sales, Sales Managers, Head of Marketing, Product & Brand Manager, and Marketing & Sales Support. Actors from all organizational levels might be involved but most relevant are corporate actors. Compliance & risk

management is an ongoing interaction in the MSF-triangle with moderate intensity and importance.

The MSF-interaction field and decision area "Compliance & Risk Management" is primarily about ensuring that rules are kept by everyone and that risks are handled proactively. To reflect the nature of this MSF-interaction field we propose to label it "Finance Is Watching You". Typically, in the compliance & risk management process finance must act as watchdog to ensure that marketing and sales are compliant. Finance also pushes sales and marketing to identify potential risks. In risk management, the interaction between finance and sales is much more intense than between finance and marketing, as many risks are project related or customer related. Companies often have a specific meeting such as e.g., the "Risk-Committee" to address risk and compliance issues.

5.8 Pricing

The eighth and last key interaction field and decision area in the MSF-triangle we were able to identify is pricing. Many executives perceive pricing as the most interesting and challenging interaction field in the MSF-triangle. A Head of Corporate Development of an insurance company said,

> Typically, sales people always want a lower price and finance people always want a higher price. Marketing is something in between. Then discussions start on expected price elasticities and how we need to price our products to reach our financial objectives.

In the field we observed that the determination of the company's general price strategy and the intended price positioning is normally a top management issue. Interestingly, in many companies there is a formalized meeting, often called "Pricing Committee", in which all pricing issues are discussed at least once a year. Typically, the pricing committee members develop pricing proposals that are then submitted to the top management. The members of this pricing committee are typically the Head of Sales, Head of Marketing, Head of Management Accounting, Management Accountants and the Product or Brand Managers that have a stake in the specific pricing decision. We learned in the interviews that only few companies have a specialized unit that is dedicated full-time to pricing issues. A Head of Marketing of such a company, a Telco, said,

> We have a pricing team which is within marketing. They are mostly responsible for making pricing proposals. They also have quite strong analytical capabilities to do pricing assessments. When it then comes to a validation of pricing proposals they cooperate strongly with the accountant in charge of the specific segment. Together they assess what's the impact on our budget and what does it mean in terms of revenue increase/decrease or margin impact.

The Head of Management Accounting of this Telco added,

> The actual pricing decisions are not taken in this pricing team but are taken on the highest level in a specific body composed of the VPs. It's Marketing, Finance, Sales, even Technical… and a few directors, Director Strategy, Director Management Accounting, which are in there. So basically the pricing team and the segment accountants develop the proposal and then it's brought to this specific body which approves almost all important projects.

Interestingly, we observed that some companies have a formalized pricing process while others have not formalized their pricing. A Head of Management Accounting of a bank reported on the formalized pricing process of his company,

> When products are altered, product managers have to contact finance to model the consequences of this change and to develop scenarios what different pricing options would mean for the company in terms of volumes and profits.

In companies that lack a formalized pricing process some managers were not satisfied with the status quo of their pricing. A Corporate Secretary and Head of Corporate Communications said,

> In our company nobody is interested in pricing. It is something that is done by the sales people at a relatively low hierarchical level. Except for our key product and our key customer when even the CEO was fighting to keep the price steady. Failing this, there is no managed pricing process. That's why we have lost so many orders. We were simply too expensive even though we had 50% of our production capacities free which was most annoying.

In addition, we learned that some companies use highly automated pricing systems to determine prices. In those companies the discussions shift from talking about specific prices to talking about the parameters set in the price system and the expected consequences. A Head of Marketing & Strategy of an airline with a sophisticated IT pricing system reported,

> In top management we primarily discuss what risks we should take in our pricing. In our industry you can miss chances and avoid risks by selling a great portion of your capacities relatively early at relatively low prices. Or you can try to improve your results by taking more risks and hoping that there will be enough demand for higher priced tickets. (…) When we see specific routes are not selling well, we have different pricing options. We could increase the number of available tickets in the economic categories. Or we could keep our pricing system steady and take tactical actions. For example, we could give incentives to external distribution channels to sell more tickets for this specific route. Or we could give extra bonus miles on this route, which actually means we offer a price discount in a different currency.

Another interesting topic we addressed in our interviews refers to the question what general pricing approach is applied by the companies. Surprisingly, we learned that most companies rely on a relative rough cost-based mark-up pricing approach. In those companies finance focuses on determining a products' direct cost instead of spending more time on assigning indirect cost appropriately to a specific product. Often finance only roughly calculates what mark-up percentage on the direct cost would allow the company to cover also the indirect product costs and provide a profit contribution. It seems worthwhile to note that we did not experience any company in which finance was not providing marketing and sales with at least this basic product cost and margin information.

Typically, management accounting determines the direct product costs, calculates the margins needed to cover overhead cost and to reach the profit objectives set by the CEO, and finally proposes a price. Then sales managers check with the customers, if they are willing to pay this price. If not they do a restart. When own costs increase, sales will try to charge customers with this additional costs to keep profitability levels. If this is not possible, sales will inform finance which will then try to reduce costs in order to keep the price or the margin steady.

Interestingly, many managers told us they want to shift from a rough mark-up approach in pricing to an integrated approach that recognizes costs, competitive prices, and customers' willingness to pay (WTP) at the same time. A CFO of an insurance company told us an anecdote that illustrates the shortcomings of a pricing approach that is solely cost based and lacks customer orientation,

> I remember when we introduced a product to protect against damage caused by martens decades ago. Finance calculated the technical price that correctly reflected our costs plus a

> profit contribution… I think it was 40 francs. The problem was this price was only attractive to people with martens around the house, other people did not buy it for that price. It was a disaster. The correct technical price, we had to learn, was actually about 400 francs for the customers who actually bought it. In the insurance business we call this phenomenon anti-selection. Actually, sales should have known that.

Given the obvious shortcomings of a cost based pricing approach the question arises, why do most companies still operate with cost based mark-up pricing? The interviewed managers said that cost based pricing is much easier to handle and gives the security to offer the customer a fair price. In addition, manager reported that it is often hard enough to charge the customer at full costs plus profit margin, i.e., managers feel that cost-based prices already exploit customers' actual willingness to pay.

Based on our field interviews we develop the following two propositions:

- The more complex the product, the more is a company's pricing cost-plus oriented instead of WTP or competitive oriented.
- The more a company's pricing is cost-plus oriented, the more prices are influenced by finance.

Companies differ widely with regard to the energy they put into competitor price monitoring. A Head of Market Research of a chemical company reported,

> What we of course do is to scan the market systematically to gather price information on our competitors. (…) We also try to estimate the cost structures of our competitors. We have different models we feed with data from their financial reports or local informants. We can also estimate the margins of our competitors.

In many other companies competitor price monitoring is only a task that is done part-time by product managers or sales people when there is nothing else to do. Based on our field experience we propose:

- The more competitive pressure a company faces, the more competitive oriented is its pricing instead of WTP or cost-plus oriented.

We were surprised to learn in our interviews that only few companies set their prices truly on the basis of customers' actual willingness to pay. Those companies set the price according to the perceived value by the customer. Of course the set price has to cover all costs. We observe that companies try to operate more with target pricing and target costing, respectively. Sales informs marketing or product management when it sees opportunities in the market, e.g., segments that are currently not covered by the company with products. Marketing would specify product characteristics and brief the production unit which would then check if it is possible to produce the product at this cost. Based on our field interviews, we propose:

- The more a company's pricing is WTP oriented, the less prices are influenced by finance.

With regard to MSF-interaction in pricing, we observed that marketing and finance often coordinate the company's official price list. Sales is typically relatively free in deciding on discounts for customers and hence on actual prices. As a consequence, sales often has a relative strong influence on actual prices. However, this influence is limited by finance and top management that give sales binding volume and profitability objectives with regard to products, customers, or regions. Managers from marketing, sales, and finance told us that the advantage of providing sales with relative strong pricing competences is that sales might be more realistic when it comes to assessing what prices are realistic in the market. Managers widely agreed that the disadvantage is that sales might not negotiate tough enough to truly exploit customers' actual willingness to pay. A CFO of a FMCG company reported,

> Sometimes our sales people want to be too good friends with our direct customers. The role of finance is to challenge sales to find the best solution with the customer. Sometimes sales is not even aware of some problems. I remember a customer that for a long time profited from a generous foreign exchange compensation even though exchange rates had completely changed. Finance has to point to those issues and has to keep on challenging sales.

Interestingly, we learned that sales is likely to ask finance to review the provided cost analyses, when there is price pressure in the market and customers demand lower prices. A CFO said,

> Our sales managers see our product cost calculations somewhat critical. Especially when they lose a deal because a competitor has offered better prices, they often doubt our calculations. Then they want us to recalculate the product costs and to rethink our cost allocation system.

He added,

> Our job is to provide sales and marketing with cost transparency on our numerous products. (…) When we get feedback from sales or marketing that our cost structure is not competitive, we take a critical look at our costs and our calculations. We then check if we can improve anything. (…) In this management accounting exercise we do not allocate any indirect costs or overheads at product level. (…) Sales and marketing only get our direct costing breakdowns. They are also measured and compensated against those direct costs. For our financial reporting we have to allocate our indirect costs in the production process on the respective products to be able to show our products at full cost on the balance sheet.

The companies in our sample differ strongly with regard to the extent to which finance is involved in pricing decisions. In few companies finance has a truly active role in determining effective prices that goes beyond provision of price calculation data. In fact, finance is seldom viewed as emancipated pricing partner by marketing or sales. Interestingly, in many companies, marketing and sales seem to look for closer cooperation with finance in pricing. In those companies marketing, sales, and finance start to discuss pricing issues more intensely and finance might not only calculate price elasticities on the basis of information from marketing and sales but might also be involved in follow-up discussions. In some companies finance provides sales with specific pricing tools. As an example, in one company that was selling rather complex industrial solutions we learned that the sales force was recently equipped with new pricing tools from finance allowing the sales force to perform a first rough price calculation immediately during a customer visit.

The picture that emerges from our field experience is that sales management in the business units or countries is normally relatively free in deciding about customer discounts within reasonable limits given by corporate top management and corporate finance. Hence, the most critical pricing issue between finance and sales is the decision what profitability level sales is supposed to reach. Finance often leaves sales free hand on how to reach the agreed margin objective. But at the end of the day sales is expected to show a certain profitability level. When margin objectives are not met by sales, finance can directly contact the respective sales management or it can simply

inform the CEO about this shortcoming. Our overall impression out of the 78 interviews is that sales has often a more important role in pricing than marketing, despite sales' limited role in deciding about official prices.

With regard to finance's role in pricing it is worthwhile to note that finance might be limited in directly influencing prices but it actually has a strong indirect influence on price setting. In nearly all companies finance influences pricing decisions indirectly in at least two ways: First, finance provides the direct costing analysis that indicates the technical price minimum. Second, finance, in alignment with top management, demands a certain profitability level for a specific product, customer, or region from sales. In addition we observe a third indirect price setting influence of finance in many companies when certain absolute limits for sales discounts are given.

A CFO of a consumer electronics firm said,

> As sales' primary objective is the top line, marketing has the responsibility for all our pricing. We have a clear separation of duties here, formally, which is driven by corporate headquarters' business control guidelines. In business practice there is of course a close interaction between marketing and sales on pricing, as sales has to make offers that lead to orders. (…) I believe it's a good constellation that marketing is in charge for pricing. Sales would only sell the products which can be sold easiest. They would also try to lower prices and our brand would suffer.

Based on our field experience we formulate the following propositions:

- The stronger sales is rewarded on P&L basis, the more probable that sales has far reaching price competences.
- The stronger sales is rewarded on P&L basis, the more intense interactions are between sales and finance in pricing.
- The stronger sales is rewarded on top line measures in comparison to bottom line measures, the less price competences has sales and the more price competences has marketing.
- In pricing there are typically more intense interactions between sales and finance than between marketing and finance.

In the interviews we also discovered some industry specific pricing patterns. For example, in manufacturing companies it is common practice that customers or prospects ask for customized quotations. To calculate such a quotation, sales typically first contacts a decentralized accountant in the production unit to get the actual costs of the production site for this specific offer. Then sales typically fills in a calculation sheet that recognizes all direct and indirect costs for this order. If it is a standard offer, sales will normally prepare the offer alone using a standard calculation schema which is often provided by finance. However, the more complex and the newer the inquiry, the more probable that finance assists sales actively in preparing the offer.

Managers of retailing companies told us that in their companies the procurement unit is in charge for setting prices. However, procurement is actually not that free in deciding on prices. First, it has to meet the margin objectives set by finance. Second, it gets the sales breakdowns timely from the outlets where products are sold. We observed that the procurement unit in retailing companies is coordinating prices intensely with sales management which is in direct contact with the company's customers everyday in the outlets and can hence assess perfectly which products are priced to high or too low.

Pricing for New Products

We also specifically asked our informants to elaborate on their pricing process for new products. We learned that in new product development companies often build cross-functional project teams consisting of managers from finance, marketing, R&D, and production (sales is rather not strongly involved). Typically, a business plan is developed by this project team in which the expected price that is enforceable with the direct customer is a critical component. The team typically first checks the prices of similar products that are already in the market. When companies launch a new product, its pricing has to account for the company's existing product pipeline to avoid cannibalization.

The new product development project team normally consults sales to learn about customers' willingness to pay and usual discount levels that have to be accounted for. Depending on the relevance of the product, even direct customers and end customers might be surveyed to get insights into their willingness to pay. On the basis of this

information, finance typically calculates the prices starting with the end customer price. Finance then accounts for the known margins of distribution partners or accounts for any taxes and custom duties.

A Head of Business Unit and Head of Marketing of a well FMCG company reported,

> Our management accountants calculate the business case for this new product. They will tell our marketing man the payback that is realistic for the expected price. They will also check whether the product's cost structure fits with its revenue structure long-term. This is something our marketing man cannot do alone. (…) If the return of the new product doesn't seem convincing, finance would probably put a veto on the launch. However, it can happen that we overrule finance and launch the product anyway when we believe it is needed due to strategic reasons, to cover segments, etc. But that is an exceptional case.

That marketing is able to overrule finance in product launch decisions is typically only the case in the consumer goods industry where marketing has often a stronger role within the firm. We observe that in other industries such issues are discussed in the top management meeting and are finally decided by the CEO. Interestingly, some companies have a specific unit for new product development where new products are managed even for some time after the launch before they are transferred to the existing business.

In manufacturing firms the estimation of long term production costs is of crucial importance. Management accounting has to estimate the experience curve effects to get a realistic picture on long-term cost structures. In the interviews we learned that some supplying firms have committed themselves to give their business customers detailed information on their cost structure. In those companies it is of crucial importance that management accounting and sales discuss intensely where to put specific cost factors into, e.g., material costs, production costs, personnel costs, etc. Sales might be able to better assess where the company can charge the customer a bit more and where the customer might not accept high cost levels.

Price Negotiations

In the interviews we also asked specifically to elaborate on MSF-interactions in price negotiations with customers. As mentioned before, we observed that in many companies, sales has far-reaching competences to influence prices via discounts. Finance managers told us that sales sometimes closes deals at prices that are obviously not advantageous for the company. As a result, finance thinks that with regard to those deals sales neglects the interests of the company by playing the role of the customer's ally in price negotiations.

In fact, the picture that emerged from our field experience was that sales does not want to be really hard with the customers. Sales rather wants to have a pleasant customer relationship which of course is endangered when price enhancements have to be enforced at all costs. Price enhancements always imply uncertainty with regard to how the customer will react. The customer could for example delist the supplier which would have serious consequences for the sales man's bonus payment or would even cost him his job. In general, our overall field impression was that sales prefers to have a steady price and a better cost structure.

Interestingly, a senior sales manager of a US-based FMCG company saw some differences between family-owned companies and public companies (that have to report quarterly results) when it comes to negotiations with direct customers,

> I recently had a very interesting talk with the CEO of a family-owned FMCG firm in Germany. We came to the conclusion that one reason for the success of many family owned businesses is that they are simply willing to say 'No' when a retailer pushes them too much. Even though this might mean a significant short-term loss, those companies send a clear signal to their direct customers and in the long run such a strategy simply pays off. In contrast, stock based companies like ours cannot afford to get delisted from a major retailer, as the capital market would punish them immediately. The retailers know that and adapt their behavior in negotiations accordingly, i.e., they expect each year further price discounts.

Many companies are currently facing dramatic increases in raw material prices. In such a situation when cost structures experience changes, finance comes into play and informs sales about the necessity to take action to account for the higher costs. Typically, finance would provide sales with a P&L forecast that shows the negative effect of the cost increase on the bottom line. A Senior Sales Manager remarked,

> In such a situation you have a dilemma: Finance says: 'All players in the market will go up with their prices. When you go up, the others will follow.' And the sales manager might say: 'I cannot increase prices by 10%, I can increase by 5% maximal.' You have often different opinions between sales and finance when it comes to the impact of price changes on volumes…

One Head of Sales we interviewed reported that in his company the entire pricing process is done centrally at corporate level due to compliance reasons,

> We have a European price list which is binding for all countries. This price list defines the basic price for each of our products. It also meticulously defines what discounts sales management is allowed to give customers. For example, we can give discounts for volumes, we can give e-business discounts, we can give discounts for exact customer forecasts because that helps us in our planning. It's all transparent for the customer.

A Head of Marketing of a FMCG company said,

> Before we go into the yearly negotiations with our direct customers, we come together with finance and sales to prepare those talks. (…) We would also discuss our position in the board. Then sales gets a detailed order, what percentage of price decrease we would accept maximal and what services we expect in return for that. For example, guaranteed listing of new products, no delisting, i.e., protection of some weaker categories, attractive promotion opportunities in the stores, etc.

Companies differ with regard to the extent customer discounts are tied to predefined returns in service from the customer. A CFO of a consumer electronics company said,

> We have very clear requirements. Sales cannot simply give away discounts; we want to get something in return for those discounts. For example, we give discounts according to what percentage of our line-up is present on the shelves. We give discounts for information on the current stock situation of the retailer, etc.

A CFO of a utility firm explained the escalation system in price negotiations,

> We strive to make only deals that cover our full cost plus bring some margin. (…) Our key account managers are expected to settle negotiations at 8% margins, but they are allowed to go down to 5%. If he wants to further go down, it goes one hierarchy up in sales. This sales manager can go down to maximal 2%. When he is still not able to settle with the customer, it goes up to the sales management board member. It's then a top management issue, i.e., the decision is then made in the board.

A CFO of a well-known international consumer electronics company remarked,

> In our business you have agreements with customers on fixed discounts and then you also have bonus incentives when the customer reaches certain volumes. Finance accounts for those incentives with customer accruals. We talk about a lot of money here; even one percent error makes a huge difference here. Hence, for finance it's of crucial importance that those accruals are as exact as possible. Otherwise our whole reporting is inaccurate. To do a good job here our management accountant in charge for the customer accruals is placed in the sales department. He has to be as close as possible to the business and must monitor the deals made by our sales people who still have a lot of freedom when it comes to price negotiations.

A specific type of price negotiations with customers are auctions. A CEO of a FMCG company reported,

> Auctions are most brutal. At worst you are competing against yourself and you don't know it. (…) In those situations you have to cooperate as close as possible with finance. Otherwise you might make bids that cost the company dearly.

A Head of Market Research of a chemical company described an auction process,

> The yearly auctions with the big global players are really unpleasant. It's a true challenge to find the right price there. You either make it to the last two bidders with your offer. Or you are out. You get no information at all in between. It's cruel. (…) We prepare for those auctions already in our budgeting process. For those customers that make an auction we have different budgets. In contrast to normal deals, corporate top management is involved here too. But the Head of Sales still makes the final decision. (…) To limit our risk exposure even the bonus payments for our sales management depend strongly on our bottom line.

In the interviews we also learned how companies negotiate prices with customers for big or extraordinary orders. A manager reported,

> Last year we had to bit for a huge order. In such a situation the project review process starts immediately and the CEO had to sign our bid. (…) We have a formalized bit delegation in place depending on volumes, risks, and margins. The higher the project volumes and risks, and the lower the project margins, the higher the position of the person signing the bid.

An interesting situation between sales and finance occurs when products have to be sold, that are already close to their expiry date. A Head of Sales of a FMCG company reported,

> For example a product that normally sells for 10 francs, might be sold for only 5 francs when it's close to expiry. (…) This is a typical situation where finance simply has to trust sales that the 5 francs are the maximum sales can reach in the market. If the relationship between sales and finance is not based on trust finance will say: 'No, try harder, we will not sell it under 6 francs.' Then sales is blocked by finance.

When companies have different business units, centralized management accounting on country level is rather involved in terms and conditions than in actual pricing, which is done mostly in the business units. A Head of Management Accounting on division level of an industrial firm said,

> The whole sales process happens to 90% without finance. Finance doesn't interfere here actually. It's a sales organization, sales has to know what it can sell. We don't interfere in pricing, we just deliver the financial information. We know our costs. At my hierarchical level there are of course discussions on bigger projects. We have risk review meetings; I am involved there as well. And when I see there is a project with a poor gross margin I would certainly address this issue properly. Please know that we talk about gross margins here that still have to cover our indirect sales and administration costs.

Price Promotions

In the MSF-triangle price promotions that are typically planned and executed by sales are of particular interest. In some companies finance is involved in monitoring the success of price promotions. In those companies finance might even set certain limits for price discounts. Surprisingly, in most companies marketing does not play an important role in price promotions, even though one could argue that aggressive promotions can have negative effects on the brand image. A Senior Sales Manager said,

> Marketing is involved when it comes to determining our price positioning. But they are rather not involved when we decide on specific price changes, discounts, or promotions. This is something sales has to check with finance.

A Head of Sales Management and former Head of Marketing of a FMCG firm reported,

> With regard to price promotions the position of sales is that this is none of marketing's business. Sales would argue promotions are only exceptional situations. Funny enough, the year seems to be full of exceptions. (…) A real risk occurs when sales overdoes it with brand promotions "Take 3 for 2", etc. and the brand cannot increase anymore without promotions.

> (…) Then marketing has to stand up and has to protect the brand. (…) I remember an aggressive price promotion with one of our top brands that was highly successful in terms of volume. Sales was happy, even finance was content, because it was still profitable due to the huge volumes and hence, low indirect costs per item. But the problem with those price promotions is that they put the brand at risk and customers begin to see it as a cheap brand. Then their reference price sinks and they wait for the next promotion.

He added,

> The Managing Director that decided on this promotion was a salesman and I am convinced a true marketing man would never have approved it. (…) It's a classical example of a short-term vs. long-term trade-off. The question is who protects the brand mid-and long-term? (…) The brand manager is often too low in the hierarchy to have enough power. The marketing director often changes every 2 years the company or at least the job. He has often no incentive to protect the brand mid- or long-term. He is not awarded for brand health, but for top line and bottom line. I believe the high fluctuation in senior marketing management is a serious problem for many companies' brands. Then you have all the organizational restructuring on-going. For example I know for sure that in three years I will have a different position in our corporation. This might be different in family-owned companies. There is more continuity and long-term value is more appreciated than short-term profit.

A Head of Marketing of a FMCG company stated,

> In managing promotions properly we have done a huge leap forward last year. With finance we have developed some tools to bring in some efficiency here, which was absolutely necessary. Before, sales had basically a free hand and it was not transparent at all what they did there. (…) It was unbelievable to see what rubbish promotions we did. (…) It's basically an incentive problem. Our sales people are mostly rewarded for top line growth, they sometimes simply don't care about the bottom line impact. (…) We now have a clear promotion strategy, in which all promotions are specified in terms of costs and expected impact on top line and bottom line. When sales wants to do more, they have to get the explicit okay from me.

International Pricing

With regard to international pricing issues, managers told us that prices are much stronger coordinated internationally then a couple of years before. For example, marketing on country level has to coordinate prices stronger with the divisional marketing unit. The countries do not have so many degrees of freedom anymore when it comes to setting prices. First, they do not have much options in sourcing, as sourcing and manufacturing is mostly centralized. Second, countries have to coordinate their prices internally to avoid confused or annoyed customers as a result of international price differences. Third, countries have to deliver the financial performance expected by headquarters.

In international companies we observe that pricing is increasingly discussed on corporate level between sales and finance and also in the corporate top management meetings. For example, there are decisions made within what framework in terms of cost structure, prices, and discounts the countries are allowed to move and what profit contribution is expected from them. This information would be given to the countries not by finance but by the respective Head of International Sales on corporate level. Vertical cross-functional cooperation seldom occurs. A Head of Market Research of a chemical company commented,

> Corporate headquarters have a central role in pricing. We actually have global prices. When prices differ by 8%, goods start to flow internationally. Of course our countries are involved too in pricing but it is tightly controlled by headquarters.

In some companies pricing responsibility has shifted from the country to the corporate level. A Head of Corporate Marketing reported,

> In our company pricing used to be done by the countries till finance initiated an international pricing project. The divisions were involved, corporate marketing was also involved, and we also had external support. (…) Central result of this project was an international price corridor and a pricing guideline that our countries now have to follow. (…) On corporate level we came relatively fast to an agreement. More intense were the discussions with the countries that had to adapt their prices to a higher level. They feared losses in volumes.

To summarize our field experience, the primarily involved MSF-Actors in pricing are Management Accountants, CFO, Head of Sales, Sales Managers, Head of Marketing,

and Product & Brand Managers from all organizational levels. Typically, the respective Product & Brand Managers develop together with Management Accountants pricing proposals which are then reviewed and decided on by CFO, Head of Sales, and Head of Marketing. The Sales Managers negotiate with customers on prices and discounts. Typically, price decisions and negotiations are done on a yearly basis or ad hoc, e.g., when underlying cost parameters change. The intensity and importance of MSF-cooperation in pricing is high.

The MSF-interaction field and decision area "Pricing" is primarily about taking advantage of customers' willingness to pay without putting the customer relationship at risk. To reflect the nature of this challenging and complex MSF-interaction field we propose to label it "Striving for Pricing Excellence". Typically, in the pricing process finance informs marketing and sales about direct cost information on product level and expected margins to cover overhead cost. With this input sales and marketing develop pricing proposals that are intensely discussed in meetings such as the "Pricing committee". MSF-actors strive together to go beyond the traditional cost-plus approach by accounting for customers' actual willingness to pay and competitors' pricing actions. Key pricing decisions are normally a top management issue.

Having answered our third research question which was "What are the key finance-related interaction fields and decision areas in the MSF-triangle?" we now move on by identifying the specific contributions and roles of each actor in the MSF-triangle.

6 Specific Contributions and Roles in the MSF-Triangle

Having explored the eight key interaction fields and decision areas in the MSF-triangle, we will now identify the specific contributions and value added of the marketing, sales, and finance actors in the respective interaction field and decision area. By identifying the specific contributions of each MSF-actor we gain insight into why the specific decision area or interaction field is not performed by a single actor only, i.e., we explain the logic of differentiation in the MSF-triangle. In doing so, we go beyond a descriptive exploration of the MSF-triangle and move towards a normative examination of the MSF-triangle.

It seems worthwhile to elaborate a little more on the difference between a descriptive and a normative research approach. In the foregoing chapters we were following primarily a descriptive research approach by describing the organizational design of the MSF-triangle (chapter 4) and by describing the key interaction fields and decision areas in the MSF-triangle (chapter 5). Basically, what we did was to describe the current state-of-practice with regard to the MSF-triangle in business practice. When we observed differences across companies or across industries, we accounted for them in our descriptions. The key difference to what we do now by following a normative research approach is that we literally go away from what companies are actually doing. We become more abstract. We do not account for any differences in the sample anymore. Instead, we try to learn from the experiences of the leading companies and managers in the MSF-triangle. We very much condense our rich field data in order to develop recommendations or normative statements with regard to what companies should do in the MSF-triangle and we explain why they should do it. The difference between a descriptive and a normative approach is important because we perceive a considerable gap between what companies are currently doing in the MSF-triangle and what they should be doing from an academic management perspective. This academic management perspective builds on the findings from all interviews and takes into account the needs and requirements from marketing, sales, and finance at the same time. In brief, in this chapter we identify the specific contributions and roles marketing, sales, and finance are supposed to make and to play in the MSF-triangle.

6.1 Specific Contributions of Marketing, Sales, and Finance to Each Interaction Field

6.1.1 Plans & Budgets

The explored logic of differentiation or the value added by each MSF-actor in the interaction field and decision area plans & budgets can be described as follows: Finance provides marketing and sales with specific planning & budgeting tools and ensures hence an efficient start of MSF-interactions in this decision area. Those tools also guarantee standardization and comparability among units and subunits. In addition, finance challenges marketing and sales to submit ambitious plans and budgets that are in line with the company's growth and profitability expectations. Specifically, finance forces marketing and sales to think critically over their budgets. In doing so, finance enhances marketing's and sales' cost awareness and cost discipline.

Marketing and sales complement finance's contributions by bringing their in-depth market knowledge to the planning & budgeting process. In doing so, they ensure the market-orientation of plans and budgets. Marketing can assess best the necessity of certain marketing activities or projects and is familiar with the related costs (e.g., cost of outdoor print campaign). In addition, marketing is able to assess the attractiveness of alternative propositions and might be able to focus on the marketing activities with the highest impact when budget cuts are necessary. Marketing champions investments into intangible marketing assets such as brand equity. By doing so, marketing ensures that soft marketing activities to build and sustain marketing assets are not neglected in the plans and budgets.

Sales has first-hand market knowledge through its intensive contacts to customers. Sales brings information on customer needs and customer behavior to the interaction field plans & budgets. Sales has also expert knowledge of the sales channels and knows best what does work and what does not work with them. Sales guarantees that the plans and budgets account for necessities in the market, as for example customer needs and competitors' activities (e.g., their pricing). In addition, sales can provide market-oriented estimates for future sales turnover and customer prices.

6.1.2 Reports & Analyses

The explored logic of differentiation or the value added by each MSF-actor in the interaction field and decision area reporting & controlling can be described as follows: Finance performs reports and analyses efficiently leading to considerable time savings for marketing and sales, respectively. Finance checks the performance as well as the spending behavior of the company's functions and subunits and searches for early warning indicators. Finance provides transparency on costs and cost drivers. Finance also identifies opportunities (primarily for bottom line growth). By identifying and anticipating managerial challenges or possible problems of the future, finance serves as commercial conscience of the company.

Marketing and sales provide the necessary market expertise and detailed knowledge on the underlying activities to understand and interpret the financial figures in the reports and analyses appropriately. Apart from the standard financial reports, marketing and sales can best assess what additional information and what specific management analyses they need from finance. When finance is in charge of performing those analyses, marketing and sales can rely on receiving that information on a continuous basis. When marketing or sales are performing those analyses on their own, there is a risk that analyses are postponed or cancelled due to pressing marketing or sales issues. Marketing and sales can use the provided information to make better decisions (both for top line and bottom line growth).

6.1.3 Cost Optimization

The explored logic of differentiation or value added by each MSF-actor in the interaction field and decision area cost optimization can be described as follows: Finance adds transparency on all company costs and signals need for action when costs are too high. In doing so, finance also increases the cost consciousness of marketing and sales. Marketing ensures that cost cutting needs are balanced with market requirements (e.g., brand image, customer needs, or competitors' activities). In addition, sales gets direct feedback from customers on prices/cost structures and informs finance about possible shortcomings in own cost structure. Sales proposes

specific opportunities to save costs (e.g., low-cost country sourcing, ineffective marketing activities).

6.1.4 Calculations & Investment Management

The explored logic of differentiation or specific value added by each MSF-actor in the interaction field and decision area calculations & investment management can be described as follows: Finance can neutrally assess the costs and risks involved in a project or activity with methodological rigor and greater emotional distance. Finance applies or provides marketing and sales with professional calculation tools to assess marketing and sales options and investment opportunities. Finance ensures the proposals' soundness in terms of methodological rigor and conceptual plausibility. In addition, finance forces marketing and sales to critically think through their proposals before submission (e.g., in terms of expected returns). In doing so, finance hinders that insufficient proposals get on the top management agenda and hence, scarce top management time is saved by finance.

Marketing and sales complement finance's contributions by adding market and product knowledge and bringing creativity and new ideas into the calculations and investment management process. By bringing market knowledge to the decision making process, marketing and sales make sure that the company does not miss important investment opportunities. Marketing and sales feed the calculation models and tools provided by finance with realistic market data and ensure appropriateness of data. Whereas finance and sales are driven strongly by short-term necessities, marketing also worries about long-term issues such as brand image and customer satisfaction. Only by incorporating and balancing those different functional perspectives in investment decisions a company can prevent a marketing underinvestment (or overinvestment) scenario which seems likely when finance or sales are too powerful (weak) in comparison to marketing.

6.1.5 Financial Accounting

The explored logic of differentiation or value added by each MSF-actor in the interaction field and decision area financial accounting can be described as follows: Finance brings in crucial financial accounting expertise and is familiar with related implementation issues. However, finance cannot ensure company compliance with financial accounting standards alone as some accounting tasks must be executed by marketing and sales (e.g., bill checking at the point of transaction, etc.). Hence, marketing and sales have to actively support finance in financial accounting by strictly following the rules provided by finance in daily business.

Furthermore, finance ensures tax expense minimization for the corporation. When intercompany activities of marketing or sales (e.g., between corporate marketing and sales companies in the countries) are properly set up and coordinated with finance, considerable process efficiency gains can be reached. Marketing and sales ensure that internal accounting decisions (e.g., inter-company prices) are not in conflict with their own objectives and market necessities. Specifically, the participation of all MSF-actors in this process helps to avoid that endeavors to minimize tax expenses collide with market necessities or set wrong incentives.

With regard to investor relations, finance manages the company’s external financial communication to meet the investor community’s information needs (e.g., by provided financial reports, ad hoc information, road shows, etc.). In addition, finance ensures that the company’s financial communication is compliant with international accounting standards. Marketing ensures that not more competitive information than absolutely necessary is disclosed. Sales provides the forecasts for revenues, which might be difficult to estimate for a finance actor that has no direct market contact.

6.1.6 Debtor Management

The explored logic of differentiation in the interaction field and decision area debtor management can be described as follows: Finance checks the company's accounts receivable status continuously. In doing so, finance identifies debtor issues early and systematically which is not truly guaranteed when this is performed by marketing or

sales. Clearly, separating the dunning process in the MSF-triangle ensures a cross-functional check & balance.

In addition, from a customer viewpoint it might be worthwhile to note that money issues are a very sensitive area. Hence, a customer might highly appreciate to get the reminder from the familiar sales person and not a firm letter from an unknown finance person, who might lack important information on the underlying issue (e.g., personal agreements, project details, etc.).

6.1.7 Compliance & Risk Management

The explored logic of differentiation in the interaction field and decision area compliance & risk management can be described as follows: Finance ensures that risk and compliance issues are not neglected in daily business. Finance is experienced in risk management and can help marketing and sales to manage their specific risks. Finance ensures that projects with high risks are not accepted. For example, finance ensures that sales does not offer guarantees to customers that could cost the company dearly. Finance is dependent on marketing and sales with regard to risk identification, i.e., without marketing and sales risk screening would not be sufficient.

6.1.8 Pricing

The explored logic of differentiation in the interaction field and decision area pricing can be described as follows: Finance provides transparency on costs and anticipates the impact of price changes. Finance also controls the success of price promotions and serves as economic conscience of the company. Marketing determines the price positioning of the company's brands. Marketing also thinks of sustaining brand health and protects the brand(s) mid- and long-term (e.g., from excessive price promotions). Sales guarantees that the company takes advantage of market opportunities and that company prices don't go beyond customers' willingness to pay.

We have summarized our key findings on the value added by and contribution of each MSF-actor to the various interaction fields and decision areas in Table 10.

6.2 The Role of Marketing, Sales, and Finance in the MSF-Triangle

Moving from an interaction field specific perspective to a more generic perspective on the MSF-triangle, we will now discuss what role each function should play in the MSF-triangle according to our responding managers.

Role of Finance in the MSF-Triangle

According to respondents, an important part of finance's role in the MSF-triangle is to support marketing and sales with tools, methods, and know how to perform tasks more effectively and efficiently (e.g., analyses or reporting tasks). Through the provision and standardization of policies and tools finance ensures company wide compliance and comparability (e.g., with regard to plans or budgets). Finance is in charge of providing far reaching transparency with regard to performance, cost, and risk issues (ongoing ex post monitoring). According to managers, finance should also support marketing and sales in managing their functional performance, costs, and risks (ongoing ex post monitoring and ex ante decision support).

In addition, finance is expected to consult top management ("souffleur" of top management) as well as marketing and sales on performance assessment and decision making. Finance serves as a business partner, consultant, and sparring partner in the decision making process. By pre-approving and performing first checks, finance acts as a time saver for the CEO and top management. Finance might even be interpreted as eyes, ears, and mouth of the CEO and top management.

Another important role destined to finance is to ensure that marketing and sales possess a certain cost consciousness and cost discipline. Finance makes an important contribution in challenging the plans and budgets that are submitted by marketing and sales. Specifically, finance adds value to the MSF-triangle by challenging marketing and sales spending, price levels, inventory levels, or payment terms. It also challenges the underlying assumptions and impact estimates of investments into brands or customers. By demanding a positive ROI, quick paybacks, and price enhancements, finance serves as the commercial conscience of the firm.

	Finance	Marketing	Sales
Plans & Budgets	Finance ensures process efficiency and the comparability of planning & budgeting information among units and subunits. Finance also forces marketing and sales to think critically over their budgets and therefore enhances marketing's and sales' cost discipline.	Marketing can assess best the necessity of certain marketing activities or projects and is familiar with the related costs. In addition, marketing is able to assess the attractiveness of alternative propositions and might be able to focus on the marketing activities with the highest impact when budgets cuts are necessary. Marketing champions investments into intangible marketing assets such as brand equity.	Sales' contributes its intensive customer contacts and expert knowledge of the sales channels. Specifically, sales brings in first-hand information on customer needs and competitors' activities (e.g., their pricing). As a result, marketing and sales ensure the market-orientation of the planning & budgeting process.
Reports & Analyses	Finance provides reports in an efficient way and checks performance and spending behavior of the functions and subunits. It also serves as commercial conscience of the firm and as early warning indicator by identifying and anticipating managerial challenges or possible problems. Finance provides transparency on costs and cost drivers. Finance performs analyses efficiently leading to considerable money savings for the company and time savings for marketing and sales, respectively. Finance also identifies opportunities (primarily for bottom line growth). Another advantage of having finance performing analyses is that marketing and sales get information regularly (no analysis is postponed or cancelled due to pressing marketing or sales issues).	Marketing and sales provide the necessary market expertise and detailed knowledge on the underlying activities to understand and interpret reported figures appropriately. Marketing and sales can best asses what information and what specific analyses they need from finance. Marketing and sales can use the provided information to make better decisions (both for top line and bottom line growth).	
Cost Optimization	Finance adds transparency on all company costs and signals need for action when costs are too high. Finance also increases cost consciousness of marketing and sales.	Marketing ensures that cost cutting needs are balanced with market requirements (e.g., brand image, customer needs, and competitors' activities).	Sales gets direct feedback on prices/cost structures and informs finance about possible shortcomings in own cost structure. Sales proposes specific opportunities to save costs (e.g., low-cost country sourcing, ineffective marketing activities).
Calculations & Investment Management	Finance can neutrally assess the costs and risks involved with rigor and emotional distance. Finance provides professional tools to assess marketing and sales management options and investment proposals and ensures their soundness in terms of methodological rigor and conceptual plausibility. Finance forces marketing and sales to critically think through their proposals before submission (e.g., in terms of expected returns). Finance hinders that insufficient proposals get on the top management agenda and hence, scarce top management time is saved by finance.	Marketing and sales add market and product knowledge and bring in creativity and new ideas. Marketing and sales make sure that the company does not miss important investment opportunities by bringing crucial market knowledge to the investment decision making process. Marketing and sales feed the models and tools provided by finance with realistic market data and ensure appropriateness of data. Whereas finance and sales are driven strongly by short-term necessities, marketing also worries about long-term issues such as brand image and customer satisfaction. Only by incorporating and balancing those different functional perspectives in investment decisions a company can prevent a marketing underinvestment (or overinvestment) scenario which seems likely when finance or sales are too powerful (weak) in comparison to marketing.	

	Finance	Marketing	Sales
Financial Accounting	Finance brings in complex financial accounting expertise and is familiar with related implementation issues. With regard to investor relations, finance ensures that investor community information needs are met (e.g., by providing financial reports, ad hoc information, road shows, etc.). In addition, with regard to internal accounting issues, finance ensures tax expense minimization for the corporation. When intercompany activities of marketing or sales (e.g., between corporate marketing and sales companies in the countries) are properly set up and coordinated with finance, considerable process efficiency gains can be reached.	Finance cannot ensure company wide fulfillment of accounting standards alone as some accounting tasks have to be executed by marketing and sales (e.g., bill checking at the point of transaction, etc.). Hence, marketing and sales have to actively support finance in financial accounting in daily business by strictly following the rules provided by finance. Marketing ensures that not more competitive information than absolutely necessary is disclosed. Sales provides the forecasts for revenues, which might be difficult to estimate for a finance actor that has no direct market contact. Marketing and sales ensure that internal accounting decisions (e.g., inter-company prices) are not in conflict with own objectives or market necessities. Differentiation in the MSF-triangle helps to avoid that endeavors to minimize tax expenses collide with market necessities or set wrong incentives.	
Debtor Management	Finance checks the accounts receivable status continuously. In doing so, finance identifies debtor issues early and systematically which is not truly guaranteed when this is performed by marketing or sales. Separating the dunning process in the MSF-triangle leads to better check & balance.	As money issues are a very sensitive area, a customer might highly appreciate to get the reminder from the familiar sales (or marketing) person and not a firm letter from an unknown finance person, who might also lack important information on the underlying issue (e.g., personal agreements, project details, etc.).	
Compliance & Risk Management	Finance ensures that compliance and risk issues are not neglected in daily business. Finance is experienced in risk management and can help marketing and sales to manage their specific risks. Finance ensures that projects with high risks are not accepted. For example, finance ensures that sales does not offer guarantees to customers that could cost the company dearly.	Finance is dependent on marketing and sales with regard to compliance and with regard to risk identification through proper risk screening.	
Pricing	Finance provides transparency on product costs and anticipates the impact of price changes. Finance champions price enhancements and monitors the success of promotions. In doing so, finance serves as economic conscience of the firm.	Marketing determines price positioning and protects the brand mid- and long-term (e.g., from excessive price promotions).	Sales ensures that the company takes advantage of market opportunities and that own prices do not go beyond customers' willingness to pay.

Table 8: Value Added by Each Actor in the MSF-Triangle

Role of Marketing in the MSF-Triangle

Our respondents emphasized that it is imperative for marketing to proactively justify marketing spending and investments ex ante and ex post of specific marketing activities. As an example, marketing justifies media spending to build and sustain a certain brand image before the campaign by preparing a business case. In the MSF-triangle, marketing explains deviations in expected performance or costs and proposes specific improvement actions.

In addition, marketing anticipates market developments such as threats or risks and ensures that entrepreneurial market opportunities are seized. Marketing challenges financial bureaucracy and critically assesses the impact of company actions on marketing strategy, customer attitudes, and customer behavior. For example, marketing protects the brand from excessive price promotions. In addition, marketing proposes specific improvement actions and makes an important contribution in pricing by balancing capital market requirements (e.g., high margins) and customer market requirements (e.g., price satisfaction).

Role of Sales in the MSF-Triangle

According to our respondents, one component of sales' role in the MSF-triangle is to justify its spending and investments (e.g., into customer relationships). Sales is also expected to explain salient performance and cost developments. Sales adds value to the MSF-triangle in forecasting market data and market developments. In addition, sales ensures that entrepreneurial market opportunities are seized and that threats and risks are identified as early as possible.

Sales provides crucial customer feedback on the competitiveness of own products, services, prices, and financing options. Also, sales has an important role in challenging financial bureaucracy, marketing spending, product costs, and the company's cost allocation system. Sales critically assesses the impact of the company's actions on customer satisfaction and customer behavior. Finally, sales champions competitive prices, payment terms and conditions, and price promotions to generate sales revenues for the company.

We have summarized our key findings with regard to each actor's role in the MSF-triangle in Figure 15.

Having answered our fourth research question which was "What are the individual contributions of marketing, sales, and finance actors to the various interaction fields and decision areas in the MSF-triangle and what specific role does each MSF-actor play in the MSF-triangle?" we now move on by exploring and describing the key managerial challenges in the MSF-triangle.

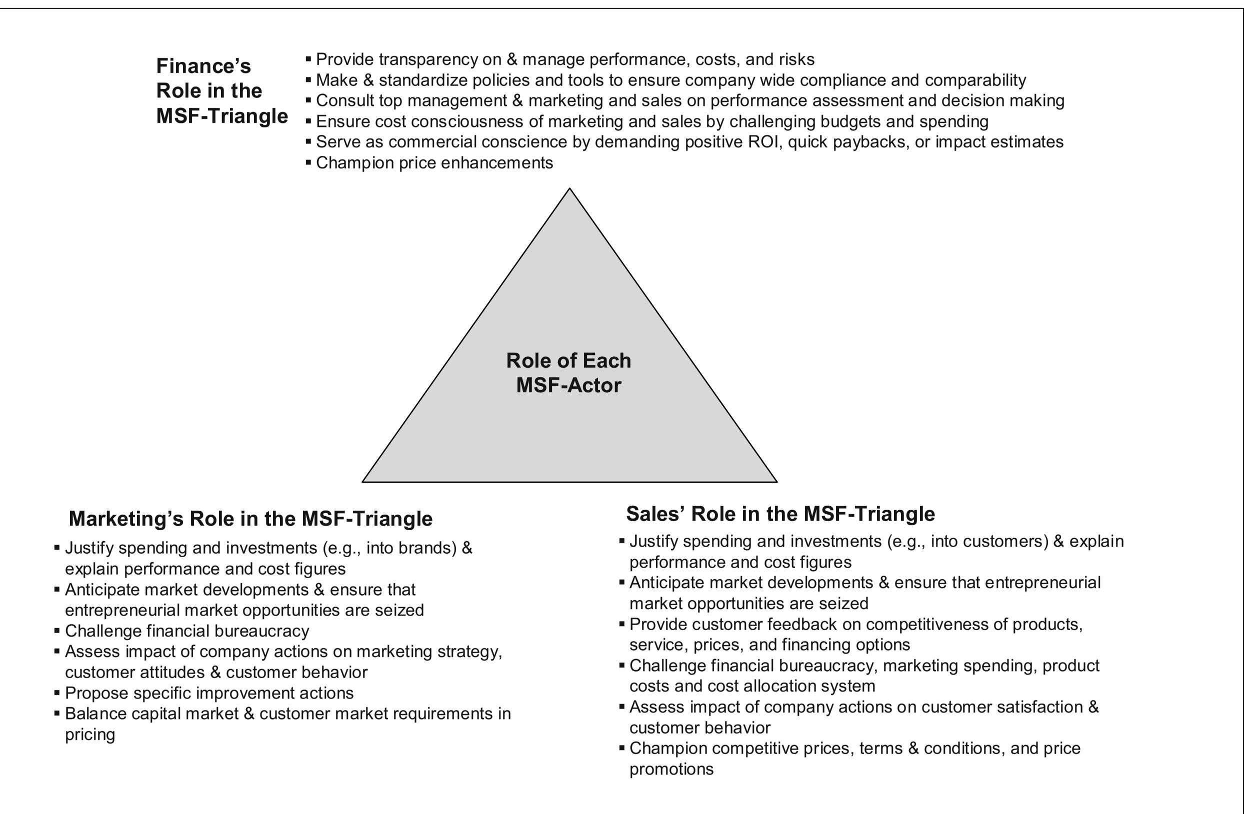

Figure 15: The Role of Each Actor in the Marketing-Sales-Finance Triangle

7 Key Managerial Challenges in the MSF-Triangle

We asked our informants to tell us what managerial challenges they perceive to exist with regard to cooperation between marketing, sales, and finance. In doing so, we quickly learned that the MSF-triangle is perceived by managers to be full of different managerial challenges. To structure the enormous amount of field data, we assigned the various specific challenges that were mentioned and explained by managers to a limited number of broader categories of challenges. After various analysis steps and feedback loops within the research team we were able to identify five key managerial challenges in the MSF-triangle as perceived by managers from marketing, sales, and finance. The five key challenges we explored in our interviews are displayed in Figure 16:

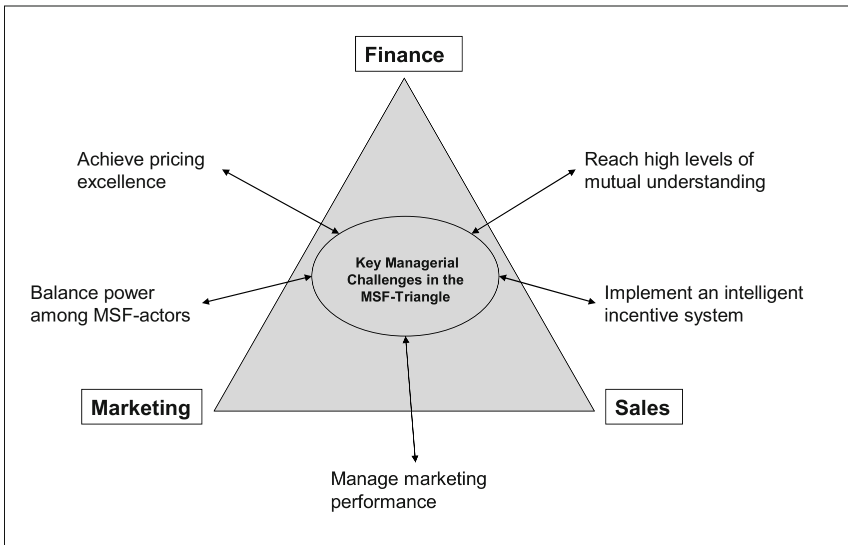

Figure 16: The Key Managerial Challenges in the MSF-Triangle

7.1 Reach High Levels of Mutual Understanding

To find out whether classical stereotypes and clichés are still prevalent in current practice or not, we asked managers to think of a specific situation in which different perspectives among marketing, sales, and finance actors or a lack of mutual

understanding became apparent. The answers of our informants were highly interesting and are hence cited subsequently at considerable length. We first report more general perceptions of the interviewed managers on marketing, sales, and finance before we report more specific views on marketing, sales, or finance.

A corporate secretary and Head of Corporate Communications of an industrial firm said,

> The classical cliché is that finance thinks sales wants to boost top line at any cost to ensure they get their bonus. And the sales people think, 'Never ask a finance man or you can forget the deal right away'. Actually this cliché is not that far from business reality. I have often observed that sales is too bullish, and fails to involve finance strong enough in important decisions.

A Head of Marketing of an F&B consumer goods company reported,

> The biggest challenge is that we live in different worlds. Finance has a well structured day and standard procedures that are repeated week by week, month by month, or year by year. In contrast, marketing lives on a day-to-day basis. We also plan our day but you can be sure that some ad hoc issues come up that need to be taken care of first. Then it's not possible to keep the deadlines for reporting which finance sets.

A Corporate Controller of an industrial firm told us,

> For us it's crucial that the information fits into our framework that we can maintain our structure. Otherwise we simply cannot consolidate information. Marketing and sales have a different approach. They often come up with short-term changes and don't care about comparability and consolidation issues.

A CFO of an industrial firm reported,

> Of course you have to seed first…in finance, however, we would sometimes prefer to reap first.

A Marketing Accountant of an international consumer goods firm said,

> The typical management accountant is a very structured, very number oriented, and analytical thinker. He works with Excel. In contrast, the communications people are creative, very open in general, and they work with PowerPoint. It's a true challenge to fill this gap.

The CEO of a non-food retailer commented,

> Marketing thinks in opportunities, finance thinks only partly in opportunities, finance thinks very strongly in risks.

How Managers Perceive Marketing

A Head of Division Marketing of a consumer goods company said,

> Frankly speaking our people in marketing communications have only a faint idea of management accounting and figures in general. They know how to make terrific visuals but I am not sure whether they could prepare a simple Excel sheet.

A CFO of a financial services firm reported,

> It takes only three things to make our marketing people happy: Awesome products, colorful brochures, and good events. (…) Marketing never gets in touch with customers. They say, 'That's sales' job', which is of course the wrong attitude.

A CFO of an international retailer reported,

> Marketing people often try to cheat a little bit in their business plans…for example, it is not uncommon that they pretend to break even in the first year… It took ages till they understood that their proposals don't have to yield a positive return already in the first year.

A Corporate Controller of a consumer goods company said,

> We are driven by hard facts, marketing is driven by soft facts…it always takes a while till we find a common understanding.

A Head of Management Accounting of a transportation firm told us,

> With regard to the marketing people you have to be extremely careful as a Head of Management Accounting. Specifically, marketing budget and cost management issues need our continuous attention or you will experience surprising developments.

How Managers Perceive Sales

A Corporate Secretary and Head of Corporate Communications of an industrial firm reported,

> It's of crucial importance to note meticulously what specifically has been agreed on together with the customer. But our sales people tend to neglect that, they have lunch with the customer, come to an agreement by handshake and a bottle of wine and then forget to make a proper contract. After a while nobody knows exactly what has been agreed on. (…) Another problem we have had with sales people is that they forget to include some costs into customer offers or they simply forget to write a bill. (…) Sales people are often remarkably generous when it comes to spending the company's money. Partly, we are not even able to track their spending properly.

A Head of Corporate Development of an insurance firm said,

> The classical conflict with sales is that they want to spend much more money than they actually get.

A Head of Marketing of a retailing company reported,

> Our sales people are a special breed of people. For example, three hours after we had started our new outdoor print campaign, I got a call from a store manager asking me, 'Why hasn't anybody come to the stores yet?'

A Head of Marketing of an insurance firm told us,

> As a marketing man you should watch not to be too sophisticated when it comes to cooperating with sales. Sales does not appreciate much any sophisticated brand concepts or marketing strategies. They basically want to have down-to-earth promotion material they can immediately apply in the market. (…) We involve sales very strongly in our ideas and ask them what specifically they need to be more successful. But frankly speaking, from a conceptual point of view it's very disappointing what we then get as a feedback from sales. They don't seem to know what works in the market either.

A Head of Marketing of an international Swiss bank said,

> Sales people are usually not very strategic in their thinking. As an example, they ask us to prepare a brochure as soon as possible. But when we want to know the specific purpose of it we quite often realize that sales has not thought about this yet.

A Head of Marketing & Sales of a FMCG firm reported,

> The classical sales man talks with customers and prospects too much about prices, terms, and conditions instead of talking about customer value added and common growth opportunities. And then they wonder why the customer puts pressure on the prices.

A Head of Marketing of an industrial firm said,

> Sales is only interested in marketing material that is applicable easily during customer visits.

A CFO of a FMCG firm stated,

> Sales once had a serious top line problem. In this situation they did not hesitate to give our products away at prices that were far from common sense.

A CFO of a financial services firm reported,

> Sales is always complaining that prices are too high…In fact, I never heard a sales man saying, 'I could easily charge the customer 20% more.' Instead they always say, 'It's extremely difficult, you know, the competition is extremely tough.' (…) We have legal units in our corporation that are headed by former sales managers. With those guys you have to be careful as a CFO. They may lose money somewhere without noticing it.

A CFO of a bank said,

> With regard to accepting risks our sales people are sometimes too aggressive.

A CFO of small-sized FMCG firm reported,

> Our sales people would sell our products even at prices which are far from covering the company's full cost.

A CFO of a utility firm stated,

> Our sales team is partly too committed to fulfill each and every desire of the customer. What we miss is that they balance customer needs with their own company's interests.

A CFO of another utility firm said,

> If our sales people would have full decision power in pricing, we would have far too low prices.

A CFO of an international consumer electronics company reported,

> Marketing prefers to take time to properly check the consequences of a decision. In contrast, sales is strongly driven by the next deal…for them everything takes too long…for example they would pressure marketing by claiming that the customer needs our decision within the next 24 hours or the deal is gone.

A Division Head of Management Accounting of an industrial firm told us,

> With sales we always have the same discussions. They say, 'There is huge pressure on margins due to extremely tough competition, I can not sell as much I had planned to…I also need more people.' It's always the same. (…) Funny enough the Forecast I get from the sales people is always a couple of millions higher than the Actual we have to experience later on. Keeping that in mind I now always discount their forecast to make it realistic.

How Managers Perceive Finance

A Corporate Secretary and Head of Corporate Communications of an industrial firm reported,

> Finance people are reluctant to go to the front. They rather stay in the background and close the door of their office. For me they are simply not active enough.

A Head of Corporate Development of an insurance firm told us,

> Clearly, the CFO sets the focus on profits.

A Head of Marketing of a bank said,

> The classical type of the finance people is the bookkeeper type. He checks whether the booking is done correctly, whether the budget is kept, but he never looks at the effectiveness, he never checks whether we actually do the right things.

A Head of Marketing & Sales of a FMCG firm stated,

> Accountants often live in their own world, a world of figures. It's a challenge to get them to be more dynamic, more responsible for the business…as an accountant it's very easy to say, 'It's obvious, it's not profitable'. But it's a different story to give us valuable input into how we can make it profitable.

A Head of Marketing and Head of Business Unit of a well-known FMCG company reported,

> A CEO with a finance background is much more bottom line oriented…often he lacks the outside-view. Most of them don't make it from the spreadsheet-optimizer type to the true business man. Funny enough, two years with a finance oriented CEO works perfectly because in every company you find potentials and reserves you can squeeze out short-term, especially in the big companies. However, long-term he is not likely to be successful because he simply lacks the market insight…he lacks the understanding that it's not the Excel sheets that drive the company but the customers who decide about the company's success.

He adds,

> Finance would always focus on the paybacks. Finance would prefer the option that offers the quickest payback. (…) The classical finance people are like pocket calculators, they help to calculate something and that's it.

A Head of Business Support & Market Research of a chemical firm said,

> We now have a good mix of people in finance. But the classical accountant sees nothing but figures. He does all the analyses meticulously, all looks spotless, but he is a pain in the neck, because he doesn't understand the business.

A Head of Market Research of an insurance company reported,

> I know quite a number of our accountants in this company. It's a special breed of people…very detail oriented…loving their figures.

A Senior Marketing Manager of a global consumer goods company told us,

> Accountants have to live with the cliché that they love to have a say in decisions, but never want to bear the responsibility.

A Head of Marketing and at the same time Head of Business Unit of a FMCG company said,

> Our accountants would never come up with ideas that help to grow our business. Nor would they see market opportunities. They only look at current business and focus on bottom line optimizations.

A marketing accountant of a global consumer goods company reported,

> I experience that our communications people are almost scared of accountants, "The guy that cuts my budget." Sometimes they also try to cheat a little with budgets. For example, they try to smooth costs of different sub budgets.

A CFO of a pharmaceutical firm reported,

> As a CFO you are seen like a super bookkeeper who is supposed to stand behind his PC and to do accounting and produce listings at the end of the month.

A CFO of an industrial firm told us,

> I strongly believe we finance people can learn a lot from sales and marketing with respect to successfully sell something. For example, with regard to the capital market finance's role is actually not that different…we have to market and sell the company's financial performance to shareholders, analysts, and banks.

A Head of Financial Accounting of an international retail company reported,

> I have to admit, in finance we set our focus clearly on the hard facts…and it's hence sometimes difficult to discuss soft facts like image values with us.

The foregoing statements show in an impressive way how strong marketing, sales, and finance differ in their attitude, personality, focus, and goal orientation. Against this backdrop it is not surprising that many managers told us that they face considerable difficulties in reaching a good mutual understanding between marketing, sales, and finance. As a consequence the first key managerial challenge we identify in the MSF-triangle is to reach high levels of mutual understanding among marketing, sales, and finance actors. A high level of mutual understanding among the actors in the MSF-Triangle was seen as extremely important by our informants. As an example, a Country Head of Sales of an industrial firm said,

> It's important to understand why the other person places so much weight on certain things. It's dangerous when a sales man thinks, 'Our management accountants don't have a clue…they prevent us from selling successfully.' On the other hand it's also bad when finance thinks that sales would sell anything no matter what the risks are. Those clichés are detrimental to a fruitful cooperation.

In the interviews we learned how important an organization culture is that promotes cross-functional cooperation, openness, and transparency. Such a culture helps to fight stereotypes and clichés in the MSF-triangle and can hence be regarded as a key lever to improve mutual understanding in the MSF-triangle.

Interestingly, the interviewed sales managers and marketing managers regarded the limited market knowledge and marketing understanding of finance as a key problem. A Sales Manager of a FMCG company said,

> It's not good when finance doesn't know the market…doesn't know the business and is not aware of the dynamics that exist in the business. Then they propose things that are simply unrealistic. But when finance knows business reality, it's much easier to work with them. Then it's often a very fruitful collaboration.

A Marketing manager of a Telco said,

> The challenge that we face is that our management accountants only deliver the figures. But they lack the capability to be true sparring partners. They are simply not on a par with us when it comes to business sense for decision making.

A Country Head of Brand Management of a Swiss bank reported,

> For me the biggest challenge is the lack of marketing understanding our management accountants have. Don't get me wrong, we have terrific people in those positions. But often they don't understand the market, they only see figures. Yesterday, for example, I got a call from the management accountant 'We have to find 1.6 million francs in marketing. You still have money. Can you give it back? You have 30 minutes time to give me an answer.' Peng! I mean, that's definitely not the way we should work together…

A marketing manager of a CG company said,

> Our accountants have a huge handicap. First, they see too many numbers. Second, they see only the numbers. (…) I appreciate what accountants do for supporting us but the possibility that one day an accountant could lead this company truly scares me.

A Head of Marketing of an insurance company stated,

> Working with management accounting is challenging. They simply lack the understanding that not everything in marketing can be proved in figures. All the time they want us to show our contribution. But when we try to deliver specific metrics, finance is always very skeptical. They don't believe our data and point to other influencing factors. (…) And on top management level it's quite the same.

Another interesting challenge that managers in the MSF-triangle face is that numbers can be "wrong". Those numbers are not wrong in the usual sense. But numbers considered alone can be misleading, i.e., numbers very often need interpretation for proper understanding. In this context a Head of Marketing of a conglomerate's retailing division said,

> Considering numbers alone is dangerous…for example, a product with a negative bottom line…as a management accountant I would say: 'Cancel the product, we lose money with it.' But from a market point of view it can happen that you need this product in your portfolio to stay credible from a customer's perspective.

A Head of Marketing of a Telco reported,

> The key challenge is that both parties act under the same understanding. This is sometimes something we have to struggle quite a bit. For example, sometimes you have to launch a product because you need to stay competitive in the perception of the market. But if you assess that product by itself, the profitability of that product might not be at a level which is expected by the finance department. (…) And those types of discussions are challenges.

A CFO of an industrial firm said,

> The problem is our current cost system is not able to account for the batch size. But the batch size does of course have an impact on the costs. So we often have discussions with sales on this issue. (…) So in the direct costing analysis the customer with a big batch size looks worse than he actually is.

A Head of Sales of a FMCG company called our attention to an interesting point,

> I have made the experience that once you are capable as a sales person or as a marketing person to truly understand and interpret the financial figures that finance delivers you all the time, you gain incredibly respect and credit. Suddenly you are a much more credible partner for finance, much more appreciated. And this pays off later on when you have to convince finance about soft facts…for example, they will then simply trust you when you say, this is a great project or this is the maximal price we can achieve with this customer.

Managers also reported that it's a challenge to ensure proper levels of internal information flows and cross-functional communication in the dynamics of daily business. A management accountant reported,

> The key challenge for me is to get the necessary information and to get the information in time. (…) It's also a problem that I am not eligible for participating in our Euro-Meeting with our top sales and marketing manager from all countries. I only get the minutes. But in the minutes there is much room for interpretation. And sometimes I can not reconstruct or follow why a certain decision was made that might have central consequences.

A Country CFO of a FMCG company told us,

> Quite challenging is to keep everybody in the organization well informed… For example, in the budget process we might have failed to communicate some important details properly within the organization or some decision makers felt they we were not informed by us in time…I had to learn that internal communication, i.e., informing on and explaining decisions as well as coordinating them is one of the key challenges of a CFO.

To coordinate decisions across functions is a challenge. Another challenge refers to communication across organizational levels within a specific function. For example, many managers said that decisions made on corporate level are not seldom poorly communicated to the business units or countries. We also learned in the interviews that having the different functions in the same building or even on the same floor makes it much easier to exchange information and to have informal contact in daily business. In addition, people can meet each other and speak face-to-face. A management accountant of an industrial firm said,

> The problem we have is that sales doesn't know much about us and we don't know much about them. Since they are placed in a different part of the building, we have even less informal contact.

Head of Sales of a bank reported,

> The spatial distance we now have between marketing and sales has worsened cooperation. It's only 500 meters, but it's simply too far in daily business for informal talks.

Interestingly, we observe that in big corporations marketing's offices are often closer to the finance function than to the sales function which is often very decentralized in the regions. In addition, we learned that the smaller the company the less the spatial distance in the MSF-triangle. In contrast, international companies do not only face spatial distance but also cultural distance and language barriers.

A management accountant of an industrial firm reported,

> Before we were placed close to sales and now that we are in that building here I find it's more difficult to have informal contact. You simply don't go to the sales people at half past nine for a coffee to ask for the news. You could or you should do it, but normally you don't actually do it. Before, it was better…

A management accountant of a CG company in charge of marketing accounting stated,

> Marketing and communications are in another building. They cannot simply drop by and ask for the numbers. They have to write me an e-mail which immediately makes it formal request.

A CFO of a FMCG company said,

> I believe informal aspects are very important. When you wait for the formal meetings, you are simply too late and you cannot speak frankly as other people are present in those formal meetings as well. Mostly, before we go into those meetings we have already discussed key issues one-on-one.

A Head of Sales told us,

> People make the difference. It's often not a lack of motivation or that processes are poorly designed. My experience is it's often the people that make it or break it.

In order to increase mutual understanding and facilitate information flows in the MSF-triangle some companies have established a finance oriented liaison position in sales and marketing. A Management Accountant that serves as liaison person between finance and marketing reported,

> For example, sometimes top management wants us to cut budgets. What is most important then is to go personally to the people and to discuss those issues with them face-to-face. The worst is to simply cut costs with the 'lawnmower method'. Certainly it would save me a lot of time, but I would destroy the trust which we have built up together. In addition, due to personal talks with the marketing people I am much more familiar with their actual needs and can hence act as their ally in finance meetings when cost cutting possibilities are discussed. It simply has more credibility and acceptance when I am able to say: 'I have gone through all budget positions together with the marketing people over and over again. We can save here and there, but then there is simply no room for further cuts'.

A CFO of a consumer electronics company reported on the consequences of having a finance oriented liaison person between marketing and sales,

> At this interface we reach a higher transparency with that person and also we have an intermediary who can balance the different interests and reduce emotional levels.

The interviewed managers pointed to the problem that the career opportunities in the liaison position are very limited. Accountants that want to promote their career have to change the position after a while. In addition, we learned in the interviews that the relatively low hierarchical level of finance oriented liaison positions has some important drawbacks. Many marketing and sales managers told us they lack a sparring partner in finance with whom they are on a par with. A marketing accountant reported,

> I am often in discussions with the various VPs and Heads who of course have a lot of influence in this company which doesn't make it easier for me…To state an example, I was extremely under fire when I discussed with them our a new planning tool. The senior managers were very critical and said, 'Where is the value-added of this detailed information?' I explained that we need this information for ensuring company wide comparability. Nevertheless I did not manage to get their okay. We had to schedule another meeting with my boss to get them aboard. My boss just said, 'We need this information. Full Stop!'

As a result of the foregoing pages it has become clear that a good mutual understanding of marketing, sales, and finance people is the fundament for effective and efficient cooperation in the MSF-triangle. From a managerial perspective it is hence critical to know what can be done to increase the level of mutual understanding in the MSF-triangle. On the basis of our field experience we propose the following actions to reach high levels of mutual understanding in the MSF-triangle:

- Ensure proper top management commitment with regard to cross-functional cooperation in the MSF-triangle:
  - Top management (i.e., CEO, CFO, Head of Marketing, and Head of Sales) should act as a role model in the MSF-triangle.
  - Top management should stress the importance of cross-functional coordination in the MSF-triangle for reaching organizational goals.
  - Top management should reward champions of MSF-cooperation and communicate related internal best practices and success stories in the MSF-triangle.
  - Top management should provide the resources that are necessary for MSF-cooperation (e.g., human resources, financial resources).
- Ensure that marketing and finance people get regularly in direct customer contact (e.g., organize joint customer visits with sales).
- Train your finance people in marketing and sales themes (e.g., customer behavior, brand management, customer management).
- Train your sales people in marketing and finance themes (e.g., strategic marketing, customer behavior, brand management, cost management, financial analysis tools).
- Train your marketing in sales and finance themes (personal selling, sales management, cost management, financial analysis tools).
- Involve other functions in the MSF-triangle as soon as possible in projects or important decisions instead of just informing them ex post.
- Dedicate enough time resources to cross-functional interactions in the MSF-triangle.
- Reduce spatial distance in the MSF-triangle, i.e., locate marketing, sales, and finance as close as possible.
- Reduce personal distance among marketing, sales, and finance actors (e.g., organize get-together-events, joint trainings, joint coffee and lunch breaks, etc.).
- Introduce a finance oriented liaison position in the MSF-triangle and place this person in marketing and sales but let the person report to finance.
- Strengthen the idea of internal customer orientation in the MSF-triangle.
- Formalize specific interactions in the MSF-triangle to clarify accountability and to gain speed.

- Establish a job rotation procedure in the MSF-Triangle for newly recruited employees in marketing, sales, or finance.
- Personnel selection: Choose team players with social competence.
- Do not promote MSF-people that are not willing to cooperate cross-functionally or are choleric (as a last option you might even consider to lay those people off).

7.2 Implement an Intelligent Incentive System

In the interviews we learned how strongly managers are driven by the bonus payments they get for reaching specific objectives. Not reaching the agreed objectives results in considerable bonus payment losses for the respective managers. Interestingly, many managers reported that their incentive system had been leading to some problems with regard to cross-functional cooperation in the MSF-triangle. The second key managerial challenge we were able to identify through our field experience is hence to implement an intelligent incentive system in the MSF-triangle. As an example, a Head of Brand Management of a Swiss bank reported,

> Incentives are the biggest 'killer' we have with regard to implementing our long-term brand strategy. The problem is, when the regions don't support our brand activities, nothing happens to them, they simply save money. Especially in times when business results are somewhat sloppy, we observe that the regions' Business Heads cut marketing spending to improve short-term results and save their year-end bonus. (…) But central marketing alone cannot build up and maintain our brand. We need the support of the regions' business people.

The manager added,

> What we are currently doing to address this problem, is to offer the regions that do not cut their marketing spending extra cash for support activities that are related to our central brand campaign. But, clearly, we cannot always do this.

Managers perceived it as a key managerial challenge to create and implement an incentive system that does not lead to contradicting functional objectives, i.e., pursuing of functional objectives that undermines other function's objectives, and which is hence not in the best interest of the whole organization. Typical examples mentioned by managers of contradicting objectives in the MSF-triangle are trade-offs between top

line vs. bottom line objectives, short-term vs. long-term objectives or internal transfer price issues.

To streamline functional objectives with organizational goals, managers reported to have limited the partition of purely functional objectives and to have introduced or strengthened the partition of objectives that are tied to the organization's overall financial performance and long-term success. A Head of Marketing and Foods Director of a FMCG company on country level reported,

> The incentive structure we now have in place is much more related to our organization as a whole than to specific functions. (…) and it works surprisingly well…even on the somewhat lower hierarchical levels that have actually less influence on the organization's overall performance. I believe the reason why it works is that our people understand that there are only two scenarios. The first scenario is we all win together. Then we all get quite a lot of cash because we have interesting bonus structures. The second scenario is nobody gets anything. This means it simply doesn't help to blame e.g., the sales man who 'simply screwed it up again', because I don't get the bonus either. I might say, 'But my product was great, my advertising was excellent, and only his distribution wasn't good'. Yeah, what a pity! The clear message we send here to our people is: We can only win together. You cannot win at the cost of the other.

A Head of Marketing of a Telco said,

> It's crucial that the functions share the same objectives. When you have conflicting objectives, everyone is trying to cure own problems first. Then of course you have conflicts all the time and each function will head in a different direction. (…) The crucial first step is to align functional objectives on top management level. It helps a lot on the working level to have people move into the same direction. (…) For example, only one or two years ago we really had some conflicts between our marketing and sales objectives. Sales focused on customer acquisition… acquisition, acquisition, acquisition at any price. Profitability and customer retention came second for them, at best. Now those conflicts are really over.

Specifically, with regard to the incentives set for the sales function we observe that in many companies a stronger weight is laid on margins and profit contributions instead of solely sales growth. A Head of Management Accounting of an industrial firm commented,

> In recent years we have made important improvements with regard to the incentives we set for our sales managers. The result is that they care much more on our bottom line. But I still see

> some room for improvement, e.g., I think we should weigh the bottom line even stronger against the top line than we already do now.

A CFO on country level of a global consumer electronics firm said,

> Bonus payments are most important to the sales function. Other functions have much higher portions of fixed salaries. So it's no wonder that our sales people are extremely driven by the set incentives. (…) The incentives we set for sales are 70% sales revenues and 30% profits. In marketing it's almost vice versa. (…) A couple of years ago we were by almost 100% focus on sales revenues in sales. Since we have changed the incentives, our last sales man has understood the difference between sales revenues and profits.

A Head of Business Support of a pharmaceutical and chemical company reported,

> All our sales managers have objectives that are related to both sales revenues and profit. Quite a huge amount of the total salary depends on reaching those two objectives. So it's in the very own interest of our sales managers to sell products at the highest prices possible.

A Head of Sales Management of a bank said,

> An issue that we always discuss with finance is what are our key performance indicators and what are solely secondary targets. The problem is the complexity. You might have quite a number of important objectives but you cannot lead a sales force with ten or even fifteen KPIs, it's simply too complex and won't work. My experience is that five metrics plus minus two is realistic.

With regard to internal transfer price issues a Head of Marketing Retailing of a conglomerate said,

> The internal transfer price system we currently have is not ideal. As there are no market prices available, the prices are based on input, i.e., time expenses, but not on output. Hence, the applied management logic in the corporation is 'The more time I need to do the task, the more money I get.' Our current system simply sets the wrong incentives.

Interestingly, we also observed that companies strive to better integrate softer marketing metrics such as brand awareness or customer satisfaction values with pure financial metrics such as sales revenues or profits.

A Head of Marketing & Strategy of an airline company reported,

> In recent years we have much improved the way we use the information we continuously get from our customer surveys. For example, we use our customer satisfaction values as a central objective for the whole top management team and hence, for the whole company. (…) We also use it to pay a bonus to our suppliers to reward performance or to get money back from them.

Managers told us that a key managerial challenge in the MSF-triangle is to keep the balance between long-term objectives and short-term necessities. A classical situation in which the trade-off between short-term success and long-term performance becomes evident are price promotions for brands. A Head of Sales of a FMCG company reported,

> One of the most effective levers we have in sales management are price promotions. For example, activities like 'Pay two, get three' are very important to sales as those promotions are normally very successful. Even finance is often happy with them due to the high volumes we are able to sell. On the other hand those price promotions can undermine the brand image. (…) Short-term it's not a problem, for the next twelve months it's really no problem for the brand, but long-term, I mean for the next two, three or four years? It's marketing's job to ensure that the brand doesn't 'get addicted' to price promotions.

The manager adds an interesting detail,

> Normally you only have yearly objectives in the companies. This means those price promotions are perfect for the finance people and the sales people. They are even a good deal for the Head of Marketing as the leading positions in marketing are so frequently changed today. The question here is who is actually protecting the brand long-term? Clearly, it's the top marketing managers' job. But how are they supposed to do this when they change the company every two years? And the respective brand managers lack the hierarchical power to protect the brand. They are often not on par with the sales or finance managers.

A Head of Marketing & Strategy of an airline company reported,

> Investments in customer experience such as, for example, trainings, normally take more than two years for payback. So it's the first thing that is cut in an economic downturn. Those cuts are tempting but dangerous. You don't see it in the surveys when you don't invest for two years. Even your customer satisfaction values stay steady because everybody is still well trained. But then one day…it's like not going to the dentist for a while…in the end it will be much more expensive.

The manager added,

> The challenge is very high when you need hard cash to invest in soft assets. For example, our recent image campaign…we applied several quantitative models to assess the impact but still there is always some 'believe it or not' in it. It's simply something for which you cannot calculate a hard payoff. Those are the areas we have to discuss together with sales and finance to find a balanced solution.

In general, we observed in the field that family-owned companies are much more long-term oriented than companies noted on stock exchanges. We also observe that marketing in family-owned companies is typically less under pressure to show marketing's contribution or to quantify marketing's ROI. A Head of Marketing of a family-owned company with a strong international brand said,

> We don't have so much pressure here to show a hard marketing ROI. For example, we don't know what payback our sport sponsorship has in dollar terms. We are simply convinced that it pays off for us long-term. And the company's patron trusts us and has never regretted to do so.

On the other hand companies that are noted at the stock exchange face considerable short-term pressure. In those companies we learned, short-term cuts in marketing to smooth quarterly earnings are rather the rule than the exception. A CFO on country level of a FMCG company reported,

> We are an American company noted at NYSE. We are obliged to report on a quarterly basis. (…) In the course of the year we actually don't have so many problems when it comes to the advertising or marketing budget, because we work with so called marketing budget adjustments with which we try to keep the relation between volumes and spending steady. If we don't reach a certain sales level, we will automatically account for that in the P&L, i.e., marketing budget will then be smaller. (…) Towards the end of the year things become a bit more complicated, especially when there is such a negative procurement cost development as in this year that makes it impossible to reach profit objectives. Then you have to do cost cuts, i.e., you do so called 'freezes' with regard to marketing spending.

Another challenge is to find a balance between cost efficiency and customer orientation. A Head of Business Support said,

> Managing costs is of crucial importance. Basically it's about finding the right mix between cost reductions and customer orientation.

In the interviews we learned that sales managers tend to maximize customer orientation instead of optimizing it. Some finance managers even told us that they feel that sales cares more about the customer than about their own company. On the other hand many finance managers understand what pressure sales has to bear. A CFO said,

> Sales often takes the customer's viewpoint. Frankly speaking it sometimes seems as if our sales managers would be in love with the customer….on the other hand our sales managers know the market situation very well. They simply might have internalized how strongly dependent we are on our few key customers. In a nutshell, we cannot go on full confrontation with our customers. We want to cooperate and grow with the customer long-term. Hence, also finance sometimes has to accept that not everything is possible, e.g., when it comes to passing along cost increases.

Marketing and finance managers told us that sales managers often underestimate the cost consequences when they make promises to the customer e.g., with regard to addressing additional customer needs such as tailor-made package sizes. A Head of Global Key Account Management of a manufacturing firm reported,

> That happened quite often…much of it was simply goodwill, a promise easily made to the customer…e.g., keeping a special product on stock for the customer…and the sales man was simply not aware of the cost consequences. (…) We now train our sales people on those things. For example, we invite a management accountant to our functional meetings to elaborate on those things.

Some marketing managers mentioned extremely time consuming exercises that resulted from promises of the sales people to the customer.

A marketing manager told us,

> Sometimes sales comes up with exceptional customer desires we are supposed to fulfill. Seldom it really makes sense for us, it's not profitable at all, but to make our sales people and the respective customer happy we simply do it.

Another challenge mentioned by managers is the requirement to make accurate plans vs. being able to act and react flexibly to harness market opportunities. Marketing and sales manager complain that they have to move within a very tight financial framework set by their respective budget and finance, respectively. A sales manager of a FMCG company reported,

> We have to make a detailed one-year plan without actually knowing what will really happen. The consequences of this guess-work are that there are of course follow-up changes with regard to projects and their costs. Then it often comes to sharp conflicts with finance because they want to keep the budgets stated in the plans. Finance says, 'Last year you said you need this and that for those projects, now you come up with five more projects?' And the area manager says: 'Yes, but those projects are highly lucrative growth opportunities that just emerged recently.' Then finance and sales have to find a way to finance those additional projects. Or finance just says, 'If this additional project is so great, why don't you simply kick out the least lucrative project?' But this is difficult, as the sales manager might have already made promises to the respective customer…

To summarize the foregoing pages, it has become clear that incentives drive managers' behavior and are of high relevance. From a managerial perspective it is hence of crucial importance to implement an incentive system that drives managers' behavior in the desired direction for the company as a whole and not only from a functional point of view. In fact, the higher the salary portion that depends on variable payments, the more important it is to do so. On the basis of our field experience we propose the following actions to implement an intelligent incentive system in the MSF-triangle:

- Align functional objectives on top management level.
- Do not weigh functional goals stronger than organizational goals.
- Balance top line and bottom line objectives (e.g., don't reward sales only on top line measures).
- Ensure that long-term objectives are not threatened by short-time objectives:
  - Make bonus payments contingent on reaching a certain performance in subsequent years.
  - As an example, freeze bonus payments for three years to avoid that short-term performance is reached at the cost of long-term performance (e.g., by running very high risks or putting the brand at risk, etc.).
- Reserve a portion of the variable bonus payments to reward qualitative performance that can not be reflected in financial figures:

    - As an example, reward MSF-cross-functional cooperation champions such as e.g., accountants that have become true business partners for sales and marketing.
    - As another example, integrate marketing metrics like customer satisfaction, brand image, and brand awareness into the incentive system.
- Allow for some flexibility in marketing and sales budgets to enable fast market actions and reactions.
- Use the concept of internal branding and related internal branding tools to increase employees' identification with the company (strengthening of intrinsic motivation instead of pure financial motivation).

7.3 Manage Marketing Performance

The third key managerial challenge we were able to identify is to manage marketing performance in an effective and efficient way in the MSF-triangle. In the interviews we learned that marketing performance management is currently a hot issue in business practice. In contrast, with regard to sales performance, we observed that companies have already reached high levels of transparency. As an example, a CFO of a FMCG company told us,

> Sales cannot hide poor performance from us.

A Head of Marketing & Strategy of an airline company reported on the marketing performance management challenge,

> It's extremely difficult to construct a valid cause-and-effect-relation between our inputs and the business results. Has our bottom line improved because our sales people have done a great job or is it because the economy fares better? Or are our figures so good because we have improved the product quality and the consistency in our services? Or was it our recent image campaign? Of course, you can measure success with some proxies in the specific areas. But at the end of the day you can simply not clearly say what activity has driven to what extent customers' preference for us.

He continued,

> I remember very well the conflict we had a couple of years ago about whether we should reintroduce free F&B (food & beverage) in the economy class or not. It's important to note

> that we were EBIT negative in those days. In such a situation, trying to enforce a two-digit million francs investment into customer convenience of a low-yield product becomes a real challenge. (…) We finally got the support of the top management because we could show what detrimental effects such a cost-saving policy has on our customers' experience.

At the heart of the marketing performance management challenge is the question what is the ROI of marketing and how can the scarce cash resources and human resources in the MSF-triangle be spent most effectively and efficiently.

As an example, a Head of Sales Management and former Head of Marketing of a FMCG company said,

> As a Head of Marketing I had permanent discussions with the CFO on how to use the marketing budget optimally. We had the most intense discussions on what the ROI of TV commercials is. I remember the CFO saying, 'It's a great commercial…it's fun watching it…I understand it builds brand awareness and brand image…but when I look at our sales volumes I have to say it doesn't pay off!'

A marketing manager said,

> Some people in our company used to be very skeptical towards the return of our customer club. Among other things they always complained about the cost of the club magazine. The challenge here is that it's pretty easy to question or criticize something in marketing but it's much more difficult to convince someone of the contrary. It takes a lot of time to bring all the data together from the countries and to consolidate everything. (…) However, just recently we did an in-depth analysis into this matter. It showed that the club is highly profitable. Not surprising for me but for some other people.

We observed that many companies differentiate between an image related soft form of marketing and a business oriented rather hard form of marketing. Interestingly, we learned that the brand image related part in the marketing budget (e.g., image campaigns, sponsorships, corporate design, etc.) which is often handled centrally on corporate level, is typically not in the focus of marketing ROI calculations. A Head of Marketing & Strategy of an airline reported,

> We control the outcome of specific marketing activities. For example, we track the effects of tactical marketing and sales activities very timely. In our system we can see in real-time how our activities affect our customers' booking behavior. Besides those short-term effects we also track the mid- and long-term development with our yearly brand image surveys.

With regard to brand performance measurement many companies rely on a yearly measurement of brand awareness and specific image items. Surprisingly few companies determine the economic value of their brand, i.e., few companies perform brand equity evaluations.

A Head of Brand Management of a Swiss bank said,

> It's often difficult to show the ROI of image enhancements…and everybody understands 'image' differently. What has helped us a lot in the discussions is to have specific image scores for our brand. There you can clearly see the impact of our activities. We can precisely show: Where are we now? Where do we want to go? What do we need to get there?

The fact that image related marketing activities are not in the focus of ROI calculations does not mean that those activities are not questioned by sales or finance. A Head of Management Accounting told us,

> Those image related activities are very abstract and difficult to assess for us. (…) The top management in marketing and sales are in charge for that and they have to bear the consequences when the results are not satisfactory. (…) But it's of course always a topic in our discussions, especially when we have to cut costs short-term…then it's definitely the first budget that will be looked at.

A Business Unit Head of Marketing of a Telco said,

> We have developed a tool that allows us to estimate the effect of specific marketing-mix elements on business success. It's based on experience data. (…) It's not very sophisticated, but it helps us a lot and has also improved our standing with the finance people. (…) The good thing is that I am able to defend my budget. When finance wants to cut two million francs, I can answer, 'If you cut two millions of my budget, we will acquire exactly X customers less and will hence lose exactly Y of sales revenues.' A purely qualitative discussion like 'it's good for the brand' or 'I am sure it's well invested' isn't enough anymore. The performance pressure from the top and from finance has become too strong…In today's business you are either able to show the impact in numbers or you will be the first one whose budget will be cut. (…) I have to say I find this quite okay. In our case, we have almost 100% awareness and we have great image values. What's the point of having another image campaign? Maybe our competitors urgently need one…but we don't! On business unit level this is money thrown out of the window.

A Country CFO of a FMCG company elaborated on marketing cost cuts in the past,

> The general problem is that the big retailers put a lot of pressure on the prices. As a rule of thumb one can say you lose 1% every year no matter how bad the raw material costs have developed. (…) As an American public company we have to report relative constant profits. (…) We also had to do cuts in marketing in the past. But now we try to bring our marketing investment levels back to that of our major competitors which spend up to 8% of their revenues for marketing. At present we are on average two or three percent below.

He added,

> We put a strong focus on our quarterly reports. In the course of the year we actually don't have such a big problem, because we work with so called marketing budget adjustments. With those adjustments we relate our marketing spending to business volumes. For example, if our actual is behind our plan, we automatically account for that, i.e., we adapt the available marketing spending for the rest of the year. (…) Nevertheless, if the raw material cost situation doesn't improve over the year, it might be necessary in the fourth quarter to make so called 'freezes' in marketing. What you typically do in such a situation is to skip the planned TV advertising or you save money on other things that can be cancelled short-term.

A Head of Management Accounting of a Telco reported on cost cuttings in marketing,

> It's important to note that we are not allowed to do the cuts. We can only give recommendations to top management what to cut. But of course, if the top management assigns us to analyze things, we will do this. (…) What happens quite often is that we see salient patterns in the budget spending over the year. For example, we then ask, 'Is it really realistic that you spend so much more in the second half of the year compared to the first half?'

On the other hand, we observed that the business oriented and rather hard part of marketing is increasingly in the focus of ROI calculations to show its contribution to business success. A Head of Management Accounting reported,

> When it comes to product marketing it's a different story. Here we want to see a clear and short-term effect on business results such as acquisition rates or sales volumes. If there is no clear value-added, we won't support the activity.

For managers it's challenging to find a balance between sales oriented tactical activities and mid-term or even long-term oriented activities to strengthen the brand (e.g., image campaigns, customer satisfaction investments, employee trainings). In the

interviews we learned that in many companies there is a trend in marketing towards activities that make it easier to show a quick positive ROI. Those activities include for example online marketing activities or direct marketing campaigns to acquire or win back customers. A Head of Marketing of an insurance company reported,

> There is a clear unbalance in this company towards marketing actions that have a direct and short-term effect on business results. The key challenge in marketing is that its activities are often only indirectly connected with business results. Hence, the big advantage of a direct marketing campaign is that you can clearly show its impact on business results. It gets much more difficult when we talk about customer satisfaction and profit…the relation is much more complex.

A Head of Marketing of a Telco said,

> We used to give all our customers presents for extending their contract with us. For example, 'Extend for two years and get two months for free'. Those presents cost us a lot of money. Money we couldn't put into other things. Two years ago I cancelled the whole customer retention budget because its benefit was unclear. Today we focus instead on a professional customer winback management. We have an excellent return on investment for our winback activities and everybody in the company is happy with it.

From a managerial perspective it is highly interesting to learn how companies manage their marketing performance. Hence, during the interviews we also asked the managers what specifically they do to address the marketing performance management challenge. As an example, a Head of Marketing of a bank said,

> It's definitely a challenge to bring transparency and structure into this marketing performance black box. (…) The first step is to know the business priorities and to understand the underlying figures and how our marketing investments are related to those business objectives. This is a crucial step in which you must cooperate intensely with the business people, i.e., sales. The second step is to define specific marketing performance parameters. What specifically do we want to reach with our marketing actions? Is it leads, is it contacts…here we take a very quantitative perspective in marketing. (…) For new projects with a considerable investment amount we build a business case and calculate a hard NPV (…).

Marketing managers told us they have made good experience with applying tools such as the brand funnel to explain finance and sales the rationale and positive ROI of marketing activities. A Head of Group Marketing & Branding said,

> Applying the logic of the purchasing funnel helped us a lot to go beyond the typical 'fluffy' marketing issues. With this tool even a rational thinking CFO understands how the brand drives business success. (…) It's been a key success factor in reaching a considerable marketing budget increase.

He continued,

> What we did… we first checked our brand's status quo with regard to the five steps awareness, consideration, preference, purchase, and loyalty. We used statistically significant Brand Asset Valuator data and calculated the respective conversion rates. Then we said, okay let's make some assumptions here. This is our brand in 2007, this is 2009 and this is 2011. What happens now when we increase our marketing spending and invest in the brand and other marketing activities to improve our conversion rates in the purchasing funnel? With our knowledge of the average value per customer, we could estimate the top and bottom line effect of our marketing investments. We also took a competitive perspective to check whether those estimates are actually realistic. (…) Of course, this tool is a heuristic but it helps a lot to show that marketing is an interesting investment opportunity for this company.

The CFO of the same company said,

> Marketing did a great job in showing us how and where the proposed marketing investments contribute to our business performance. We appreciated a lot the CMO's statement philosophy that marketing shows proactively its contribution to the company. (…) With the estimates we got from marketing we were able to perform a thorough EVA analysis. The fact that this analysis showed that those marketing investments will lead to an increased EVA value for the company was decisive in getting the board's approval for them.

A Head of Marketing of a big Swiss bank elaborated on the company's activities to manage marketing performance,

> The biggest challenge in marketing is to define and to measure performance. To define performance we speak with our business people to specify how we can really help them to be successful. (…) Basically we have two pillars in performance measurement. The first pillar is customer related. We survey the end customers on how they see us and we also ask our internal customers to assess our activities. With this we cover the soft side of marketing performance. However, the second pillar is maybe even more important to us… it's about the impact on our business results. Here, for example, we look into the customer data base and check whether a customer that we have targeted with our marketing activities has actually brought new assets in the last three, six, twelve months.

He continued,

> We don't measure all of our marketing activities. We measure only the biggest ones, in our case those are mainly the big events we have. For example, a VIP ticket for a Formula 1 race easily costs us 10.000 Swiss francs. It's clear that you have to check whether this money is well invested. (…) When my people come with interesting project ideas I expect them to write and calculate a business case that shows a NPV at the end of the day. The business case must show the rationale of the project and what business related KPIs are influenced by it, e.g., does it generate new leads for sales? What's the expected conversion rate for different products? We know the margins for the products so you have all the information you need to build a business case (…). We want to go ahead in marketing with those things. We want to proactively show the contribution of our activities.

A Head of Marketing of a retailing company reported,

> What does help us in justifying our spending is the research information from industry specific panels. For example, we have invested considerably in marketing in March, April, and May this year. The panel showed that our competitors had to lower prices whereas we were able to maintain or even increase price levels. Of course, this is a nice finding for us. Those are facts and we go beyond personal opinions which normally drive discussions on marketing decisions.

A specific problem that companies face when trying to calculate a ROI for a specific marketing activity is to identify and weigh the influence that different activities/inputs have on success/output. A Head of Marketing of a large international Swiss bank said,

> A key challenge in performance management in marketing is the influencing factor. For example, when we talk about new net assets a customer has brought to us. Why has he brought new net assets to us? Normally, several factors play a role at the same time. So what we do is to split the influence and to assign different percentages to the different marketing inputs. In doing so we are able to calculate the ROI of a specific marketing activity ex ante and ex post.

In the interviews we learned that finance expects marketing to show how the specific marketing activity helps to increase sales volumes and profits. The basic assumption applied by finance often seems to be, that current sales volumes and profit levels are not in danger. For example a CFO said,

> The policy that we have is we don't do amendments for which the customer is not willing to pay more. We don't put our money in things that are just beautiful or nice-to-have.

In a similar vein, a Head of Management Accounting of a private bank reported,

> We have often intense discussions when product management comes up with innovations to enhance customer convenience. For us, customer convenience is nice, but does it have an impact on our bottom line? Do we generate more sales or does it lower our costs? Then we often hear, 'No, this is just customer convenience.' From our perspective this is a weak argument. Those wishy-washy issues are a classic.

Such a perspective seems to be logical at first sight but at a second glance it becomes clear that it actually neglects the fact that there are competitors in the market that are keen to acquire customers and to increase their sales volumes. The fact that the customer is not willing to pay more for an additional feature or for convenience does not necessarily mean it is not important to him. In fact, he might be willing to switch to a competitor that offers exactly the desired feature or a better convenience at the same price.

The key challenge that emerges from our field experience is to manage marketing performance in an effective and efficient way in the MSF-triangle. From a marketing perspective, marketing performance management is a great opportunity to show the investment character of many marketing costs. On the basis of our field experience we propose the following actions to improve marketing performance management in the MSF-triangle:

- Invest appropriate resource levels in marketing performance management (e.g., create a marketing performance manager position).
- Coordinate marketing performance measurement activities with finance and sales.
- Align marketing objectives with business objectives and financial objectives.
- Ensure that top management, sales, and finance understand marketing's actual and potential contribution to company success (e.g., train top management, sales, and finance on the relation between the company's marketing and the company's top and bottom line).
- Involve sales and finance in determining specific measures of marketing success.

- Anticipate and account for financial consequences of future marketing decisions.
- Show the impact and try to quantify the success of past marketing activities.
- Show the short-term and long-term impact of marketing budget cuts.
- Manage and optimize marketing costs together with finance.

7.4 Balance Power Among MSF-Actors

In chapter 6 we have discussed the specific contributions each MSF-actor is supposed to make in the various interaction fields and decision areas in the MSF-triangle. In that chapter we also discussed intensely the role each MSF-actor is supposed to play in the triangle. In the interviews we learned that in many companies at least one MSF-actor is not able to make those specific contributions due to an unbalanced power distribution within the MSF-triangle. The clear finding was that MSF-actors are not able to play the expected role if they lack the power to do so (e.g., low influence of a MSF-function in one of the eight key interaction fields and decision areas in the MSF-triangle).

Surprisingly often we had to learn that the role and the power of the marketing function were limited. Specific manifestations of such a limited marketing role were companies that lacked a marketing unit on division or business unit level and only had a very lean corporate marketing which focused on only one part of the marketing mix, i.e., marketing communications. A Division Head of Management Accounting of an industrial firm reported,

> Marketing plays a very, very minor role in our company. Our corporate marketing unit is actually not involved at all in decision making in the businesses. They have a support role only. Marketing provides advertising brochures and promotion material. They also manage our homepage and our intranet platform.

Other manifestations of a limited marketing role were units that were called e.g., product marketing but actually fulfilled mainly pricing and controlling tasks instead of actively managing and marketing the underlying products. In addition, in some companies managers pointed to a ridiculous low marketing budget that wouldn’t allow for any form of advertising. We also experienced in the field that marketing issues are

typically not discussed in top management meetings. A Head of Marketing Research of an insurance firm told us,

> If a marketing project makes it to the top management meetings the first question that will come is: 'Do you have any figures?' (…) In general, top management is extremely skeptical towards marketing and only trusts marketing projects with convincing figures. Other projects that are maybe even better but lack a short-term payback always run a certain risk to be cancelled or criticized by top management.

In addition, we observe that in many companies only a sales manager is member of the top management but no marketing person. A Head of Marketing of an insurance company said,

> The root of the problem is that no true marketer is actually part of the top management. Okay, formally this is not true. My boss, the Head of Marketing & Sales is a member. But he is a typical sales man and not a marketer. His philosophy is 'selling, selling, selling'. He believes in personal communication and is in fact not truly convinced of the generic marketing concept. (…) And the rest of the top management…our CEO is a computer scientist who used to work for a top management consultancy. Then we have an actuary which is specific for our industry. He is of course driven by figures. So is our Head of Finance. Last but not least we have our Head of IT. (…) With such a constellation in top management it's difficult to get the idea of marketing truly across. It's more about, 'Actual 2006, Plan 2007, Forecast 2007…this means the marketing budget for 2008 is …' (…) In this company marketing is not perceived as an investment, it's a cost driver, and I am pretty sure top management thinks of me sometimes as one of the most annoying destroyer of cash flow.

In the interviews we learned that one major reason for such a limited role of marketing was its lack of having business responsibility. A Head of Marketing of an international retailer reported,

> The challenge is that corporate marketing has no P&L responsibility, but conceptualizes and proposes projects that have direct consequences for the budgets of the international sales companies. In such a constellation it is almost impossible to enforce marketing projects that do not have a timely measurable positive return. For example, none of our sales companies would ever support a project which promises insecure and 'fluffy' long-term effects resulting from a better brand image.

In addition, the power given to a function strongly depends on the specific persons in top management, above all of course on the CEO and his attitude towards marketing. A Head of Target Markets of an insurance company reported,

> It was the new CEO who has had the idea to build up the unit I head now that focuses on target markets and other strategic marketing issues. Before, nobody was officially in charge for that. It did not exist. Only a few basic strategic marketing tasks were performed in our marketing communications unit.

We learned that a limited or powerless marketing function often goes in hand with either a dominant finance function or a dominant sales function to fill this power vacuum. A Head of Marketing of an insurance company said,

> In marketing we are only 20 people. In contrast, in sales…the sheer manpower of sales is overwhelming. This has of course consequences for our standing. (…) I can develop a fantastic marketing activity, but if sales doesn't like it due to some reason…forget it.

A Head of Brand Management of a Swiss bank told us,

> Our top management never used to be interested in our brand image. Things changed three years ago when we lost quite a number of our customers in retail banking, which is a hard fact and easy to measure. Everybody wondered why and how we can stop this trend. We did market research and learned that it's the soft facts. Our brand image was much too elitist; we were far away from the normal Swiss people. We addressed those deficiencies in our image campaign which featured our employees and their relatedness with this country and the people that live here. It was highly successful. I believe this experience has also improved the standing of soft facts in the top management.

From a managerial point of view we need to know how to reach a power balance in the MSF-triangle. On the basis of our field experience we propose the following actions to balance power among MSF-actors:

- Sensitize all actors in the MSF-triangle for the importance of a power balance in the MSF-triangle e.g., by explaining the specific role each function must play and the specific contributions of each function to each interaction and decision area.
- Show possible consequences of a powerless MSF-function or lack of coordination in the MSF-triangle.

- Ensure that every function in the MSF-triangle has its own seat at the top management table.
- Ensure that every function in the MSF-triangle is represented appropriately at each organizational level (i.e., corporate, business unit, division, and country level).
- Ensure that all MSF-actors are involved in the eight key interaction fields and decision areas that were identified in this thesis.
- Put important functional topics on the agenda of top management meetings.
- Quantify each MSF-function's contribution to business performance (e.g., with regard to marketing: marketing metrics, brand's performance in purchasing funnel, achieved price premium, etc.).
- Train managers in marketing, sales, and finance themes.
- Assign people to the key positions in the MSF-triangle that do not only possess strong expertise in their own function but also have knowledge in the other functions.
- Assign people to the key positions that are able to exploit the potential of the respective function for the company (e.g., with regard to marketing, a Head of Marketing that is able to exploit marketing's potential not only in communications but also in pricing, distribution, and product management).
- Do not promote people that are not willing to look at issues from the different function's angles or are not willing to find compromises that benefit the organization as a whole (as a last option you may even lay off those people).

7.5 Achieve Pricing Excellence

The fifth and last key managerial challenge we were able to identify in the MSF-triangle is to achieve true pricing excellence. We learned that an excellent price management is perceived as particular challenging by managers in the MSF-triangle due to the high importance and complex nature of price decisions and the sophisticated expertise needed to tackle this challenge (e.g., methodological skills, understanding of customer's price sensitivity, and price satisfaction drivers). As an example, a CFO of an industrial firm said,

> At the moment the sales people only get the direct costing for the respective products. In the future we also want to provide them with full cost information for each product.

The CMO of the same company reported,

> Our price management needs an overhaul. It's definitely something that we will improve with the new ERP system. At present we have the situation that we punish customers that buy standard products or place large orders. But customers that buy complex or tailor-made products actually look too good in our system. The problem is the sales people look only at those 'wrong' margins in the system because we have around 60'000 different products. They don't account for the deterrence when they negotiate prices with customers.

A Head of Corporate Communications said,

> In my opinion we are not flexible enough when it comes to pricing. For example, we have a strict full-cost plus margin policy in pricing…even when our production facilities were empty a couple of years ago we wanted prospects to pay full costs for products. It ended up with 15 million francs of production standstill cost.

A Head of Business Unit said,

> A challenge is to account for production capacity issues in pricing decisions. For example, it sometimes happens that finance says, 'Forget it, with that lousy margin we can not even write the bills.' But then the production unit head says, 'Stop, this customer gives me the basic capacity I need. If we cancel this, we have a production cost problem.'

Cost calculation of complex projects is a challenge. The Head of Management Accounting of a logistics company reported,

> It's not a real challenge to sell a project. The real challenge is to sell a project with an attractive margin for us. (…) The problem is often that the project costs are underestimated by the project head. It's hence the role of the management accountant to check with the actual costs if the estimated costs are still realistic.

In the interviews we identified market related pricing challenges. A CFO of a recently deregulated industry told us,

> Pricing will now become a standard process between marketing/sales and finance. We have to gain speed and flexibility here.

A Head of Sales Management reported,

> The problem is it's extremely difficult to change prices with the direct customers. It's almost impossible. Hence, it's very important to calculate not only what is the impact of that price decision for this year but also what's the impact for the next three years.

A CFO said,

> What our key account managers sometimes do with difficult customers is to show our cost calculations and breakdowns. It often improves the customer's understanding for our prices.

A Country Head of Sales commented,

> One challenge is that customers know the market prices very well, I mean the global prices and are hence not willing to pay considerably more in Switzerland.

A CFO said,

> What we don't appreciate at all is that sales is backing customers that want to have massive discounts. Enforcing prices that allow for a decent profit at the end of the year is a challenge.

A Head of Corporate Development told us,

> The key challenge in pricing is that you don't know how the competitors will react to your price move. You might gain new customers by decreasing prices by 10%. But what do you do when the competitor offers 15%?

A Head of Marketing & Sales of a FMCG company reported,

> I remember one extreme case…when the raw material cost for our bourbon vanilla product increased dramatically. Our accountant calculated that to hold the margin we need to double the price. We had intense discussions with the product manager and the key account managers. Finally, we decided to decrease the product size from four vanillas to three vanillas.

The clear impression out of the interviews was that many companies currently strive to achieve pricing excellence. On the basis of our field experience we propose the following actions to reach this objective in the MSF-triangle:

- Ensure that pricing decisions become a key interaction field and decision area in the MSF-triangle.

- Anticipate and account for consequences of price decisions (customer behavior, financial consequences, etc.).
- Ensure to have a state-of-the-art IT solution to found pricing decisions with accurate product cost and customer profitability information.
- Account for the effects of price decisions on brand image and customer satisfaction.
- Ensure that price promotions are properly controlled and that the frequency of price promotions is not detrimental to brand health.
- Align price management with your incentive system (as an example, the stronger sales is rewarded on top line only, the less power sales should have over price decisions).

Having answered our fifth research question which was “What are the key managerial challenges in the MSF-triangle?” we now move on by exploring and describing fundamental developments that have recently occurred in management practices of the MSF-triangle.

8 Fundamental Developments in the MSF-Triangle

One clear advantage of a qualitative research approach lies in its ability to account for complex developments that have occurred in the course of time and their underlying reasons. To take advantage of this method strength, we asked our interviewees to elaborate on the changes that have occurred in their company with regard to the organization of and the interactions in the MSF-triangle. Analyzing 1400 pages of interview transcripts and additional field data such as organizational charts, we were able to identify fundamental changes in management practice of the MSF-triangle.

Through numerous analysis steps and intense discussions we understood that those changes are essentially manifestations of a more general theme. The overarching theme that emerges from our field experience of the MSF-triangle is an increased finance orientation of marketing and sales and an increased business orientation of finance (see Figure 17). We will subsequently discuss this theme and its underlying manifestations in detail.

8.1 Increased Finance Orientation of Sales

A number of companies reported that marketing and sales look for closer cooperation with finance and have begun to discuss finance-related marketing and sales issues more intensely in the MSF-triangle. For example, a Head of Business Unit/Head of Marketing of a FMCG firm said,

> In managing price promotions properly we have done a huge leap forward last year. With finance we have developed some tools to bring in some efficiency here, which was absolutely necessary. Before, sales had basically a free hand and it was not transparent at all what they did there. (…) It was unbelievable to see what rubbish promotions we did.

Generally, with regard to sales we observe that **sales becomes more analytical and at the same time more margin and price driven**. In a number of companies, sales is increasingly paying attention to margins, prices, and customer profitability.

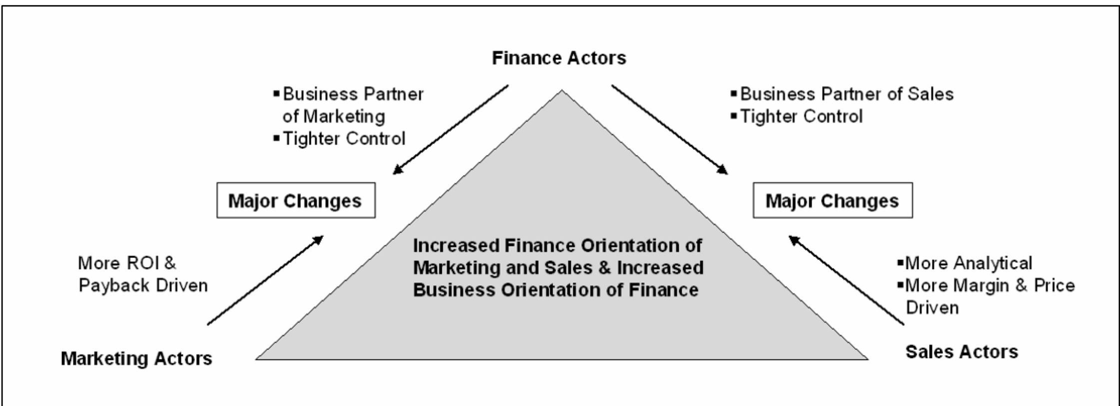

Figure 17: Fundamental Developments in the MSF-Triangle

A CFO of a consumer electronics firm reported on the introduction of a customer profitability analysis,

> It's been a mind shift for the whole company, especially for our sales management, that traditionally has had some difficulties in dealing with profitability measures. I remember some awkward incidents in the past when our sales managers boasted to everyone about a sensational sales deal which in fact had very humble margins.

We observed that sophisticated CRM systems serve as catalysts of sales' shift towards analytics and profitability. CRM systems enable sales management to gain insights into finance-related aspects very conveniently. The sales force is often equipped with an integrated CRM solution that provides the client advisor with crucial information about the customer. As another example of an increased finance orientation of sales, we learned that sales and finance increasingly work together to prepare customer quotations. A Head of Corporate Communications said,

> We have restructured and formalized our quotation process. We now have strict formal requirements meaning that sales has to put much more efforts into cost and risk analyses of the projects. If our sales people want to make a quotation that doesn't meet our margin objective or exceeds risk thresholds, they will need the approval of the respective Division Head or even of our CEO.

Sales' increased finance orientation is also influenced by a shift in their bonus payment policy. In a number of companies we observed that in sales a stronger weight is laid on margins and profit contributions instead of solely sales growth. As a consequence, sales has a stronger incentive to reach adequate bottom line figures. A Head of Management Accounting reported,

> We have made important improvements with regard to the incentives we set for our sales managers. The result is they care much more on our bottom line. But I still see some room for improvement. We should weigh the bottom line even stronger against the top line than we already do now.

A Country CFO of a global consumer electronics firm said,

> Bonus payments are most important to sales. Other functions have much higher portions of fixed salaries. So it's no wonder, that sales is extremely driven by the set incentives. The incentives we set for sales are 70% sales revenues and 30% profits. In marketing it's almost

vice versa. A couple of years ago we were by almost 100% focus on sales revenues in sales. Since we have changed this, our last salesman has understood the difference between sales revenues and profits.

A Head of Business Support of a pharmaceutical and chemical company reported,

All our sales managers have objectives that are related to both sales revenues and profit. Quite a huge amount of the total salary depends on reaching those two objectives. So it's in the very own interest of our sales managers to sell products at the highest prices possible.

In addition to bottom line incentives, we observed that powerful customers, strong competition, and price pressure drive the sales function to become more finance oriented. The Head of Management Accounting of a logistics company said,

It's not a challenge to sell a project. The challenge is to sell a project with a good margin.

A CFO of a utility firm, a recently deregulated industry, said,

For the first time we face real competition. Pricing will now become a standard process between sales and finance. We have to gain speed and flexibility here.

Propositions

To summarize fundamental changes with regard to the sales function in the MSF-triangle, we have developed a number of propositions.

Proposition 1: Sales becomes more finance oriented…

- as CRM systems are applied in sales' daily business;
- as transparency with regard to product and customer profitability increases;
- as sales' bonus payments depend stronger on margins and bottom line figures;
- as sales faces powerful customers, strong competition, and price pressure.

8.2 Increased Finance Orientation of Marketing

With regard to marketing, the clear picture that emerged was that **marketing becomes more ROI and payback driven**. As an example of marketing's increased finance orientation, a Head of Marketing of a Telco said,

> We have developed a tool that allows us to estimate the effect of specific marketing-mix elements on business success based on experience data. It's not very sophisticated, but it helps us a lot and has also improved our standing with the finance people. (…) Most importantly, it enables me to defend my budget. For example, when finance wants to cut two million francs, I can answer: If you cut two millions of my budget, we will acquire exactly X customers less and will hence lose exactly Y millions of sales revenues. A purely qualitative discussion like 'it's good for the brand' or 'I am sure it's well invested' isn't enough anymore. The performance pressure from the top and from finance has become too strong. It's quite simple, you are either able to show your impact in numbers or you will be the first one whose budget will be cut.

As another example, a marketing manager of a consumer goods company said,

> Some people in our company used to be very skeptical towards the return of our customer club. Among other things they always complained about the cost of the club magazine. The challenge here is that it's pretty easy to question or criticize something in marketing but it's much more difficult to convince someone of the contrary. For example, it takes a lot of time to bring all the data together from the countries and to consolidate everything. But because of the skepticism we recently did an in-depth analysis. It showed that our club is highly profitable.

In many companies marketing now has to show ex ante at least to some extent what positive return its new projects yield and when finance can count on the paybacks. If marketing fails to convince finance that the marketing activity yields a positive return, the specific marketing proposal (often a rise in budget) is likely to be dismissed. A Head of Marketing of a retailer said,

> The great advantage of our current CRM project is that it almost immediately shows positive returns. When this happens, the sales companies and the finance people stop being your 'enemy' and become your 'ally' in enforcing the project company-wide.

In addition, we observed a trend in marketing towards activities that make it easier to show a quick positive ROI. Those activities include e.g., online marketing activities or

direct marketing campaigns to acquire or win back customers. A Head of Marketing of an insurance firm said,

> The problem is that many marketing activities are only indirectly connected with business results. The big advantage of a direct marketing campaign is that you can clearly show its impact on business results. In this company this has led to a clear unbalance towards marketing actions that have a direct and short-term effect on business results.

A Head of Marketing of a Telco said,

> We used to give all our customers presents for extending their contract with us. For example, 'Extend for two years and get two months for free'. Those presents cost us a lot of money. Money we couldn't put into other things. Two years ago I cancelled the whole customer retention budget because its benefit was unclear.

As another example of marketing's increased finance orientation, the Head of Marketing & Strategy of an airline told us,

> In our industry, companies that fail to reduce their cost continuously will perish. Hence, together with finance we continuously try to identify intelligent cost optimization possibilities that don't contradict our value proposition towards customers.

Propositions

To summarize fundamental changes with regard to the marketing function in the MSF-triangle, we have developed a number of propositions.

Proposition 2: Marketing becomes more finance oriented…

- as marketing experiences more skepticism towards marketing's value contribution;
- as marketing faces difficulties in enforcing marketing project proposals;
- as marketing experiences short-term budget cuts.

8.3 Increased Business Orientation of Finance

In a number of companies finance is eager to get more involved into finance-related marketing and sales decisions and is on the verge of **becoming a true business and sparring partner for marketing and sales**. A Head of Finance of a FMCG company reported,

> There has been a shift in the role of finance in our firm. In each business unit we now have one or two accountants, we now call them business partners. Those business partners are freed from any financial accounting or reporting hassle to support our marketing managers full-time. They prepare, e.g., a business case for a new product: What is the expected turnover? How much advertising do we need? What is the ROI? Those things, that's the new role of our business partners.

As another example of finance's increased business orientation, the Head of Management Accounting of a Telco said,

> We want to go away from the classical marketing budget approach. We are about to change the rules here. We now ask the respective product manager how many 'marketing francs' he needs to win one new customer. Of course we check for plausibility. But basically we simply multiply this figure with the figure stated in our strategic objectives in terms of new customers. By doing this, we have found our new marketing budget.

Furthermore, we observed a number of specific changes in the organization of the MSF-triangle that reflect and foster an increased business orientation of finance. First, we learned that companies with a highly centralized corporate finance organization start to **decentralize parts of its management accounting to other organizational levels**, i.e., to the divisions, business units or countries. Specifically, companies that formerly only had a centralized management accounting have **added management accountant positions in the business units** to get closer to the operational business. Second, we observe a **specialization within the finance function**. Some companies centralize or even outsource time-consuming transactional accounting activities to transform accountants into full-time business partners of marketing and sales. A CFO of a pharmaceutical firm reported,

> With this outsourcing initiative we also wanted to make clear that finance people are not only people behind their PC, crushing numbers. Especially, the CFO and the former 'controllers',

> i.e., our new 'business report managers', they have to be in touch permanently with the business.

Third, a number of companies reported a recent **introduction of a marketing-finance liaison position** due to the increasing amount of marketing costs and a lack of transparency of how this money is spent and what return it generates for the company. A management accountant said,

> We saw that our communication cost increased tremendously year by year, and there was an agreement between marketing and finance that we need a full-time support here to shed some light on this black box.

Interestingly, a number of companies have transformed **management accountants** that are placed in the respective sales or business units into direct reports of the Head of Management Accounting. This change in reporting lines was done to streamline and standardize finance activities and to ensure independence of finance. This independence was regarded by finance managers as a prerequisite to enforce company-wide compliance with legal requirements, accounting standards, and internal policies. A Head of Management Accounting of a Telco reported,

> Decentralized management accountants focus very strongly on the business in their unit when they have no direct reporting line to finance. One might argue this is a good thing, but the problem is, this means they neglect their central management accounting role. They always support their own unit no matter what the issue is. They simply lack the distance to take a critical view.

Interestingly, CRM solutions are not only used by sales but are also used by finance. Finance uses those systems as an internal benchmarking and learning tool. In addition, they enable finance to conduct far-reaching performance assessments of sales persons. As a consequence of a generally improved business understanding, introduced liaison positions, streamlined reporting lines of decentralized accountants, and sophisticated CRM solutions, **finance is able to control marketing and sales tighter**.

Propositions

To summarize fundamental changes with regard to the finance function in the MSF-triangle, we have developed the following propositions.

Proposition 3: As companies strive to develop a more business oriented finance organization…

- management accounting positions are added in the business units;
- transactional accounting activities are centralized or outsourced;
- former 'controllers' are repositioned internally as 'business partners';
- marketing-finance liaison positions are introduced;
- reporting lines are streamlined, i.e., decentralized management accountants are transformed into direct reports of the Head of Management Accounting.

8.4 Theoretical Discussion

Having outlined the fundamental changes we observed in the MSF-triangle and having elaborated on the drivers of those changes, we will now look at the overarching theme of an increased finance orientation of marketing and sales and an increased business orientation of finance from a theoretical point of view. Looking at the developments in the MSF-triangle from a number of different theories, i.e., a broader theoretical angle, potentially offers further explanations for the emerged theme.

First, in the spirit of the **social identity theory**, the increased finance orientation of marketing and sales and the increased business orientation of finance can be interpreted as means to reduce the distance and differences that exist between the "members" of these three functional groups. In addition, the movements toward a higher proportion of bonus payments dependent on the performance of the organization as a whole instead of relying primarily on functional performance measures, can be interpreted as attempts to balance levels of functional and organizational identification (Hogg and Terry 2000).

Second, applying the **boundary theory** to this research, the functions marketing, sales, and finance can be interpreted as open systems with boundaries. These

boundaries play a central role in performing the required interactions. According to the boundary theory, uncertainty at the boundaries constitutes a threat. We learned in the interviews that factors that help to reduce uncertainty at intraorganizational boundaries are, among others, existence of norms with regard to interactions (e.g., formal rules or informal norms with regard to MSF-interactions), mutual trust (e.g., finance trusts sales that the customer won't accept another price increase even though raw material costs have increased dramatically), and the perception of fair and constructive negotiations (e.g., intensive discussions and constructive conflict in budgeting or investment decisions).

In the spirit of the boundary theory, effective interactions in the MSF-triangle can be interpreted as a condition of organizational survival. To state specific examples, ineffective planning & budgeting, harsh and uncoordinated cost cuttings, or wrong investment decisions can easily undermine a company's future. Specifically, interactions in the MSF-triangle fulfill five important functions as perceived by the boundary theory:

- organizational survival (e.g., by avoiding the repercussions of uncoordinated decisions in the MSF-triangle);
- information generation (e.g., finance is informed about market trends; sales is informed about customer risks, marketing is informed about cost optimization opportunities);
- representation (e.g., representation of functional objectives and functional expertise in strategy development and decision making bodies);
- market adaptiveness (e.g., marketing informs sales and finance on new consumer trends and hence enables the firm to adapt relevant activities accordingly); and
- competitiveness (e.g., sales informs finance about deficiencies in cost structures in comparison to competitors).

Third, taking a **resource based view** can help to further understand the relevance of MSF-interactions and to understand under which conditions MSF-interactions are particular important to company success. One of the biggest challenges today's companies face is the trade-off between short-term necessities and long-term

objectives. Companies in which MSF-interaction is limited or the role of one actor in the MSF-triangle is undermined, are not able to consider the full spectrum of consequences when making important decisions. Those companies will face difficulties in keeping the balance between functional and corporate interests. In particular, public companies are under considerable pressure to report positive performance news. If marketing is not fulfilling its destined role in the MSF-triangle, those companies are in danger to maximize short-term results at the cost of longer-term marketing assets. As a consequence, we believe that an effective and efficient MSF-triangle is particular important in firms that possess important marketing and sales assets such as brands or a valuable customer base.

According to the resource based view (Barney 1986; 1991; Grant 1991; Hunt and Morgan 1995; Wernerfelt 1984), assets and capabilities can generate competitive advantages, if they are valuable, rare (i.e., not commonly, easily, or readily bought and sold in the marketplace), inimitable, and not substitutable. We believe that an effective and efficient MSF-triangle is a capability that qualifies for all those required attributes to serve for a competitive advantage.

In addition, we believe that the dynamism and the complexity of a market increase the importance of MSF-interaction and coordination. The more dynamic and complex a market, the more specialized capabilities are needed in each MSF-function to cope with market challenges. Finally, we believe that competitive intensity is a driver of MSF-interaction importance. Firms in markets with low competitive intensity might be able to reach satisfying performance levels without proper MSF-interaction and MSF-coordination. In contrast, the success of companies facing strong competition relies strongly on an effective and efficient MSF-triangle. Against this background, we make the following proposition with regard to the relative importance of MSF-interaction and MSF-coordination.

Proposition 4: The relative importance of MSF-interaction and MSF-coordination for company success increases…

- as the pressure on management to deliver short-term results increases;
- the more valuable the marketing and sales assets of the firm are;
- the higher the dynamism and complexity in the market;

- the higher the competitive intensity.

Fourth, from a **resource dependency theory** perspective (Aldrich and Pfeffer 1976; Buschmeier 1995; Neuberger 1995; Pfeffer and Salancik 1978) the increased finance orientation of marketing and sales and the increased business orientation of finance can be interpreted as strategies to deal with dependency issues in the MSF-triangle. We learned that finance is not only responsible for the firm's financial health. Finance also influences the firm's resource allocation across functions. Against this background, marketing and sales depend on finance to support their claims for financial resources. In addition, we learned that finance acts as a consultant and as an interpreter of financial figures for the top management. Hence, marketing and sales depend on finance not to undermine marketing's and sales' standing within top management. As an example, imagine a CFO that makes very negative comments on specific marketing and sales activities or strongly criticizes general performance of marketing and sales.

Marketing particularly depends on finance with regard to long-term marketing initiatives (e.g., image campaigns) that offer the firm an uncertain return which cannot be sufficiently quantified in dollar terms. In this regard finance might trust or might not trust marketing that the respective financial resources are well invested.

The sales function also strongly depends on finance. Given the fact that many prices are made on a cost-plus basis and taking into account that the price is an important driver of many buying decisions, we argue that the success of the sales function depends heavily on how well finance is able to provide a competitive cost structure (e.g., efficient use of the company's resources). Against this background we argue that marketing's and sales' increased finance orientation is a strategy to deal with these dependencies on finance.

Interestingly, the finance function is also dependent on marketing and sales. In fact, the finance function needs effective and efficient marketing and sales functions to reach the company's ambitious growth and profitability objectives.

With regard to marketing, finance understands very well that strong brands are valuable assets that help to attract and retain customers and allow the company to

charge a price premium. However, finance lacks expertise and information to be able to assess how effective and efficient marketing operates.

With regard to sales, finance faces also considerable dependency issues. Above all, finance depends on sales with regard to assessment of market risks. For example, finance is not able to estimate customer's willingness to pay or how a key customer will react to a price increase. Finance depends on sales to assess whether the customer will accept the price increase or whether the customer might churn to a competitor.

Against this backdrop we argue that finance's increased business orientation and its tighter control of marketing and sales are two specific strategies finance applies to reduce its dependency on marketing and sales.

Finally, the **agency theory** offers the potential to improve our understanding on the root causes for the observed fundamental changes. Specifically, the application of the "principal & agent" metaphor (Bergen, Dutta, and Walker 1992; Eisenhardt 1989a; Fama 1980; Jensen and Meckling 1976; Ross 1973; Laux 1990) to the MSF-triangle offers an additional explanation for finance's increased business orientation. Finance's role in many companies is very close to that of the principal, whereas the agent's role can be assigned to both marketing and sales. We learned that from finance's principal perspective there are severe problems of hidden action and hidden information in both marketing and sales units. For example, finance faces considerable difficulties in assessing marketing performance, sales behavior, or the economic use of marketing and sales budgets.

The introduction of a marketing-finance liaison position or a decentralized management accountant enables finance to gather hidden information to assess marketing performance and sales behavior. Through the liaison position finance receives first hand information on specific marketing and sales activities as well as on current market developments.

Furthermore, our observation that finance increases the accountability pressure on marketing and sales and enforces a tighter control of marketing and sales is a means applied by finance to diminish the hidden action problem. In addition, the tendency in variable payments of sales towards a higher share of profitability related objectives

instead of mainly sales volume related incentives can clearly be seen as a move to align the agent's (i.e., sales') objectives with the principal's objectives.

Against this background we argue that finance's increased business orientation, and more specifically, its stronger business partnering and tighter control of marketing and sales, are means to overcome problems of hidden action and hidden information in the MSF-triangle.

Having answered our last research question, which was "What fundamental changes have recently occurred in management practices of the MSF-triangle? Why have such developments taken place?" we will now come to the conclusion of this thesis.

9 Conclusion

9.1 Summary and Implications for Research

The starting point of this thesis was the observation that the marketing function faces difficulties within the firm to show its value contribution. In face of this challenge, cross-functional cooperation between marketing, sales, and finance was proposed as one promising way to determine and to increase marketing's contribution to company success effectively and efficiently.

Starting from this specific marketing challenge, we took a broader perspective on the link between marketing, sales, and finance. We showed that this link is receiving growing research attention. Whereas a relative high number of studies has been conducted on the topic of marketing, sales, and finance metrics, we concluded that only a very limited number of studies has been conducted on the organizational link between the three functions. However, we showed that such research is in great need to account for the managerial challenges that are strongly related to the MSF-triangle. As specific examples, we offered the managerial challenges of accountability, performance management, decision support, and functional silos. In addition, we also showed the high relevance of research on the organizational link between marketing, sales, and finance from an academic perspective.

Before we specified our research objectives, we pointed to three important research opportunities that we planned to address in this thesis. The first research opportunity we could identify was that existing studies view the cooperation between marketing, sales, and finance as a bilateral marketing-finance interface, i.e., they do not distinguish between marketing and sales, but rather conceptualize sales as part of marketing. A second research opportunity we could identify was a lack of understanding with regard to interaction fields and decision areas in the MSF-triangle. Finally, we saw a third research opportunity in the fact that we do not know about the individual contributions of marketing, sales, and finance actors in those cross-functional interactions.

On the basis of the identified research opportunities, we formulated six research objectives. The first research question was: "What is the current state-of-knowledge in

academia on the organizational link between marketing, sales, and finance?" We addressed this research question in chapter 2 in which we laid the conceptual foundations of the thesis.

Specifically, in section 2.1, an intense literature review was given. We concluded that the body of empirical research that directly or indirectly deals with the organizational link between marketing, sales, and finance is scarce, leading to a very limited understanding of the related organizational issues in the MSF-triangle.

In section 2.2, a general outline of theories that can be related to the MSF-triangle was offered. Five theories were generally described and their implications for the organizational link between marketing, sales, and finance were discussed. Specifically, the social identity theory offers important explanations for differences and conflicts between marketing, sales, and groups. In the spirit of the second theory, the boundary theory, the functions marketing, sales, and finance are interpreted as open systems with boundaries: The key interaction fields and decision areas in the MSF-triangle can be interpreted as the required interactions at those boundaries.

The resource based view helps us to understand the importance of the MSF-triangle for corporate success as both types of resources, i.e., assets and capabilities, play a major role in the MSF-triangle. The resource dependency theory was identified as interesting theoretical basis for an in-depth analysis of dependency issues in the MSF-triangle. Finally, the agency theory directs our attention to the problems of hidden information and hidden action in the MSF-triangle.

In chapter 3, the methodological approach of the thesis was presented. Specifically, the underlying rationale for the chosen inductive field approach was explained. We also provided details on our sampling, sample characteristics, and interview guideline. Finally, we discussed methodological issues in qualitative data analysis and provided detail information on our individual analysis steps.

In chapter 4 we addressed our second research question which was: "What are the key organizational actors, i.e., subunits and positions, in the MSF-triangle and what typical structural MSF-configurations do exist in business practice?" To answer this question we described the MSF-triangle fundamentally from an organizational design

perspective. Specifically, we identified the key marketing, sales, and finance subunits on corporate, division, business unit, and country level and discussed related differences between the companies in our sample.

With regard to the key finance positions in the MSF-triangle, we found that the CFO and/or the Head(s) of Finance play a central role. Also the Head(s) of Treasury & Risk Management, the Head(s) of Financial Accounting, and the Head(s) of Management Accounting were identified as key finance positions in the MSF-triangle. Besides those senior management positions, the Financial Accountant(s) and the Management Accountant(s) positions were identified and confirmed as key positions from the finance function in the MSF-triangle.

The key marketing senior management positions in the MSF-triangle we identified were the Head(s) of Marketing, the Head(s) of Market Research, the Head(s) of Marketing Services, and the Head(s) of Marketing Communications. Also, the Product Manager (s), the Brand Manager(s), and the Marketing Accountant(s) were identified and confirmed as key marketing positions in the MSF-triangle.

With regard to the key sales senior management positions in the MSF-triangle, we identified the Head(s) of Sales Management, the Head(s) of Sales Regions, and the Head(s) of Key Account Management. In addition, we learned that the Regional Sales Manager(s), the Key Account Manager(s), and the Sales Accountant(s) interact with marketing and finance.

In section 4.2., we explored typical structural design configurations of the MSF-triangle in business practice. Our simplifying typology showed that companies differ widely with regard to their design of their marketing, sales, and finance units. Whereas marketing and sales were found to have very diverse structures in business practice, only the finance function was found to have a rather constant structure. In contrast to marketing and sales, we observed the finance function to be normally represented on all four organizational levels, i.e., on corporate, division, business unit, and country level.

With regard to marketing organization, we observed some companies in which marketing was represented on all organizational levels. However, we also learned that

some firms rely strongly on a corporate marketing unit as a central unit that provides marketing services to the business units and countries. Typically, in those companies only very limited marketing support units exist in the business units and countries, if any exist at all. Other firms do not even have a corporate marketing unit but instead prefer to have a lean corporate structure with a PR oriented communications unit and a strong business unit marketing. Interestingly, companies were found that officially have no marketing unit. In those companies elementary marketing tasks are done by part-time marketers located in communications, technical product management, or sales management.

With regard to sales organization, we also found considerable differences across the firms in our sample. However, those variations were merely due to a diverse orientation on the first level. In some companies the sales function is organized by customers; in some companies sales is organized by regions; and in other companies sales is organized by sales channels. Companies differ also with regard to the existence or non-existence of a key account management. They also vary with regard to the decision if the sales force should be organized across business units or if each business unit should have its own sales force.

In chapter 5 we tackled our third research question which was: “What are the key finance-related interaction fields and decision areas in the MSF-triangle?” We answered this important question through our exploration and categorization of the eight key finance-related interaction fields and decision areas in the MSF-triangle in business practice.

A first interaction field and decision area in the MSF-triangle we could identify was “Plans & Budgets”. Here, MSF-managers interact to develop the marketing and sales plans and budgets. In this interaction field, crucial decisions with regard to marketing and sales budget size and allocation have to be made within the MSF-triangle.

A second field of interaction in the MSF-triangle referred to “Reports & Analysis”. We learned that there is a high variance among firms and industries with regard to which reports and analyses are part of the highly formalized standard reporting cycles and which reports and analyses are only done on request (or are not done at all). Interestingly, companies differ widely with regard to the question who participates in

the discussions of the provided reports and analyses. In some companies, finance is merely the information provider that would only comment on salient developments or would point to deficiencies. In other companies, finance is the first sparring partner for sales or marketing to discuss the newest reports and analyses.

Many respondents reported the toughest discussions in the MSF-triangle in the field of "Cost Optimization", the third interaction field we could identify. We reported on the conflict between finance and marketing and sales ("finance loves to save money" & "marketing and sales love to spend money") that were found to exist in many companies. We also elaborated on intense discussions between finance and sales on the competitiveness of the company's cost structures (e.g., personnel costs). Interestingly, we also learned that in some companies, sales pushes finance to take advantage of certain cost squeezing possibilities (e.g., sales proposes cuts in marketing or low-cost country sourcing).

A fourth interaction field we explored was "Calculations & Investment Management", i.e., the preparation of calculations and investment proposals that enable systematic and well founded decision making. Specifically, we learned that marketing, sales, and finance work closely together to develop business cases and that there is intense interaction in the MSF-triangle when it comes to assessing and financing identified investment opportunities. We also reported on marketing's difficulties to enforce specific marketing investment proposals.

A fifth interaction field we identified was "Financial Accounting". Among other things, we learned that marketing and sales initiatives must be properly coordinated with financial accounting requirements, such as clearing and control necessities to avoid inefficiencies (e.g., time consuming ex post exercises). One key issue among MSF-actors in the field of financial accounting is the challenge set by the investor community to make a spot landing in terms of revenues and costs. Interestingly, a number of managers reported different point of views among MSF-actors when it comes to disclosing information in financial reports. We also learned that MSF-actors discuss internal accounting issues (e.g., inter-company prices, allocation of costs) and accounting tactics intensely, because their bonus payments strongly depend on reported profits.

With regard to the sixth interaction field "Debtor Management", we found that in companies with a high number of customers, the billing process is not performed in finance units but is often assigned to a customer care center that is part of the marketing or sales function. We learned that finance and sales discuss the specific payment deadlines, payment related discounts, or credit limits for business customers. We observed that finance typically checks the status of accounts receivables and identifies debtor issues. We also learned that the more important the customer and the more complex the underlying issue, the more probable is it that finance delegates the dunning process to sales.

As a seventh interaction field, "Compliance & Risk Management" was identified. We learned that a number of firms are currently working on enhancing their internal control system to ensure compliance with legal requirements, accounting standards, and company policies. One specific compliance issue in the MSF-triangle that could be identified was Sarbanes-Oxley. With regard to risk management, we observed that MSF-actors interact to identify customer related risks and to decide about concrete actions to manage risks (e.g., foreign exchange risk exposures).

The final interaction field in the MSF-triangle we could identify was "Pricing". Specifically, we observed that marketing and finance typically coordinate the company's official price list, but that sales has often a strong role in influencing actual prices due to its ability to give considerable discounts. Interestingly, we learned that sales is likely to ask finance to review the provided cost analyses, when there is price pressure in the market and customers demand lower prices. In some companies, finance is involved in monitoring the success of price promotions. Surprisingly, we found that in most companies marketing does not play an important role in price promotions, even though one could argue that aggressive promotions can have negative effects on the brand image.

The fourth research question of the thesis was: "What are the individual contributions of marketing, sales, and finance actors to the various interaction fields and decision areas in the MSF-triangle and what specific role does each MSF-actor play in the MSF-triangle?" In chapter 6 we intensely discussed the individual contributions of marketing, sales, and finance to the various interaction fields and decision areas in the

MSF-triangle. On the basis of these interaction field specific insights we were able to develop a more general picture on the role of each function in the MSF-triangle.

Finance's role in the MSF-triangle is to provide transparency with regard to performance, cost, and risk issues and to manage those issues. In addition, finance makes and standardizes policies and tools to ensure company wide compliance and comparability. Another part of finance's role in the MSF-triangle is to consult top management, marketing, and sales on performance assessment and decision making. Finance must also ensure cost consciousness and cost discipline of marketing and sales and hence must challenge the budgets that are submitted by marketing and sales as well as their spending. Finance serves as commercial conscience of the firm by demanding positive ROI, quick paybacks, price enhancements, and reasonable impact estimates with regard to optional marketing and sales activities.

An important part of marketing's role in the MSF-triangle is to proactively justify marketing spending and investments ex ante and ex post of specific marketing activities. Also, marketing is expected to explain performance and cost figures to finance and sales. In addition, marketing must anticipate market developments such as threats or risks and must ensure that entrepreneurial market opportunities are seized. Marketing challenges financial bureaucracy and critically assesses the impact of company actions on marketing strategy, customer attitudes, and customer behavior. In addition, marketing proposes specific improvement actions and makes an important contribution in pricing by balancing capital market requirements and customer market requirements.

One component of sales' role in the MSF-triangle is to justify its spending and investments. Sales is also expected to explain salient performance and cost developments. Sales adds value to the MSF-triangle in forecasting market data and developments. In addition, sales ensures that entrepreneurial market opportunities are seized and that threats and risks are identified as early as possible. Sales provides crucial customer feedback on the competitiveness of own products, services, and prices. Also, sales has an important role in challenging financial bureaucracy, marketing spending, product costs, and the company's cost allocation system. Sales critically assesses the impact of the company's actions on customer satisfaction and

customer behavior. Finally, sales champions competitive prices, terms and conditions, and price promotions to generate sales revenues for the company.

Our fifth research question was: "What are the key managerial challenges in the MSF-triangle?" We covered this question in chapter 7 in which we identified five key managerial challenges in the MSF-triangle. We also proposed specific actions companies can take to address each of those challenges.

The first key managerial challenge we identified was to "Reach High Levels of Mutual Understanding". Our field data showed in an impressive way how strong marketing, sales, and finance differ in their attitude, personality, focus, and goal orientation. Against this backdrop it was not surprising that many managers told us that they face considerable difficulties in reaching a good mutual understanding between marketing, sales, and finance. However, such a good mutual understanding among the actors in the MSF-Triangle was seen as extremely important by our informants. It was regarded as the fundament for effective and efficient cooperation in the MSF-triangle.

A second key managerial challenge we identified was to "Implement an Intelligent Incentive System". In the interviews we learned how strongly managers are driven by the bonus payments they get for reaching specific objectives. Not reaching the agreed objectives results in considerable bonus payment losses for the respective managers. Interestingly, many managers reported that their incentive system has been leading to some problems with regard to cross-functional cooperation in the MSF-triangle. Hence, managers perceived it as a key managerial challenge to create and implement an incentive system that does not lead to contradicting functional objectives, i.e., pursuing of functional objectives that undermines other function's objectives, and which is hence not in the best interest of the whole organization. Typical examples of contradicting objectives in the MSF-triangle mentioned by managers are trade-offs between top line vs. bottom line objectives, short-term vs. long-term objectives or internal transfer price issues.

The third key managerial challenge in the MSF-triangle is to "Manage Marketing Performance" in an effective and efficient way in the MSF-triangle. We learned that marketing performance management is currently a hot issue in business practice, whereas companies have already reached high levels of transparency with regard to

sales performance. At the heart of the marketing performance management challenge is the question what is the ROI of marketing and how can the scarce monetary and human resources in marketing be spent most effectively and efficiently. From a marketing perspective, marketing performance management is a great opportunity to show the investment character of many marketing costs.

A specific challenge many managers reported in this context was to find a balance between sales oriented tactical activities and mid-term or even long-term oriented activities to strengthen the brand (e.g., image campaigns, customer satisfaction investments, employee trainings). Interestingly, we learned that in many companies there is a trend in marketing towards activities that make it easier to show a quick positive ROI. Those activities include, for example, online marketing activities or direct marketing campaigns to acquire or win back customers. A specific problem that companies face while trying to calculate a ROI for a specific marketing activity is to identify and weigh the influence that different activities/inputs have on success/output.

The fourth key managerial challenge in the MSF-triangle is to “Balance Power Among MSF-Actors”. Drawing on our discussion on the role each MSF-actor is supposed to play in the triangle, we realized that in many companies at least one MSF-actor is not able to play the expected role due to an unbalanced power distribution within the MSF-triangle (e.g., low influence of a MSF-function in one of the eight key interaction fields and decision areas in the MSF-triangle). Surprisingly often we had to learn that the role and the power of the marketing function were limited.

Specific manifestations of such a limited marketing role are companies that lack a marketing unit on division or business unit level and that only have a very lean corporate marketing which focuses on only one part of the marketing mix, i.e., marketing communications. Other manifestations of a limited marketing role are units that are called, e.g., product marketing but actually fulfill mainly pricing and controlling tasks instead of actively managing and marketing the underlying products. In addition, in some companies managers pointed to a ridiculous low marketing budget that wouldn’t allow for any form of advertising.

Furthermore, we found that marketing issues are typically not discussed in top management meetings. We observed that in many companies only a sales manager is a

member of the top management but not a marketing person. We learned that one major reason for such a limited role of marketing is its lack of business responsibility. In addition, we observed that the power given to a function depends strongly on the specific persons in top management, above all on the CEO and his attitude towards marketing.

Finally, the fifth and last key managerial challenge in the MSF-triangle is to "Achieve Pricing Excellence". We learned that pricing issues were perceived as particular challenging by managers in the MSF-triangle due to their high importance and complex nature. In addition, our informants pointed to the sophisticated expertise needed to tackle the pricing challenge (e.g., methodological skills, understanding of customer's price sensitivity and price satisfaction drivers).

Our sixth and last research question was: "What fundamental changes have recently occurred in management practices of the MSF-triangle? Why have such developments taken place?" This question was addressed in chapter 8 where we explored fundamental changes in management practices in the MSF-triangle. In addition, we developed a set of propositions with regard to those changes and discussed the identified changes and our propositions from a theoretical point of view. The overarching theme that emerged from our field experience of the MSF-triangle was an increased finance orientation of marketing and sales and an increased business orientation of finance.

With regard to sales, we observed that sales becomes more analytical and at the same time more margin and price driven. In a number of companies, sales is increasingly paying attention to margins, prices, and customer profitability. We observed that sophisticated CRM systems serve as catalysts of sales' shift towards analytics and profitability. Sales' increased finance orientation is also influenced by a shift in their bonus payment policy. In a number of companies we observed that in sales a stronger weight is laid on margins and profit contributions instead of solely sales growth. In addition to bottom line incentives, we observed that powerful customers, strong competition, and price pressure drive the sales function to become more finance oriented.

With regard to marketing, the clear picture that emerged was that marketing becomes more ROI and payback driven. We identified three specific drivers of this development, i.e., skepticism towards marketing's value contribution, difficulties in enforcing marketing project proposals, and short-term marketing budget cuts. In many companies, marketing now has to show ex ante at least to some extent what positive return its new projects yield and when finance can count on the paybacks. If marketing fails to convince finance that the marketing activity yields a positive return, the specific marketing proposal (often a rise in budget) is likely to be dismissed. In addition, we observed a trend in marketing towards activities that make it easier to show a quick positive ROI. Those activities include, e.g., online marketing activities or direct marketing campaigns to acquire or win back customers.

Finally, with regard to finance, we observed that in a number of companies finance is eager to get more involved into finance-related marketing and sales decisions. In those companies, finance is on the verge of becoming a true business and sparring partner for marketing and sales. We observed and reported on a number of specific changes in the organization of the MSF-triangle that reflected and fostered an increased business orientation of finance. As a consequence of an generally improved business understanding, introduced liaison positions, streamlined reporting lines of decentralized accountants, and sophisticated CRM solutions, finance is able to control marketing and sales tighter.

Implications for Research

Since this thesis has addressed important research gaps in the literature on the organizational link between marketing, sales, and finance, it has made important contributions to academia:

- We have interviewed 78 managers from marketing, sales, and finance in 42 companies to develop a better understanding of the organizational link between marketing, sales, and finance units.
- We have introduced the idea of the marketing-sales-finance-triangle and have explored the key interaction fields and decision areas in the MSF-triangle.

- In addition, we have identified the specific contributions and role of each function in the MSF-triangle.
- Finally, we have explored fundamental changes in management practices in the MSF-triangle and have explained why an increased finance orientation of marketing and sales and an increased business orientation of finance emerged as general theme.

Against the background of our research findings, we strongly believe that the MSF-triangle offers exciting opportunities for future research activities.

First and foremost, with our inductive field study we have prepared the field for future, more quantitative research, which may test our research findings in a more generalized setting. Such quantitative research would add empirical support to our qualitative findings. For example, quantitative studies could be conducted to further examine the key interaction fields and decision areas in the MSF-triangle. Also, studies could test our propositions related to our observation of an increased finance orientation of marketing and sales and an increased business orientation of finance.

Furthermore, future studies could examine the link between the MSF-triangle and company success. Those studies could take a resource based view to empirically test if and which specific capabilities in the MSF-triangle contribute to success with regard to MSF-interactions and with regard to company success. Such research could confirm the existence of resources in the MSF-triangle that distinguish outperforming firms from underperforming firms. This would further show the important role that an effective and efficient MSF-triangle plays for company success. Hence, we would appreciate future research that tests related hypotheses and possible moderators in a quantitative study. As a specific example, the existence of marketing and sales assets such as brands or a valuable customer base might moderate the relationship between constructs such as cooperation quality in the MSF-triangle and company success.

Second, due to the complexity of the analysis object, we would also like to encourage researchers to conduct further qualitative studies on the MSF-triangle or on related issues. As an example of a promising future research topic, we propose to examine the consequences of an increased finance orientation of marketing and sales in more depth. Whereas in this thesis we were able to identify a number of positive

consequences, we do not know much about any negative consequences of such an increased finance orientation of marketing and sales. Interestingly, in the research stream of marketing metrics, there are some hints to possible pitfalls of an increased metrics usage in marketing and sales, such as e.g., a "measurement culture" that represses qualitative arguments, an opportunistic focus on own metrics, or the neglect of the "touchy-feely" aspects of marketing, such as passion, relationship building, or brinkmanship (see for a brief related conceptual discussion Belz 2004; Uncles 2005). Against this background, we believe it would be worthwhile to further explore the consequences of an increased finance orientation of marketing and sales in future research studies.

9.2 Implications for Business Practice

The findings of our research are also of high relevance for business practice. On a general basis this study helps managers from marketing, sales, and finance to develop a better understanding of the MSF-triangle. Specifically, managers can develop a better understanding of typical structural configurations of MSF-triangles, the key management positions in the MSF-triangle, and the key interaction fields and decision areas in MSF-triangle. In addition, managers can learn about each actor's individual contributions to the interactions in the MSF-triangle and about the role each actor is supposed to play in this triangle.

Practitioners can use their improved understanding of the MSF-triangle in business practice to compare the insights from this thesis with their own MSF-triangle experiences. As an example, managers can compare the organizational design of their own MSF-triangle with our typology. The research findings can serve as a helpful basis to discuss the appropriateness of the current organizational design of the MSF-triangle with managers from marketing, sales, and finance.

In addition, our empirical insights with regard to the key interaction fields and decision areas in the MSF-triangle are of high managerial relevance. Managers can compare the eight key interaction fields as identified in this thesis with the interactions that are currently performed in their own MSF-triangle. In doing so, they might identify neglected interaction fields and decision areas that are presently not coordinated in their own MSF-triangle. Our framework displaying the key interaction

fields in the MSF-triangle and our detailed descriptions on how companies interact in each field can serve as a useful basis for cross-functional discussions among managers on how to improve the effectiveness and efficiency of MSF-interactions.

Furthermore, this research provides managers with the opportunity to check whether each MSF-actor's role is being played adequately in their own company. Specifically, practitioners can compare the contributions each function is supposed to make to each interaction field with the actual contributions in their own MSF-triangle. By comparing our findings with the current situation in the manager's own MSF-triangle, possible deficiencies might be identified. As a specific example, managers can use our framework on the value-added of each MSF-actor to the individual interaction fields as well as our framework on the roles each MSF-actor is supposed to play in the triangle as a basis for cross-functional discussions. As a result of those discussions, managers from marketing, sales, and finance might, for example, conclude that the responsibilities of the marketing function should be extended to cover more than only marketing communications tasks. We are convinced that only when each MSF-actor fulfills its destined role, the balance between functional and corporate interests is kept. Companies that reach this balance will be able to achieve both, its short-term and its long-term objectives.

With the identification of five key managerial challenges this thesis offers further important implications for business practice. By reading this thesis, practitioners can learn about the five key managerial challenges in the MSF-triangle and will gain insight into how leading companies tackle those key challenges. In doing so, managers will gain access to the lessons learnt of other companies and related best practices. In addition, managers can find a number of directly implementable actions in this thesis to address each of those challenges in their own MSF-triangle.

Finally, the fundamental changes identified and discussed in this thesis can provide managers with valuable insights into recent trends with regard to management practices of the MSF-triangle. Our framework on the fundamental developments in the MSF-triangle can serve as a useful tool to compare the identified changes with developments in the manager's own MSF-triangle. In doing so, managers might find interesting ideas and useful actions that can be directly implemented to improve the

effectiveness and efficiency of their own trilateral interplay between the marketing, sales, and finance functions.

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