Performance Effects of Sales-Marketing Alignment

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Key words: sales and marketing alignment, performance

Abstract

Sales and marketing are often at odds with one another to the detriment of performance. This study examines the influence of the alignment between the sales and marketing functions on firm performance. Analysis of data from 821 sales professionals provides new and specific evidence for superior firm performance on eight key firm outcomes – lead generation, conversion, customer acquisition, customer retention, average billing per account, revenue growth, and quota achievement- for firms where the sales and marketing functions are aligned. Managerial implications for improving sales and marketing relations are discussed.

INTRODUCTION

Much like taxes and death, many would argue that conflict between the sales and marketing functions within organizations is inevitable. Indeed, anecdotes regarding such conflicts abound with each side usually blaming the other for poor results. To date, few studies exist which specifically investigate the impact of bettered relations between sales and marketing (Le Meunier-FitzHugh and Piercy, 2007a and 2007b) on key company objectives. Le Meunier-FitzHugh and Piercy (2007a) note several antecedents that have a positive effect on collaboration between sales and marketing which can aid in boosting sales. Guenzi and Trolio (2007) find that sales and marketing alignment significantly impacts customer value and influences market-based outcomes. Both these recent studies call for future research which encompasses larger and more diverse samples, including respondents from different levels of the firm (i.e., sales and marketing staff). While acknowledging the above, largely left unanswered are the questions of more strategic interests such as, "What happens to key performance results when sales and marketing get along? " and "Can each function, as well as the organization as a whole, benefit from sales and marketing being aligned?"

The primary purpose of the current study is to build upon previous research by exploring the perceived effects of alignment between the sales and marketing functions on several firm performance measures. The current research begins with a review of the findings from previous studies that investigates conflict, collaboration, and integration between the sales and marketing functions. Second, hypotheses are developed as to what effects alignment between the sales and marketing function have on achieving key organizational performance objectives. Third, results of an empirical study encompassing 821 respondents are presented. Finally, managerial implications, limitations of the current study, and directions for future research are shared.

THEORETICAL BACKGROUND

In this study, sales and marketing alignment is defined as the ability to affect superior market performance; supporting Masser's (2007) argument that the end goal, not only of relations between sales and marketing but of marketing strategy, is the achievement of desired results. In an environment where alignment is present, there would be a "dispersion of influence" or distribution of power between the functions (Krohmer et al., 2002). Often hampering the pursuit of sales alignment are the varying levels of tension existing between sales and marketing, bred by physical and philosophical separation and by poor communication (Lorge, 1999). Indeed, there are numerous companies that have let relations degenerate to the point where the sales and marketing functions refuse to talk with each other.

This oftentimes dysfunctional relationship is a phenomenon being increasingly recognized by researchers and practitioners (Kotler et al., 2006). If left unattended, the situation can consume vast amounts of costs, time, and energy and lead to a culture of blame with each side saying the other is responsible for its own inefficiencies. Montgomery and Webster (1997) argue that some of the seeds of conflict are sewn into the organizational fabric given the corporate mandates for each entity. Certainly stereotypes and different "hierarchy of priorities" are elements of this integration challenge.

The Power of Alignment

Ingram et al. (2002) contend that there needs to be a rethinking of formal organizational structures to ensure customer responsiveness and present a single face to the customer. Massey and Dawes (2007b) advocate that senior management take steps to ensure the quality of information flowing between sales and marketing managers remains high. As such, the concept of collaboration and integration leading to alignment between the sales and marketing functions is not only thought to be important but also critical to the performance of both functions and the achievement of organizational objectives (Le Meunier-FitzHugh and Piercy, 2007a). Alignment between the functions should serve as one of the means for organizations to foment a sustainable competitive advantage by consistently delivering superior customer value (Slater and Narver, 1995).

Likewise, strong market or customer-oriented behavior (Jaworski and Kohli, 1993) is an implicit common theme that runs through many strategic approaches to value creation. In fact, the marketing literature over the last 10-plus years has acknowledged the role of market orientation as a major source of achieving a sustainable competitive advantage (Castro et al., 2005). Information collection and its firm-wide dissemination (Jaworski and Kohli, 1993), which is at the heart of market orientation leading to superior value, should owe its success (to a large degree) on collaboration between the sales and marketing functions.

Marketing's discussions with the sales force related to customers is a valuable way to produce market information (Kohli and Jaworski, 1990) as often salespeople are often the primary organizational liaison with customers (Jackson and Tax, 1995). Firm responsiveness to the information collection process should be a joint action performed by the sales and marketing teams. Guenzi and Troilo (2006) report that effective integration of sales and marketing positively contributes to the generation and dissemination of marketing intelligence, leading to a market-driven organization. Troilo et al., (2009) advocate that by introducing shared decision-making between sales and marketing, the customer-oriented culture of the organization is augmented. Sales and marketing may have different activities to perform, but by being in constant contact in the process of performing said activities, the organization benefits (Kotler et al., 2006). For better or worse, the sales and marketing functions are intertwined in order to accomplish their mandates, and thus, for their best interests and the best interest of the organization, they should cooperate.

HYPOTHESIS DEVELOPMENT

Sales productivity is dependent on marketing for a steady stream of qualified prospective customers. Therefore, the need for coordinated planning and goal setting between the two functions makes common sense, but not common practice (Kotler et al., 2006; Strahle et al., 1996). Consequently, when marketing and sales teams are not aligned, it is reasonable to expect dilution in overall business performance (Le Meunier-FitzHugh and Piercy, 2007b). However, business performance is an overarching concept and has been operationalized as a multi-faceted construct capturing performances in market share, customer satisfaction, competitive position, customer retention, and sales growth (Morgan and Turnell, 2003).

It is debatable whether sales-marketing alignment alone contributes to the success on such macro dimensions. For instance, market share is determined by several market structure variables such as industry concentration, market growth rate, product line width, and other firm-specific resources (Szymanski et al., 1993). Therefore, when investigating the influences of the sales-marketing alignment on business performance, it is better to spotlight metrics more directly attributable to the sales and marketing functions. Metrics linked to the sales pipeline (Figure 1) provide an ideal setting. Broadly speaking, revenue streams should depend both on continuously creating new opportunities and on growing business by retaining existing relationships through effective management. In turn, these activities should lead to growth in the number of transactions and in average billing per transaction, thus resulting in overall revenue growth.

<< Place Figure 1 About Here>>

Lead Generation Becoming New Account Acquisition

Specifically, one may explore the influence of the sales-marketing alignment on each of the linkages shown in Figure 1. For instance, a likely scenario would have the marketing team tasked with maximizing lead generation and concurrently, the sales team with lead conversion. Under this scenario, the marketing team may inundate the sales team with low quality leads wasting sales force effort. Smith et al. (2006) found such complex interplay between marketing efforts and sales efficiencies. Their findings suggest that improved internal collaboration between the sales and marketing functions can lead to significant benefit for the firm. Thus, a properly aligned marketing team should qualify the leads, perhaps create a scoring and categorization, and then perhaps nurture the leads until it is time to pass them to the sales team.

In an optimum situation, sales should be accepting and acting on the majority of the leads that the marketing function is providing. Therefore, generation of qualified leads should be greater in an aligned organization. Subsequently, when marketing and sales work together, great sales results should occur (Budds, 2004), that is, higher close rates. In addition, growth rates in new account acquisitions should be higher in the presence of greater alignment between the sales and marketing functions. Therefore,

H1: The higher the sales and marketing alignment, the higher the growth in number of qualified leads;

H2: The higher the sales and marketing alignment, the higher the lead conversion rate;

H3: The higher the sales and marketing alignment, the higher the growth in new account acquisition.

Customer Retention and Other Key Performance Criteria

Based on feedback from the sales team, an aligned marketing team would strive to create multiple touch points within the customer organization, building both the contact density and contact authority resources. This might be accomplished through targeted marketing programs, webinars, "white" papers, and conferences for the customer product teams. Marketing might engage senior members (sales team may provide such references) of the customer organization by "inviting" suggestions on product development or customer service. Likewise, when customer service receives calls from existing customers, they should recognize that every question, request for information, or even a complaint is an opportunity to strengthen the relationship (Saxby, 2009). All of these contacts are leads too; only, they are *customer retention leads*. These leads progressively strengthen the relational ties with the customer and help ferret out and refine new business opportunities.

Thus, the marketing function in an aligned organization does not stop at lead generation for customer acquisition alone: rather, working together with the sales team, it continually strives to enhance the quality of customer relationships, increase contact density, and build contact authority inside the customer's organization. In addition, the marketing function in an aligned organization should swiftly act on feedback from the sales team on any incipient customer dissatisfaction issues and take timely corrective action. This should lead to increased effective commitment, satisfaction, and equity with the customer organization which thereby enhances customer's relationship perception (Verhoef, 2003).

Therefore, alignment between sales and marketing should lead to higher customer retention rates. Finally, because aligned marketing and sales functions should improve close rates, customer retention rates and new acquisitions, such an organization should also be expected to post higher growth in revenue, billing rates per transaction, and superior sales force performance as reflected by sales quota achievements. Thus,

H4: The higher the sales and marketing alignment, the higher the growth in customer retention rates;

H5: The higher the sales and marketing alignment, the higher the growth in average account billing size;

H6: The higher the sales and marketing alignment, the higher the growth in revenue; and

H7: The higher the sales and marketing alignment, the higher the growth in achievement of sales quotas.

METHODOLOGY

Sample Selection

Data for the study was collected in conjunction with Miller Heiman, a global leader in sales performance consulting and training, as part of the 2010 Sales Best Practices Study, one of the largest, most comprehensive global research studies on sales effectiveness. In return for their participation, respondents were offered an Executive Summary of the results, as well as a copy of the results of the 2009 study.

Responses came from an email invitation sent to business people engaged in a variety of revenue-oriented job functions ranging from sales representatives, marketing managers, vice presidents of sales, and C-level executives, amongst others. An email was sent containing a link to an online survey. Two follow-up reminders were sent to those not responding to the initial e-mail. All data was collected online. A total of 14,080 individuals clicked on the link and 1,992 respondents completed the 134 item survey for a 14.1% response rate. Of these 1,992 respondents, 821 respondents indicated their job was directly connected to revenue generation. Following Armstrong and Overton's (1977) non-response bias suggestions, early and late respondent means were compared. This process revealed no statistically significant differences between the respondents during the two months of data collection.

Demographics of the Sample

The respondent profiles represented widely divergent industries. Industries most heavily represented included consulting and professional services, technology-software, and manufacturing with each representing 10-plus percent of the sample. The business services, technology-hardware, finance and investment, and telecommunications industries each represented between 5 and 10 percent of the sample.

While the majority (56.3 percent) of respondents came from companies headquartered in the United States, over forty different countries were represented in the sample with the United Kingdom, Germany, Australia, and Canada following in terms of representation. Of the total number of respondents, 17.3 percent were female. Participants came from varying levels and job functions within their organization. The authors only included sales directors, sales managers and sales representatives comprising 821 respondents, or 54.7 % of the total survey respondents in the analysis.

Measures

Respondents were sent a survey packet with the following message and survey instructions:

> *Using the past year as a reference, think about your company's current sales practices in relation to the statements below. Please base your responses on the actual practices in your company, not what you would like them to be.*

Sales-Marketing Alignment was measured via a five-item scale measured on a seven-point continuum (1 strongly disagree 7-strongly agree). The items included: 1) Sales and Marketing are aligned in what our customers want and need; 2) Our organization collaborates across departments to pursue large deals; 3) Our organization regularly collaborates across departments to manage strategic accounts; 4) Our sales compensation policies are aligned with our business objectives; and 5) Our sales performance metrics are aligned with our business objectives. The five-item scale, with a Cronbach's alpha =.74, compared favorably with previous studies (Le Meunier-FitzHugh and Piercy, 2007a; Homburg et al., 2008; Troilo et al., 2009).

Growth in number of qualified leads was measured via (Compared to last year, the number of qualified opportunities/leads has:) an eight-point scale (1-more than 10% decrease, 4–remained flat, 8-more than 20% increase).

Conversion rate was measured via (I estimate our company's close rate or lead conversion rate) a five-point scale (1-less than 20%, 5- 80% - 100%).

Growth in new account acquisitions was measured via (Compared to last year, new account acquisition has an eight-point scale (1-more than 10% decrease, 4–remained flat, and 8-more than 20% increase).

Growth in customer retention rate was measured via (Compared to last year, our customer retention rate has an eight-point scale 1-more than 10% decrease, 4–remained flat, 8-more than 20% increase).

Growth in average account billing size was measured via an (Compared to last year, our average account billing (or average purchase per customer) has an eight-point scale (1-more than 10% decrease, 4–remained flat, 8-more than 20% increase).

Growth in revenue was measured via (In terms of revenue, how well is your sales organization currently performing compared to last year) an eight-point scale (1-more than 10% decrease, 4–remained flat, and 8-more than 20% increase).

Growth in sales quota achievement was measured via (In terms of revenue, how well is your sales organization currently performing compared to last year:) an eight-point scale (1-more than 10% decrease, 4–remained flat, and 8-more than 20% increase).

DATA ANALYSIS AND DISCUSSION OF RESULTS

Sales and Marketing Alignment (SMA) revealed considerable variability across the respondents (Mean = 24.09; Min= 7; max = 35; S.D. =5.24). Data was analyzed by regressing each performance variable of interest on the Sales and Marketing Alignment (SMA). As shown in Table 3, a regression revealed that SMA predicted (β = .21, t = 6.00, p < .0001) the growth in the number of qualified leads on a year-on-year basis. As a result, Hypothesis 1 is supported. The statistical results for each hypothesis are detailed in Table 3. Specifically, each of the hypotheses was supported at the p<.001 level and a summary of results appears in Table 4.

<< INSERT TABLE 1 HERE >>

<< INSERT TABLE 2 HERE >>

General Discussion

The purpose of this article is to build upon the limited empirical work completed to date on topics related to collaboration, cooperation, integration, and alignment between the sales/marketing functions and the subsequent impact on operating results. The study results indicate resounding support for each of eight hypotheses linking sales and marketing alignment. The findings connote a potential high return on investment for organizations devoting time and resources to improving the relationship between the sales and marketing functions.

The responsibilities of the two groups are distinct and balancing their priorities is certainly difficult to achieve and maintain. In most organizations, this balance is best achieved by a system of checks and balances; in essence, some level of functional conflict. Homburg and Jensen (2007, p. 124) found that "market performance is enhanced if one side plays the customers' advocate while the other plays the products' advocate." However, both sales and marketing must have an understanding for and willingness to work with each other's concerns. For example, sales will often want new leads to be "low hanging fruit", while marketing may feel any lead is a "qualified" one if it provides the sales force an opportunity to educate and sell potential prospects. Hence, another opportunity to achieve compromise between potentially conflicting mandates exists.

Employees, stakeholders, stockholders, and customers alike should all see the value delivered by positive cooperation between both integral parts of the corporate revenue team. For both the separate functions and the organization as a whole, ongoing goals are better lead conversion and increasing revenues. The study's results show this is best accomplished by sales and marketing working in concert. To do anything less will harm the organization, including the ability to deliver superior customer value (Troilo et al., 2009). Moreover, Tjosvold found that cooperation between the two led to "improved productivity, enhanced competence, and increased confidence in work relationships. Ineffective interaction, on the other hand, too often resulted in dissatisfied customers and lost business" (1988, p. 287).

Firms who have open and constant flows of information build trust within their interface (Malshe, 2010), and this, perhaps, is one of the keys in reaching performance goals versus one's competition. When the two orientations do not mesh for improved client value, it is often the case that salespeople harbor distrust for marketers. Thus, they discount any and all marketing initiatives (Strahle et al., 1996) since they do not recognize their marketing colleagues as credible allies.

IMPLICATIONS and LIMITATIONS

Arguably, there are no functional areas in the organization more responsible for creating revenue than sales and marketing. Thus, management at all levels (and especially the highest) needs to support each and every effort aimed toward having the sales and marketing functions work seamlessly together since they have a common goal, but separate responsibilities. The empirical results of the current study serve several purposes. First, the results issue a needed "wakeup call" for top management to address issues related to fostering alignment between the sales and marketing functions. Second, the results provide powerful ammunition to managers at firms of all sizes, industry, and nationality seeking to have sales and marketing work together to cultivate better performance. Toward this end, fostering open and useful communication between sales and marketing offers a foundation for greater transparency between the two functions. Malshe (2010) posits that this increased interaction can build trust between the partners. However, increased interaction (involving meetings, emails, and perhaps training), in and of itself, is only a preliminary step toward alignment. The objective is increased collaboration, which entails information sharing, mutual understanding, and common vision.

Several other aspects of the study are important to all managers engaged in business marketing purposes. First, managers representing varied job functions within firms competing in a wide variety of industry sectors and headquartered in many countries participated in the study, thus allowing the results to be more generalizable than those found in previous, more limited studies. Second, results of the study indicate a synergistic effect when there is alignment between the sales and marketing functions.

The sales and marketing functions working in tandem are a much more meaningful contributor to value creation than either working on its own. Toward this end, management must avoid creating separate mandates for sales and marketing which will tug at their time, resources, and affect priorities. For example, given their own devices, the sales function will always be pulled by their quota requirements and tend to work on making sales happen, irrespective of the product marketing strategy (Strahle et al., 1996). Thus, in order to engender cooperation, a shared destiny needs to be instilled. Aligning sales' and marketing's goals and compensation tends to be a powerful tool (Malshe, 2010). A common fate for the two functions, in cases of both success and failure, could be contrived. Under this scenario, for example, bonuses could be earned only by truly acting like partners instead of merely coexisting, or being adversaries. In short, this could be a positive "prisoner's dilemma" situation for all players involved. The bottom line: salespeople want to make quota, solve customer problems, and generally will work with anyone to accomplish these goals if they perceive the other party brings value. Alternatively, marketers want to build long-term customer relationships leading to organizational profitability and will gladly unite with people who will make success happen. As such, sustainable efforts to move key players toward desired actions are needed.

Limitations

Some limitations are associated with the current study. First, the authors relied on several single-item performance measures, which while robust, can be improved by triangulation with additional data collection methods. Second, the relationship between the sales and marketing functions can be a complex one with each side having its own perspectives. Third, future studies could include marketing professionals to provide dyadic validity as the present study focused only on the perspectives of the sales professionals.

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Figure 1
Influence of Sales and Marketing Alignment on Sales Pipeline Parameters

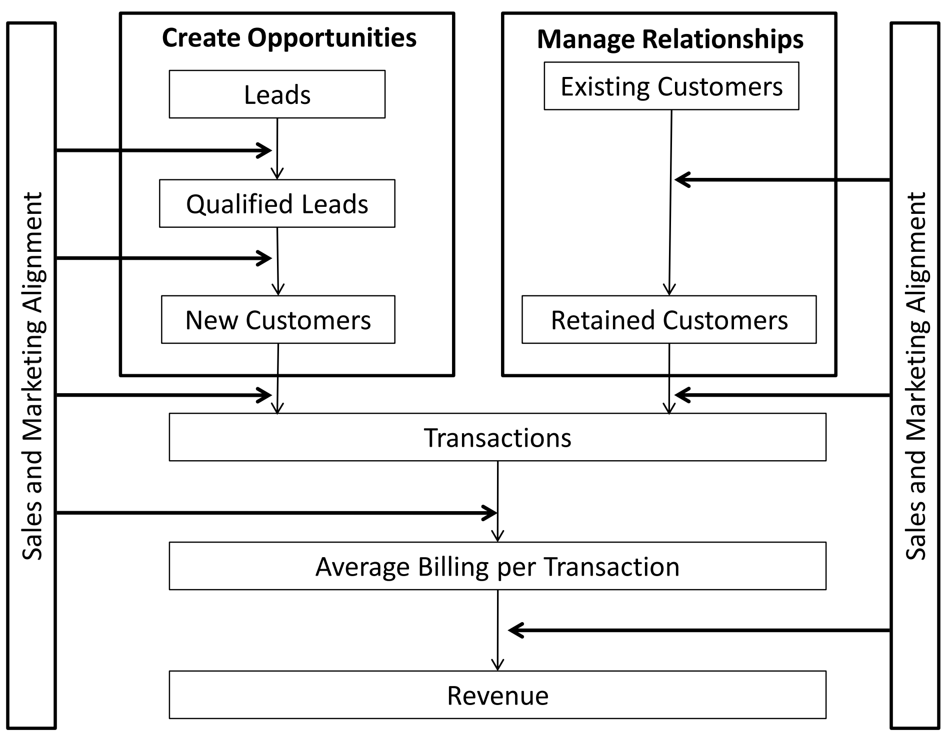

Table 1

Influence of Sales and Marketing Alignment on Performance Measures

Performance Outcome	Beta (standardized) for Sales and Marketing Alignment	Significance
Growth unqualified Opportunities	.21	t = 6.00, p < .0001
Growth in Conversion Rates	.18	t = 5.23, p < .0001
Growth in New Account Acquisitions	.22	t = 6.38, p < .0001
Growth in Customer Retention	.19	t = 5.40, p < .0001
Growth in Average Account Billing	.17	t = 4.85, p < .0001
Growth in Revenue	.13	t = 3.60, p < .0001
Growth in Sales Quota Achievement	.13	t = 3.80, p < .0001

Table 2
Summary of Results

Hypothesis	Relationship	Result
H1	The higher the sales and marketing alignment, the higher the growth in number of qualified leads.	**Supported**
H2	The higher the sales and marketing alignment, the higher the lead conversion rate.	**Supported**
H3	The higher the sales and marketing alignment, the higher the growth in new account acquisition.	**Supported**
H4	The higher the sales and marketing alignment, the higher the growth in customer retention rate.	**Supported**
H5	The higher the sales and marketing alignment, the higher the growth in average account billing size.	**Supported**
H6	The higher the sales and marketing alignment, the higher the growth in revenue.	**Supported**
H7	The higher the sales and marketing alignment, the higher the growth in achievement of sales quotas.	**Supported**