ESTABLISHING STRATEGIC SALES ORGANIZATIONS IN EMERGING MARKETS: THE CASE OF SAUDI ARABIA

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ABSTRACT

This paper focuses on examining the sales force transformation process through the sales-marketing interface theory using Saudi Arabia as a case study. The study's results show context-specific challenges posed by organizational hierarchy, roles and responsibilities of sales and marketing personnel, and managerial competencies to this process. We suggest that since firms in emerging markets may lack well-developed marketing and sales apparatuses, the transformation process may turn into a two-step process that requires changing sales and marketing's roles and responsibilities.

INTRODUCTION

T he recent advances in the sales literature suggest that firms must transform their sales organizations from simply being the implementers of tactical marketing activities to playing a more strategic role (Piercy 2006). Since sales organizations act in conjunction with marketing in creating and delivering customer value, it is plausible that marketers may play a crucial role in the process of sales force transformation. A majority of extant research on sales-marketing interface, however, highlights the presence of less than optimal interface dynamics within firms (Kotler, Rackham, and Krishnaswamy 2006; Montgomery and Webster 1997). Thus, while the idea of transforming sales organization to make it more strategic may seem appealing; given the acrimonious relationship between sales and marketing, firms may run into many challenges as they begin to transform their sales organizations to be more strategic.

A majority of extant research in the sales and interface domains has been conducted in developed economies such as the US, EU, and Australia/New Zealand. Specifically, using western research contexts, scholars have brought forward the various roles sales organizations play within firms and the differences in orientation, job profiles, and sub-cultures that can cause a rift within the interface (e.g., Dewsnap and Jobber 2000). Similarly, Malshe (2009) has identified the role and process-related factors that may impact the process of sales transformation in western context. Given that Burgess and Steenkamp (2006) note that emerging economies may serve as research contexts that can challenge the basic tenets of prevalent marketing theories; it is plausible that if sales force transformation process were examined through the sales-marketing interface lens in an emerging economy, we could gain greater theoretical insights into the context-dependent challenges to this phenomenon that may expand the bounds of interface theory as well.

On this backdrop, we examine the following research question using data collected in Saudi Arabia: How do (a) sales and marketing's roles and scope of activities, and (b) environmental variables, unique to the emerging Saudi market context, affect the sales transformation process?

The balance of this paper is organized as follows. The literature review and background is presented in the next section. This is followed by a summary of the data collected, method used and the presentation

and discussion of the results found. Theoretical contributions, managerial implications, and direction for future research were discussed next. A conclusion of the study is presented in the last section.

LITERATURE REVIEW AND BACKGROUND

We offer a brief overview of three theoretical domains that our work draws upon- interface, strategic sales organizations, and Saudi Arabian business context.

Research on sales-marketing interface has identified factors that may challenge or facilitate its smooth functioning such as interface integration, collaboration, and communication (e.g., Beverland, Steele, and Dapiran 2006; Oliva 2006). Scholars have also examined how different interface configurations affect strategic outcomes, how sales and marketing may work closely in building marketing strategies, as well as what marketers may do to get a buy-in of their strategies from the sales force. (Biemans, Makovec-Brenčič, and Malshe 2009; Malshe and Sohi 2009).

Piercy (2006) argues that today's competitive business environments require that salespeople are deeply integrated into firm's strategy-making process. This may be achieved through focusing on the following five *"I"s*: (a) *Involving* sales organization in marketing strategy debates; (b) Treating customer *intelligence* as a strategic decision-making resource; (c) *Integrating* sales and marketing functions to create and deliver superior value propositions; (d) Utilizing sales input to *internally "sell"* customers; and (e) Developing *infrastructure* that allows sales and marketing to maintain competitive advantage in the market.

Saudi Arabia, an emerging market, has a unique societal and business culture influenced by Islamic values. This culture exhibits characteristics such as high power distance and high uncertainty avoidance, and may cause people to respect organizational hierarchy, and favor compliance and consensus building over conflicts (Hofstede 1980). Further, Saudi organizations employ a system of traditional authority, emphasize adherence to norms and common values, and value organizational goals as much as individual goals thereby affecting the intra-organizational dynamics (Al-Habib 1995; Bhuian 1998).

Thus, if we examined the sales force transformation process through the interface lens within an emerging market context, it is likely to bring forth the hitherto unexplored challenges thereby expanding the theoretical boundaries of sales and interface literatures.

METHODOLOGY

We view our research as a discovery-oriented exploration (Deshpande, 1983). Accordingly, we used qualitative methodology. Specifically, using theoretical sampling technique (Strauss and Corbin, 1998), we interviewed 39 informants from sales (17) and marketing (22) departments from a wide range of companies in healthcare, IT, engineering, financial services, and consumer products industries in Saudi Arabia during the first half of 2010. Our informants represented all levels within the sales and marketing hierarchy. Informant firms' revenue ranged from US$10-$65 million and all firms within our sample had distinct sales and marketing functions. Table 1 shows the informants' demographic profile.

Our discovery-oriented interviews lasted between 40 to 70 minutes and focused on exploring the strategy-making processes within Saudi firms. We used a pre-tested interview protocol and conducted all interviews in English. We allowed our informants to guide the discussion and minimized interviewer-induced bias in our conversation (McCracken, 1988). We stopped interviews upon reaching theoretical saturation. We transcribed all interviews, and managed and analyzed our data using NVivo. We used a systematic coding process that consisted of open coding followed by axial coding (Corley and Gioia,

2004). Our axial codes helped us deduce the major themes that brought forth the key insights we present in our findings.

Table 1: Informants' Profile

Function:		Industry Type:	
Marketing	56%	Service	26%
Sales	44%	Manufacturing	56%
		Trade	18%
Gender:		Education:	
Male	77%	Undergraduate degree	59%
Female	23%	Graduate degree	41%
Organizational Level:		Work Experience:	
Junior Level	18%	2.5–5 years	33%
Middle Level	38%	Over 5 years	67%
Senior Level	44%		
Existence of Department:		Firms' Revenue Range	US$10-$65 million
Marketing	100%		
Sales	100%		

This table shows a summary statistics of the demographic data collected from the 39 informants.

We insured analytical rigor (Lincoln and Guba, 1985) by asking two independent judges to evaluate the coding of 21 randomly selected interviews, and our data interpretations. We also used member checks (Creswell, 2007) to vet our data interpretations.

RESULTS

Our findings suggest that sales-marketing interface in Saudi firms exhibits unique characteristics. Specifically, while marketing exists as a department, marketers do not possess any strategy-making authority. They simply follow their leaders' strategic plans and are tasked with giving salespeople specific directives about strategy implementation. Sales organizations, on the other hand, are viewed purely as an implementation channel and it is an explicit expectation in Saudi context that salespeople would oblige with marketing's directives. Our analysis further suggests that given the status quo within Saudi interfaces, if they were to embark on the process of transforming their sales force, they might encounter the hitherto unstudied challenges on each of the five mechanisms (Piercy 2006). We discuss these challenges below.

The first mechanism to transform sales organization (Piercy 2006) is that of involving salespeople in strategic discussions. This principle pre-supposes that the strategy-making power lies in the hands of marketing department, who then must engage salespeople in strategic discussion. As noted earlier, in a majority of Saudi firms marketers do not possess strategy-making power. Further, they view salespeople purely as an implementation tool. Thus, Saudi firms do not possess the necessary pre-requisites to even begin exploring the notion of salespeople's *involvement*. As a result, the process of involving sales force faces a two-step challenge and is mediated through marketing assuming the strategy-making responsibility.

Lacking sophisticated marketing research infrastructure, Saudi salespeople collect only rudimentary customer data on an ongoing basis. Further, since they mostly focus on executing day-to-day tasks; they do not develop sophisticated skills to capture customer intelligence that can then be utilized in strategy formulation. In addition, Saudi marketers, lacking any strategy-making power are not in a position to guide the sales force about what type of customer intelligence they may collect. Overall, the confluence of these factors poses a deep challenge to the outside-in flow of information within Saudi firms thereby hampering the processes of intelligence gathering, organizational learning, and knowledge management.

Our data bring forth the fact that the notions of respecting organizational hierarchy and maintaining differential status based on one's position are deeply entrenched within Saudi firms. As a result, marketers, being closer to the top management, are perceived by the sales force to be holding a higher status within the organizational hierarchy. Further, many times, it is an explicit expectation within the organizations that sales departments will comply with directives given by their marketing counterparts. Hence, we argue that such deeply entrenched status differences may give rise to integration challenge and prevent sales and marketing organizations from (a) viewing themselves as partners, and (b) forging deep cross-functional relationships.

In firms with optimal internal marketing processes, salespeople are able to "sell" customer pain-points internally and elicit optimal strategic response. Our analysis suggests that Saudi context poses three major challenges in this regard. First, the top management decides on the firm's strategic priorities and does not invite or value sales input prior to developing strategies. Second, firms do not possess appropriate mechanisms to channelize even the rudimentary market information collected by salespeople to the appropriate target audience within the firm. Third, given the hierarchical nature of Saudi firms and the status differential observed among sales, marketing, and top management; sales input is usually not given high credence. Overall, our analysis suggests that the contextual variables collectively create many impediments that hamper the process of internally marketing the customer pain-points within the firm.

Piercy (2006) argues that creating optimal infrastructure may facilitate the process of strategic sales transformation. We argue that the development of appropriate infrastructure is contingent upon the fact that both sales and marketing personnel have engaged in strategy discussions earlier, identified the limitations of their existing infrastructure to serve the changing market needs, and have come up with concrete ideas about building superior infrastructure. As noted earlier, since sales and marketing personnel in Saudi firms do not (a) possess any strategy-making power, and (b) engage in strategic discussions; it is plausible that they may have limited ideas regarding the improved infrastructure needs. This may inhibit organizations from making any concrete efforts in developing specific infrastructure.

THEORETICAL CONTRIBUTIONS, MANAGERIAL IMPLICATIONS, AND FUTURE RESEARCH

This paper makes four contributions. First, we test the idea of sales force transformation through the lens of interface theory in an emerging market context. In doing so, we unify perspectives from interface theory and strategic sales literature, and bring forth how the challenges sales force transformation may encounter within an emerging market context are markedly different from those Malshe (2009) has reported in the US context. Second, our empirical findings highlight how variables such as organizational hierarchy, status differential between sales and marketing, roles and responsibilities of sales and marketing personnel, and managerial competencies, among other factors, can pose challenges to the process of sales force transformation (Piercy 2006). Extant research has not explored this area in detail. Third, our findings bring forth the fact that when organizations possess ill-defined marketing and sales apparatuses, the process of sales force transformation is a two-step, long-term process that must begin with empowerment of sales and marketing with specific responsibilities. Once this is achieved, firms can then device processes to implement ideas Piercy (2006) suggests. As such, the process of sales force transformation in the Saudi context is mediated through the transformation of marketing. Last, our research responds to the call from Burgess and Steenkamp (2006) and initiates the process of testing the limits of strategic sales and interface theories in an emerging market context.

Our findings urge managers that before they embark upon the process of sales force transformation, they must assess where their sales and marketing apparatus is at in terms of their roles, responsibilities, and strategic authority. This will help them plan their resources as well as set realistic expectations for the transformation process. Next, our findings bring forth the myriad challenges involved in sales force

transformation, the knowledge of which will be useful for managers in emerging economies as they think through the transformation strategies. We treat this research as the first step in understanding the phenomenon of sales force transformation. Future research may use other emerging markets as research contexts as well as different methodologies to understand this area further.

CONCLUSION

The transformation of sales organizations from being implementers of action marketing plans to playing a more active strategic role have been examined in developed countries. However, using Saudi Arabia as a case study we could gain greater theoretical insights into the context-dependent challenges to this phenomenon. In this study, we explore how sales and marketing's roles and variables unique to the emerging Saudi market context, affect the sales transformation process. Data were collected using discovery-oriented interviews of sales and marketing informants to explore the strategy-making processes within Saudi firms. The transcribed interviews were managed and analyzed using NVivoes. The findings suggest that sales-marketing interface dynamics within Saudi context are unique. Despite the existence of marketing departments in the surveyed firms, marketers do not play a strategic role. Their role is mostly limited to executing their firms' strategic plans and giving salespeople specific directives about strategy implementation; salespeople would be pleased with the marketers' directives. It is suggested that Saudi firms willing to enter into the process of transforming their sales force might encounter some challenges in terms of their involvement, intelligence, integration, internal marketing, and infrastructure. We suggest that since marketing and sales functions are generally not well developed in emerging market firms, the process of sales force transformation is a two-step, long-term process that must begin with empowerment of sales and marketing with specific responsibilities. Firms can then device processes to overcome the challenges faced during the process of transformation. This study was exploratory in nature, and despite the small number of informants, theoretical saturation was reached. More research in other emerging markets is needed as well as different research design and methodologies to understand the process of sales force transformation.

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BIOGRAPHY

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