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Study the Relationship between Selling Share and Creating Chain of Superior Value for Consumer (Case Study: Iran Insurance Company)

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ABSTRACT

Background: All the time, organizations were looking for creating superior value for consumers in competitive environment through their operational processes. In this study, the relationship between selling share and creating the chain of creating superior value was studied for consumer according to the model of Homburg *et al*. (2008) in Iran Insurance Company. **Objective:** This study was an applied research and it methodology was descriptive- correlational and its statistical population was all the staff of Iran Insurance Company in headquarters and operational departments of Tehran City and they are 980 individuals. They were collected using simple random cluster sampling method and based on Morgan & Krejce, 275 individuals were selected. **Results:** The data collection instrument was questionnaire and its validity was confirmed by confirmatory factor analysis and its reliability was used and confirmed using Cronbach test. In this study, analysis was conducted using descriptive and inferential statistics by SPSS and LISREL software. **Conclusion:** The results of study showed that all the hypotheses were accepted and at the end, some suggestions were provided for managers and practitioners of Iran Insurance Company and the future studies.

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INTRODUCTION

In today competitive world, considering the increasing of competition in business, a considerable increasing of attention to the consumer or in the other words, increasing the concept of consumer oriented (Day, 2003) can be seen. The purpose of creating consumer centered business approaches can be planning for determining the approaches and opportunities which make a win-win in competitive environment (Carpenter, 1992). Creating a consumer centered business requires making changes in the way of doing interactions and generally the business structure of each business (Andreas, 2006). All the time, organizations were looking for creating superior value for consumers in competitive environment through their operational processes. The marketing and Sales Departments, as two important bases of organization, play a significant role in creating the superior value for consumers. The share of marketing and sales can be in a constructive interaction and communication with other departments and be active in order to lead the organization to create the superior value for its own consumers (Dawes and Massey, 2005). In recent years, the type of relationship between the departments of marketing and sales with other departments were considered by many researchers and various models and frameworks have been provided. In this regards, other researchers aim to study the impact of the relationship between sales departments and other departments on factors such as development of marketing capabilities, the value of consumer, the business performance, the role of interaction of marketing and sales departments in Operational processes of chain of creating superior value for consumer (Slater and Narver, 2000). However, little attention has been paid to the study of the role of interaction of marketing and sales departments with other departments on the processes of creating superior value in organization. The process of creating superior value can be a set of activities and measures that each one adds a value to the goods and services of organization and finally the end consumer will benefit from it (Rouziès *et al*, 2005).

In this study, it is aimed to study the field of sales and presented models for the relationship of these two by studying the literature in the field of superior value for consumer and present the importance and necessity of interaction of sales and consumers in Iran Insurance Company and then it is aimed to analyze its impacts on operational processes of creating superior value for consumer. In this regard, an organization may be partitioned

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by different approaches which make the performance of an organization by interacting with each other. Process Classification Framework (PCF) which is presented by American Productivity and Quality Center (APQC) is one of the most widely used of reference process models of process in the management world which may be the model of process development of many organizations.

As it can be seen in recent years, the managers and researchers tend to create and maintain the valuable relationships with consumers instead of focusing on trade and economic interests. The organization in which the culture of providing value to the consumer in all the processes and measures are enhanced, don’t have a business operation than other organizations. In this study, it has been tried to study the role of marketing and sales departments on the operational processes of chain of creating value which has been presented by APQC by studying the interactional field of marketing and sales departments. It is tried to show that how a positive and constructive interaction and relationship between marketing and sales can lead to create the superior value for consumer. The purpose of this study can be the identification of the common role and impact of sale in creating superior value for consumer. It was aimed to create the superior value for consumer by some factors such as steady and long-term attitude (orientation) of marketing of company, creating and maintaining the effectiveness approach of sale in organization, creating and maintaining the effective approach of staff performance of direct sale, and finally the sale approach with the orientation of consumer centered (the relationship of variables were described in conceptual model) and finally the performance marketing of company were developed during the improvement and development process and a small and insignificant step in the commercial development of the country by providing effective, practical, and scientific solutions. It has been tried to answer this question: is there a meaningful relationship between selling share and creating superior value for consumer in Iran Insurance Company?

1. *Review of Literature:*

The relationship between marketing and sales departments and its different aspects were considered by many researchers. Some researchers, requirements, and the consequences of this relationship were studied (Cespedes, 1993). Other researchers focus on the cultural aspects which can affect the quality of this interaction (Dawes and Massey, 2005). Few studies have stated this fact that the weakness of coordination and lack of cooperation between these two departments lead to instability and inconsistency between the strategies of marketing, the processes of sales management and the activities of sales staff (Viswanathan and Olson, 1992).

The most important attempt can be considered for presenting a theoretical framework in the field of sales configuration of the model which is presented by Homburg, Jensen and Krohmer in 2008. They have identified five areas in this field:

Information sharing, Structural Linkages, power, knowledge, various orientations such as the orientations of purpose and time. In fact, there is no hierarchical structure between these areas and it is not in this way that one of them acts as a prerequisite of the other. In describing each of them, it can be said that:

Information sharing: information sharing points to the permanent exchange of information between marketing and sales. The effective exchange of information needs to a common language between marketing and sales; therefore, the terms and concepts of marketing should be defined clearly (Oliva, 2006). Permanent exchange of information between marketing and sales cannot be achieved through formal communications, but the automatic and informal communications can play a significant role in this field. Homburg (2008) believes that sharing information is based on two variables: the first one is the information which are gave to the sales staff by marketing staffs and the second one can be the information which is provided for the marketing department by sales staff.

Structural Linkages: Structural Linkages points to the issue that to what extent the communication channels and interactional infrastructures for the inter-department activities. The structural linkages attempt to consider the formalism in inter-organizational structure by procedures and instructions (Workman *et al*, 1998). Joint planning points to these structural linkages, because for example the marketing and sales departments must achieve an acceptable level of consensus and general agreement on the development of the strategy of the good (Strahle *et al*, 1996). Not only achieving agreement on the strategy of good is necessary, but also it must be in line with other purposes and budgeting, and activities such as targeting the consumers. The third aspect of structural linkage is the extent of current teamwork between two units and it means that activities related to the market are developed and executed to what extent in mutual interaction of marketing and sales departments (Cespedes, 1993).

Power: according to its definition, power is the extent of impact of marketing and sales departments on the decisions related to market (Homburg, 2008). Marketing plays a significant role in decisions related to the satisfaction of consumers and the field of advertisement. Marketing plays a key role in influencing different business decisions such as marketing activities with regard to consumer satisfaction and advertising but also with regard to expansion in new markets, distribution and new good development and therefore is the most influential unit with regards to strategic directions. But pricing, services of consumers and penetrating to the new markets play more significant role in distribution (Homburg *et al*, 1999). Generally marketing seems to be more powerful in consumer than industrial firms (Homburg *et al*, 1999).). In addition, it needs to be mentioned that there is a significant difference in the level of influence of marketing depending on the type of industry. Generally marketing seems to be more powerful in consumer than industrial firms (Workman *et al*. 1998).

Orientations: another important area is the various orientations of marketing and sales. For example, the focus on good for marketing department versus the focus on consumer for sale department can be descried (Homburg and Jensen, 2007). Marketing staff usually take care of a specific brand or good of which they have a comprehensive knowledge, whereas sales people are usually connected with a specific geographical area and a set of consumers (Rouzies *et al*., 2005). Another example which can be stated is short-term versus long-term orientation. Sales people have set objectives with regard to short-term goals which they need to achieve per quarter or throughout the year while marketing people are more involved in building long-term strategies (Rouzies *et al*., 2005). Homburg (2008) considers this as the extent to which the activities of marketing/sales are guided by immediate action rather than by extensive planning. These different orientations were labeled as the “thought-world differences” which can have positive impact on overall market performance (Homburg and Jensen 2007). Others use other names for these different orientations. For example, they are called short-term versus long-term with regards to time horizon and good versus consumer goal orientations (Griffin and Hauser 1996).

Knowledge: by knowledge, it is meant the level of knowledge available within different units. Marketing and sales knowledge can either be related to market or good. Market knowledge refers to the extent both functions have knowledge about consumers and the competitive environment (Homburg *et al*., 2008).Differences in knowledge between the thought-worlds of marketing and sales exist which is on the one hand negative for the quality of interaction, but a real benefit for market performance (Homburg and Jensen 2007). In addition, joint trainings could also support common knowledge in the long run (Kahn and Mentzer 1998).

It can be said in the discussion of creating value for consumer:

The concept of value was used frequently in the literature of marketing; therefore, various definitions and descriptions have been provided. According to Zeithmal (1988), value can be defined what is received (interests) and what is given (costs). Monroe (1990) defined value in the same manner as a receiving-giving relationship between quality and perceived interest of good to the spent money. Woodruff defines value as the customer’s perceived preference for an evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate achieving the customer’s goals and purposes in use situations. Vargo and Lusch (2008) define value as a “deep, special, different, experimental and related to situations concept which is similar to the definition of Holbrooke (1994) who defines value as: “value is a personalized and relative experiment which is created by interacting to the environment.”

The attitude of consumer’s value presented by American Productivity and Quality Center is based on the Porter's value and for the first time it was introduced in 1996. In this model, it is tried to identify all the existing processes in the organization to the possible extent and to the level of activity. It is one of the best models in helping the organization in creating the superior value for consumer and improving this process. This model presents all the processes of a service-producing organization in four levels of process categories, process groups, and activity. Process categories are the highest level of processes in the organization such as consumer service management, financial resource management, and human resource management.

Process groups are the next level of processes such as after-sales services, procurement of goods, accounts payable and hiring staff. In the next level, there are processes. Processes are a set of related activities which produce output and result in exchange for receiving input and resource consumption. The performance of processes is constantly examined by standards of the management control systems in organization. The last level can be the activities. Activities are the events and happening which take place at the time of executing a process. Receiving the requests and complaints of consumers or negotiation of purchase contracts can be some samples of these activities (APQC, 2012).

Process classification framework (PCF) presented by American Productivity and Quality Center is based on the Porter’s chain value (O’leary, 2004) and for the first time, it was introduced in 1996. This framework which is obtained from examining and benchmarking of hundreds the world's top organizations and it has been updated for several times. It is one of the reference process models in the world of management in which it has been tried to identify all the existing processes of organization to the possible extent and to the activity level. It can be said that this model is one of the best frameworks which helps the organizations considering the industry they are activated in it, to identify the necessary processes for creating the value for the consumer and try to improve these processes.

This model presents all the processes of a service-producing organization in four levels of process categories, process groups, process, and activity. Process categories are the highest level of processes in the organization such as consumer service management, financial resource management, and human resource management.

Process groups are the next level of processes such as after-sales services, procurement of goods, accounts payable and hiring staff. In the next level, there are processes. Processes are a set of related activities which produce output and result in exchange for receiving input and resource consumption. The performance of processes is constantly examined by standards of the management control systems in organization. The last level can be the activities. Activities are the events and happening which take place at the time of executing a process. Receiving the requests and complaints of consumers or negotiation of purchase contracts can be some samples of these activities.

Research Model:

The model of present research which is derived from the model of Homburg *et al* in 2008 study the role and impact of sales departments (with related variables) in creating the superior value for consumer and finally the effect of these factors on performance of the Iran Insurance Company.

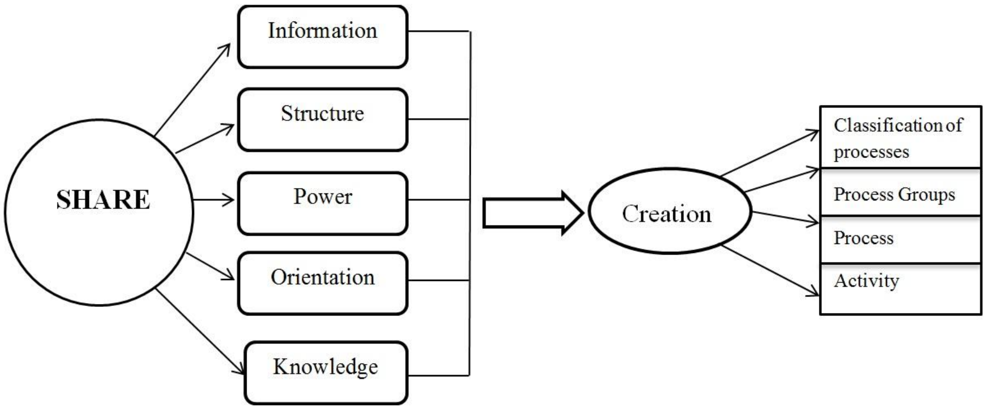


Fig. 1: Conceptual Model of research (Homburg *et al*, 2008 & APQC, 2012).

Research Hypotheses:

In this study, the main question which should be answered by the researcher can be as follows:

Is there a relationship between selling share and creating the superior value for consumer in Iran Insurance Company? In order to answer this question, it has been examined in a frame of main hypothesis and five sub-hypotheses. The hypotheses which may clarify the trajectory of research and its procedures and help the researcher in achieving the desired results are as follows:

Main Hypothesis:

There is a meaningful relationship between selling share and creating the superior value for consumer.

Sub-hypotheses:

Hypothesis 1 (H1): there is a meaningful relationship between information sharing and creating the superior value for consumer.

Hypothesis 2 (H2): there is a meaningful relationship between structural linkage and creating the superior value for consumer.

Hypothesis 3 (H3): there is a meaningful relationship between power and creating the superior value for consumer.

Hypothesis 4 (H4): there is a meaningful relationship between orientations and creating the superior value for consumer.

Hypothesis 5 (H5): there is a meaningful relationship between knowledge and creating the superior value for consumer.

2. *Methodology:*

The present study is an applied research, the data collection method is descriptive (non-experimental) and they were implemented in a correlational way. One the most important features of this method are the fact that the results can be generalized to other situations (Sarmadi, 2003). The location of conducting this study is Tehran.

Instrumentation and the Methodology for data collection:

In order to reach the main purpose of the research which is to investigate the relationship between selling shares and creating superior value for consumers in Iran Insurance Company according to Homburg *et al* in 2008; both library and field study methods were used in order to collect information. The library method was used for the literature of the study and the field study method includes collecting information for corroborating or rejecting the hypotheses of the study. Questionnaires were also utilized for collecting the data. Some indexes which form local models (Homburg *et al*, 2008) were used for developing the questionnaires. The questionnaire includes 47 questions on a 5-point Likert scale which were distributed and filled out so as to determine the relationship between selling share and creating superior value of r consumers among the consumer so Iran Insurance Company.

Validity and Reliability:

In order to approve the measurement model, not only were the content and construction validity taken into account but the convergent validity and discriminant validity were also utilized. The convergent validity is assessed using the Average Variance Extraction (AVE) test. The AVEs which are at least equal to 0.5 have an appropriate convergent validity. When the correlation between the constructions is less than the square rood of the average variance extraction, the indexes have appropriate discriminant validity; moreover, the Cronbach Alpha and Composite Reliability were used for final confirmation of the model. When the Cronbach alpha and composite reliability exceed 0.7, the indexes have appropriate reliability.

For validity of the questionnaires, as the instruments of the study, confirmatory factor analysis was used; the measurement model can be used if the fitness indexes are appropriate. The fitness indexes of the model show that the model has a good fitness index; because the chi square ratio to its degree of freedom is 2.67 which is less than the limit value of 3 and the amount of RMSEA also equals 0.079 which is less than the limit value of 0.08. The amount of P-value is also 0.000 which is less than 0.05; moreover, the FI and CFI equal 0.99. Therefore it can be concluded that the implemented model has appropriate fitness. If the value of t is more than 2.56 or less than -2.56, the coefficient standard will be meaningful in the confidence level of 99%.

The factor analysis of the model is shown in figures 2 and 3. The Cronbach alpha method was used for the final measurement, the Alpha coefficient shows that the questions have overlaps and attunements, and the participants have answered the questions carefully and honestly. After distributing 3 initial questionnaires among 60 expert is the field, the reliability was calculated using SPSS software and the following results were gained, 0.794 for information sharing, 0.793 for Structural Linkage, 0.871 for Power, 0.861for the orientations, 0.832 for the knowledge, and 0.779 for creating superior value, which are all appropriate after considering the limit of 0.6. The confirmatory factor analysis of this study was performed using Liesrel 8.53 software; the structural model and the standardized coefficient of the paths are shown in the following figure.

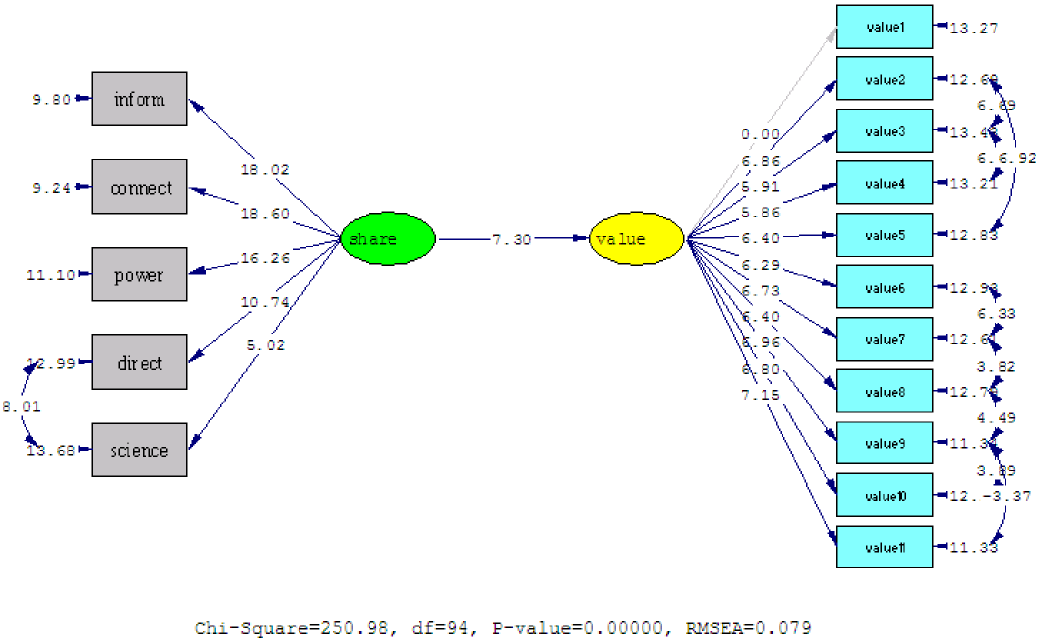
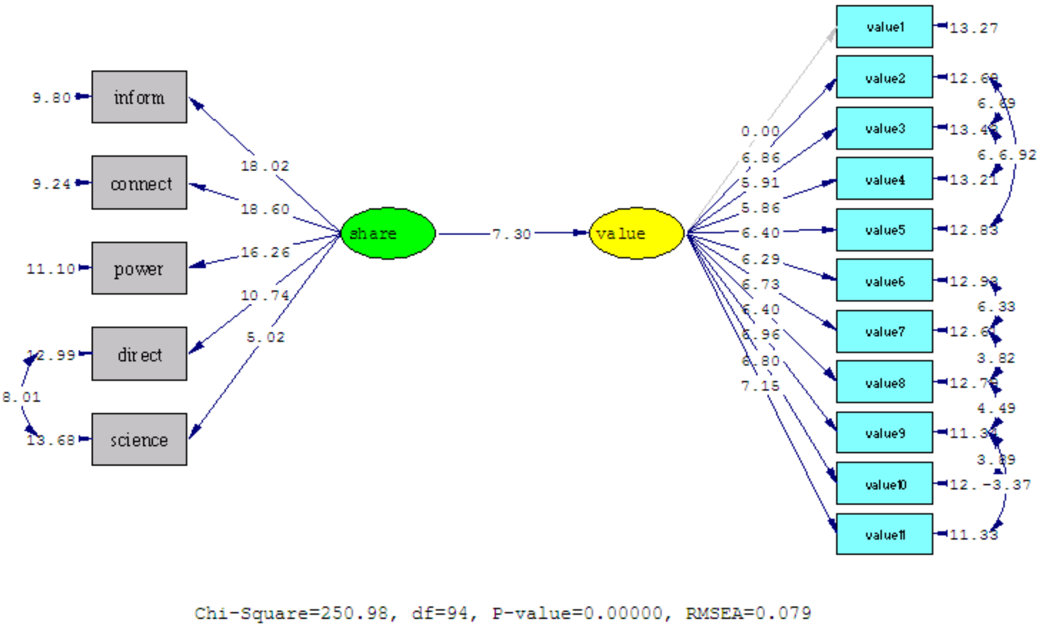


Fig. 2: The Standard Model.

Populations and the Sample of the Study:

The population of this study consisted of all employees of Iran Insurance Company in headquarters and operational units of the Tehran City which contained 980 individuals. Considering the fact that the population of the study was limited the volume of the sample was determined using the Krejce and Morgan Formulae and 275 participants were chosen, the sampling method was random cluster sampling. 290 questionnaires were distributed, 7 of them were not returned, 8 of them were not filled out, and a total number of 275 questionnaires were filled out and returned. The questionnaires were distributed and collected in a two month period starting from mid-December to the mid-February.


9.80
inform
9.24
connect
11.10
power
12.99
direct
8.01
13.68
science
18.02
18.60
16.26
10.74
5.02
share
7.30
value
0.00
6.86
5.91
5.86
6.40
6.29
6.73
6.40
6.96
6.80
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value1
value2
value3
value4
value5
value6
value7
value8
value9
value10
value11
13.27
12.69
6.89
13.49
6.6.92
13.21
12.83
12.98
6.33
12.61
3.82
12.79
4.49
11.34
3.89
12.-3.37
11.33
Chi-Square=250.98, df=94, P-value=0.00000, RMSEA=0.079

Fig. 3: The Model for Meaningful Numbers.

Data Analysis:

Two methods were used to analyze the collected data, Descriptive Statistics and Inferential Statistics. Firstly the data were tested using descriptive statistics method. SPSS software was used for the descriptive statistics analysis of the data, for the inferential statistics analysis of the data both Liesrel and SPSS software were used.

3. *Finding of the Study*

Describing the data for participants:

More than 62 per cent of the participants were between 31 to 35 years old which shows that most experts and executives are young. More than 52 per cent of the experts and executives were male and the rest were female. The data also show that about 26 per cent of the participants were bachelor's degree holders. About 47 per cent of the participants had been working for Iran Insurance Company for 5 to 10 years.

The Normality Test of Variables:

Kolmogorov–Smirnov test was used to prove the assumption that that the distribution had been normal. After assessment it was indicated that the results of Kolmogorov-Smirnov test had a meaningful level of less than 0.05, so the Hypothesis0 was not rejected. Therefore, the data follow a normal or natural normal distribution; parametric tests are used for local development.

Table 1: The amount and the meaningfulness level of Kolmogorov–Smirnov test for variables.

		Selling Share	Information	Structural Linkage	Power	Orientations	Knowledge	Creating Superior Value
Number		275	265	265	265	265	265	265
Normal Parameters	Mean	3.735	2.79434	2.78814	2.777358	2.724528	2.925	2.562
	Standard deviation	0.687712	0.689677	0.703829	0.794758	0.753224	0.8494	0.8533
Maximum Deviation	Absolute value	0.07	0.062	0.075	0.095	0.126	0.14	0.131
	Positive	0.07	0.062	0.057	0.095	0.123	0.14	0.125
	Negative	-0.068	-0.059	-0.075	-0.086	-0.126	-0.132	-0.131
Kolmogorov-Smirnov test		1.14	1.01	1.213	1.552	2.047	2.28	2.137
Meaningful Level		.000	.040	.000	.000	.000	.000	.000

Testing Hypotheses:

In this part, t-test is used to examine the hypotheses of the study. This examination is used to detect the relationship between one variable and de independent variable. The H0 is used to indicate a lack of relationship and H1 is used for indicating the presence of a relationship in designing the hypotheses.

Table 2: The gained results for examining the hypotheses of the study.

The Hypotheses	The main focus of the hypothesis	The sample volume	Mean	Standard deviation mean	Test Value	T	Degree of Freedom	The meaningful level	The result
First Hypothesis	Information	275	.960088	.0196410	1.124108595	-8.351	264	.000	Hypothesis Accepted
Second Hypothesis	Structural Linkage	275	.961950	.0160651	0.995121	-2.065	264	.040	Hypothesis Accepted
Third Hypothesis	Power	275	.907980	.0172672	1.002561	5.478	264	.000	Hypothesis Accepted
Fourth Hypothesis	Orientations	275	1.024597	.0180108	1.106731281	-4.560	264	.000	Hypothesis Accepted
Fifth Hypothesis	Knowledge	275	.848844	.0144158	0.934668399	-5.954	264	.000	Hypothesis Accepted
Sixth Hypothesis	Creating Superior Value	275	.960088	.0196410	1.124108595	-8.351	264	.000	Hypothesis Accepted

The Main Hypothesis of the Study:

There is a meaningful and significant relationship between selling share and creating superior value for consumers.

The result of examining the final hypothesis is indicated in table 3.

Table 3: Path coefficients, t-statistics and the coefficient of determination (dependent variable: creating superior value)

Table 3: The result of examining the final hypothesis.

Predictive Variable	Path Coefficient (β)	t-statistics	Total Coefficient of Determination (R^2)
Selling Share	0.8	7.30^{**}	0.64

$^{**}p<0.01$ $^{*}p<0.05$

The main hypothesis of this study is the relationship between selling share and creating superior value for consumers. Considering the path coefficient of 0.8 and also the t-statistics of 7.30, it can be said that: the selling share in the confidence level of 99 percent has a meaningful relationship with creating superior value; therefore the main hypothesis of the study is meaningful and corroborated.

4. *Discussion and Conclusion:*

According to Homburg, Jensen, and Krohmer model (2008), the fundamental structure of marketing-selling consists of information sharing, structural linkage, power, knowledge, and various orientations such as purpose and time; basically there is no hierarchical structure among these domains and one of them cannot be considered as a prerequisite for the others. In this study the main focus was on the importance of how the main components of this relationship can be linked with the first three categories of operational processes of creating value for the consumer which have been presented by APQC. The conceptual framework which is indicated in table 4 is a summary for the results of this study.

Table 4: Summary for the results of this study.

Selling Share	The Operational Processes of Creating Superior Value for the Consumer
Information sharing	Recognizing the needs and the consumers better and having a more efficient categorization for the market, more varied and purposeful portfolio of the goods for consumers, and productive learning in marketing and sales departments
Structural Linkages	Making the scope of functions and powers of marketing and sales departments clear, increasing collaborations, obviating the obstacles, problems, and executive conflicts, and answering more rapidly to the expectations of the consumers and the changes in the market in comparison to competitors
Power	Delegating major powers to one of the marketing or sales departments in order to: create responsibility and commitment to the decisions, make decisions in a unified form, and increase specialization and speed in decision making
Orientations	Juxtaposing different mental models of marketing and sales departments, creating intra-systematic synergy and intellectual collaboration, more profoundly analyzing and a comprehensive look into the issues, and preventing simplistic view toward the market
Knowledge	Innovation, creativity, and producing new and innovative idea, prioritizing, reforming, and improving ideas and converting them into new goods

In Homburg model, the varied orientation part gains importance, since the activity in this field helps to present various ideas and perspectives and to gain a more comprehensive analysis of the market. In fact, the conflicts and interferences which are formed in this section can have a positive effect on creation of superior value for consumers if they are put in the right direction by the organization (for instance when they do not lead to behavioral conflicts). At this stage, sharing departments' information and the knowledge gains more significance since recognizing the behavior of the market, a detailed recognition of consumers and their needs and creating a suitable good for their desires and interests are the most important factors in this process. This path for working is impossible to reach unless the information and knowledge of marketing and sales departments are shared which has been gained through the interaction process with the market and consumers and the perspective the have acquired towards the market and the goods. By reaching the processes of the third category which mostly include operational sub-processes, the structural linkages gain the greatest significance; because it is important to perform sub-processes and operational activities with maximum speed and minimum cost. In order words, the organization is concerned with the issue of efficiency. Having definite procedures and predefined instructions, and specifications for the field of duties and powers reduces the overlaps in the plans to the minimum, and that is how the needs of the market are answered in the shortest possible time and the least possible costs. Moreover, in the power section, it is possible for the organization to reach its desire to increase the speed by accelerating of the decision making process with delegating a larger part of the power to some departments and consequently to incline centralization and specialization along with responsibilities for the decisions.

It seems that the most important thing is the grand strategy of the organization, which categories of the processes are recognized as its key capabilities for creating values, and wants to create some competitive advantage by investing on them. Accordingly, the organization must decide on how to regulate each of Five Areas of Hamburg in the interaction between marketing and selling in order to reach its goal in the best possible way. For instance, if an organization is going to differentiate itself from the competitors through operational excellence, the structural linkages between two departments should be strengthened so as to be assessed by the organization through operational efficiency. However, other areas such as knowledge and information sharing are more fundamentally significant if an organization is going to create competitive advantage through leading the goods and presenting various and creative goods. The results of this field study can be used by other organizations as an operational pattern and an instruction for the type of relationship and interaction between marketing and sales departments. In conclusion it can be stated that:

The managers and employees of a company should create and atmosphere which constantly exchanging and gathering information between sales department and system; moreover, this area has the highest point among all other which indicates that the constant exchanging and gathering information on sales of the organization is followed more strongly. In these conclusions the employees try to better understand the needs of the consumer, to categorize the market more efficiently, to design a more varied and purposeful portfolio of the goods for the consumer, and to better understand the selling and marketing departments.

5. Suggestion for Further Study:

The present study investigates the effect of interaction between marketing and sales departments on the first three areas of operational processes of APQC model in Iran Insurance Company. Researchers can also investigate the effect of this interaction on “delivering the goods and services” along with “the management of providing services for the consumers”. The researchers can also study the organizations requirements in order to create constructive interaction between marketing and sales departments; for instance, what types of IT infrastructures can be used for facilitating the process of information sharing and exchanging experiences between two departments; or how can a safe and free atmosphere be created for information flow between two departments through strengthening organizational culture based on trust, motivation, and mutual commitment in two departments, and also to implement the same study for other businesses and organizations.

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