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Marketing's Influence within the Firm

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Abstract

While there is increased interest in marketing's changing role within the firm, there is little empirical research which measures the influence of marketing or which links marketing's role to situational factors. Drawing on contingency and institutional theories of intraorganizational power, the authors address the question: Under what circumstances does the marketing sub-unit have higher levels of influence? Results from a survey among U.S. and German companies indicate that (1) the marketing sub-unit still has substantial influence, (2) marketing's influence is systematically related to determinants other than individual managers' characteristics, (3) institutional factors account for variance not explained by determinants more commonly used in contingency theories in marketing. This implies that organizational dimensions are not only the result of adaptation to environmental conditions but also a result of unique historical aspects which become institutionalized within the firm.

Recently there has been increased interest in marketing's changing role within the firm (e.g., Achrol 1991; Day 1997; Webster 1992, 1997) with the Marketing Science Institute designating "Marketing Management Organization and Processes" as one of its top four 1996-1998 research priorities. Research in organizational theory, management strategy, and sociology has long emphasized the importance of recognizing the power and influence of organizational actors as a basis for understanding how managers make decisions within organizations (e.g., Enz 1986; Hinings et al. 1974, Perrow 1970; Salancik and Pfeffer 1974). While influence has been studied in marketing in the context of organizational buying behavior (e.g., Kohli 1989; Ronchetto, Hutt and Reingen 1989) and distribution channels (e.g., Frazier 1983; Gaski 1987), there is little examination of the level and determinants of the marketing unit's relative influence within the firm. The importance of studying these issues is of increasing importance given the trend toward team oriented cross-functional organizational forms. As Day notes:

> "As organizations evolve towards hybrid structures, using self-directed process teams ... the importance of all functional departments will inevitably be diminished. Nonetheless, *some functions will be relatively more powerful* than others - that is, they will control more resources and have more influence in the strategy dialogue. *Will marketing be the lead function*, rather than operations, sales, finance, engineering, or technology?" (Day 1997, p. 89, emphasis added).

Given the lack of empirical research on the topic, we are at a loss to account for the level and determinants of marketing's relative influence within the firm. This is a significant gap in our understanding since we do not know the factors which may lead to variations in marketing's role. Recently Webster (1997, p. 49) stated that: "For the past two or three decades, marketing has effectively ceded its strategic responsibilities to other organizational specialists who have not, until recently, been guided by the voice of the customer." However, Day earlier noted that "The judgment that the strategic role of marketing is declining-albeit from a high starting point-is both controversial and arguable since there is *little or no empirical evidence* directly relevant to the issue" (Day 1992, p. 323, emphasis added).

The purpose of this paper is to address three issues in regard to marketing's influence within the firm. First, we empirically explore the level of the marketing sub-unit's relative influence within the organization. Second, we explore the importance of selected determinants of marketing's intraorganzational influence, thus addressing the question: 'Under which circumstances does the marketing sub-unit have higher levels of influence?' More specifically, we focus on situational determinants and exclude characteristics of individual managers such as charisma (Pfeffer 1992) and their individual bases of power (French and Raven 1959). Third, frameworks such as Anderson's (1982) resource dependence model assume a continual adaptation of influence to adjust to changes outside the firm. In this paper, in addition to traditional contingency determinants, we also examine the explanatory ability of institutional factors which may create inertia, thus slowing or preventing the continual adaptation to environmental changes. This understanding of level and determinants of influence among functional groups is important for directing and implementing organizational change. If managers can convince powerful functional groups to support them, change can be promoted; if those groups are ignored, they might hinder change (Pfeffer 1992).

Literature Review

Conceptual Foundations of Research on Sub-unit Power

Much of the foundation for the study of sub-unit power within organizations follows from the work of Cyert and March (1963) who present an alternative to the neoclassical economic view of managers seeking to maximize profits. They emphasize that firms are composed of managers who have conflicting goals, do not necessarily attempt to find optimal solutions but rather satisfactory solutions, and sequentially attend to goals, often with incomplete information on options and outcomes. Following up on this coalitional view of the firm, Thompson (1967) introduces the concept of the "dominant coalition" to account for variations in the power of various sub-units to define situations, propose solutions, and influence the strategic direction of the firm. Child (1972) also uses the concept of a dominant coalition to argue that the link between the environment and the structural form of the organization is not deterministic, but rather is mediated by strategic choices made by the powerful members within the organization. Empirical research on factors affecting sub-unit power has been carried out within organizational theory, typically using surveys in a limited number of firms (two for Enz 1986, seven for Hinings et al. 1974, twelve for Perrow 1970, and one for Salancik and Pfeffer 1974).

Power is a complex construct whose definition and operationalization has extensively been debated in both the marketing and organizational literatures (cf., Enz 1989; Frazier 1983; Gaski 1987; Stern and Scheer 1992). Within marketing, power has been studied most extensively in the context of distribution channel relationships and the conceptual distinction has been made between power and influence. For example, Stern and Scheer (1992, p. 260) note, “Channel *power* is typically conceptualized as one channel member's ability to evoke a change in the attitudes and/or behavior of another channel firm” while “*Influence* is a change in one party that has its origin in another party and thus embodies the successful exercise of power.” In this paper we focus on marketing’s influence which we define as the *exercised power of the marketing sub-unit within a business unit relative to other sub-units over activities important to the success of the business unit*.

Contingency and Institutional Theories of the Firm

We draw upon two fundamental theoretical perspectives: contingency theory and institutional theory. The typical perspective of contingency theory is that performance implications of some structural or strategy-related construct are moderated by external factors. Assuming rational adaptation to the environment, this leads to the observation that certain organizational structures are systematically related to environmental determinants. Much of the contingency based research has thus tested direct relationships between environmental factors and organizational structures or strategies (cf., Drazin and Van de Ven 1985). In regard to sub-unit power, for example, Boeker (1989), Hambrick (1981), Hinings et al.(1974), and Salancik and Pfeffer (1974) all use contingency arguments, but examine direct effects between environmental conditions and sub-unit power.

Following from coalitional views of the firm, several contingency theories were presented in the 1970s to explain variations in the power of sub-units. Hickson et al.’s (1971) strategic contingencies theory proposed that sub-unit power was related to the sub-unit’s work flow centrality, the degree to which the sub-unit successfully coped with key environmental uncertainties, and the substitutability of the activities performed by the sub-unit. Pfeffer and Salancik (1978) had a similar goal of predicting the relative influence of one firm within a network of firms (or one sub-unit within a firm composed of multiple sub-units) as a function of the resources each contributes. Firms or sub-units that provide valued resources with no close substitutes on which others are dependent have more power. Pfeffer (1981) elaborated on the implications of that perspective for the power of sub-units within the firm, arguing that power goes to groups that control critical, scarce resources.

In contrast to contingency theory, which holds that organizations continually adapt to “fit” the environment, institutional theory claims that business practices and organizational forms can become institutionalized and persevere even when they are no longer efficient (DiMaggio and Powell 1983; Meyer and Rowan 1977). The central idea of institutional theory is that organizational actions and structures are embedded in social networks and are affected by pressures for conformity and legitimacy which arise from the organization's environment (DiMaggio and Powell 1983). Meyer and Rowan (1977, p. 341) define institutionalization as "the processes by which social processes, obligations, or actualities come to take on a rulelike status in social thought and action." As a result of the often weak selection pressures and indeterminate link between environments and efficient ways of organizing, Meyer and Rowan (1977, p. 348) argue that firms may "incorporate elements which are legitimated externally, rather than in terms of efficiency." Empirical support for the explanatory ability of institutional factors in addition to more traditional organizational theories (e.g., strategic choice, resource dependence, agency theory) have been provided in such areas as sales compensation plans (Eisenhardt 1988), board involvement in strategic decision processes (Judge and Zeithaml 1992), and in decisions of organizations to adopt a multi-divisional form (Palmer, Jennings, and Zhou 1993). Little research in marketing has drawn on institutional theory and in this paper we develop a model that explains the intraorganizational power of the marketing sub-unit with both contingency and institutional determinants.

Research on Marketing's Role within the Firm

If power of a sub-unit is contingent on environmental demands, marketing will be most influential in situations for which its contributions are critical to the firm's success. However, no empirical work has been done to develop a general model of when marketing is likely to control key resources. While related research on sub-unit power has been done by researchers in organizational theory and management strategy (Enz 1986; Hinings, et al. 1974; Perrow 1970; Salancik and Pfeffer 1974), they have been less interested in factors affecting the influence of any one specific group than in more general theories of sub-unit power.

Within marketing, the research most related to the influence of marketing is that examining marketing's role in specific contexts such as strategy development (Anderson 1982; Frankwick et al. 1994; Piercy 1987; Walker and Ruekert 1987), product development (Dougherty 1992; Hutt, Reingen, and Ronchetto 1988; Workman 1993), or coordination of interfirm networks (Achrol 1991; Webster 1992). One of the better known articles is Anderson's (1982) article on the role of marketing in strategy development. Anderson uses resource dependence theory (Pfeffer and Salancik 1978) as the basis of his constituency theory of the firm and postulates that marketing's influence in strategic planning is related to the relative importance of the resources marketing brings to the firm.

One of the key limitations of the research on marketing's role in specific contexts is that much of it is conceptual rather than empirical (Achrol 1991; Anderson 1982; Walker and Ruekert 1987) and the empirical studies have typically been based on data collected from a small number of firms (Dougherty 1992; Frankwick et al. 1994; Hutt, et al. 1988; Workman 1993). Additionally, the context-specific studies do not examine the more general issue of the relative influence of marketing across a range of business issues. A further limitation is that many of the researchers articulate concepts for differing or changing roles of marketing, but do not explicitly link their conceptualization of marketing's role to situational determinants. In short, there has been little empirical testing of specific hypotheses relating the environment to various dimensions of marketing's influence.

Synthesis

Summarizing our review of prior research, we identify the following limitations. First, marketing researchers have done little empirical measurement of the influence of marketing and little empirical linking of marketing's role to environmental conditions. We believe a conceptual framework and empirical research are needed to identify factors that can account for variations in the role and power of marketing in different situations. Second, though various contingency theories predict marketing will be more influential when coping with key uncertainties or controlling key resources (Hickson et al. 1971; Pfeffer and Salancik 1978), they provide little help in identifying environmental contexts in which that happens. We specifically sought to move from the relatively high level of abstraction of those theories to environmental dimensions that are more familiar to researchers in marketing. Third, the relatively few empirical studies (e.g., Hinings et al. 1974; Perrow 1970; Piercy 1987) have not only grouped marketing with sales (thus overlooking potential differences between them), they have also focused on absolute rather than relative levels of influence. Fourth, most of the empirical research has used small samples and intensive interviews in each firm to identify firm-specific strategic issues. In contrast, our study was based on a larger cross-section of firms to provide more generalizable findings. We also collected data from more than one respondent per organization to explore the validity of our measures. Fifth, prior research has not examined empirically how institutional factors may affect the relative influence of groups within the firm. We collected data across multiple firms in three industry sectors in two countries to assess empirically how attitudes toward marketing institutionalized at the firm, industry, and country levels are related to the relative influence of marketing within the firm. Finally, empirical research has been based exclusively on data collected within a single country. We are not aware of any studies that have an international database. We sought to increase generalizability by collecting data in the United States and Germany.

Hypotheses

Our study consisted of inductive field research followed by a survey. We initially conducted interviews with 72 managers in 27 U.S. firms and 20 German firms. The persons interviewed were primarily general managers, marketing managers, sales managers, or R&D managers. The field interviews helped us to understand sub-unit influence in organizations, how it can be measured, and contributed to identifying antecedents that might be related to the influence of the marketing sub-unit.[1] An important insight derived from our field interviews was that the strategic business unit (SBU) was the appropriate unit of analysis since we found significant diversity across business units in the factors we used to predict marketing influence as well as variations in the influence of functional groups.[2] We additionally explored whether it makes sense to study functional unit influence, given the discussion on reengineering and horizontal, boundaryless organizations. While managers in a number of companies spoke of reengineering their firms to focus on cross-functional business processes, we still found functional units existed with people primarily reporting into functional rather than process managers. More specifically, none of the firms had completely abandoned functional organizations which is consistent with Day's (1997) reporting on a Boston Consulting Group study and Tom Peter's observations (Peters 1997, p. 202). Thus, the issue of sub-unit influence was still relevant to decision making within firms.

On the basis of the field interviews and prior research in organization theory on sub-unit power, we classified factors related to marketing's influence into three categories: external contingency determinants, internal contingency determinants, and institutional determinants. Contingency determinants are those derived from contingency theory which assume a continual adaptation of the firm to meet the demands of the internal and external environment. In contrast, the institutional determinants represent cultural factors that become institutionalized at the level of the firm, the industry sector, or within a country and can affect attitudes toward marketing.

External Contingency Determinants

Based on our field interviews and a review of the literature, three external contingency constructs were considered to be the most relevant to the influence of the marketing subunit: market growth, market-related uncertainty, and technological turbulence.

Market Growth. A number of researchers have argued that marketing plays a more central role in growing markets (e.g., Chandler 1978; Hambrick 1983; Miles and Snow 1978). The basis for this hypothesis derives from a life cycle perspective in which marketing and R&D play a relatively greater role in the emergent and growth stages of the market's development. During these stages, the importance of understanding customer needs, the importance of advertising and promotion and the expansion of distribution to reach new customers are of relatively high importance. Marketing tends to make a relatively large contribution to these activities. However, in the maturity and decline phases, the emphasis shifts to efficiency and cost control, with operations and finance playing a greater role with the importance of marketing's contributions being relatively lower.

From a strategy perspective, drawing on the strategic typology of Miles and Snow (1978), a number of authors have claimed that marketing people tend to be more influential in firms with a prospector strategy than in ones with an analyzer or defender strategy (Hambrick 1981, 1983; Snow and Hrebiniak 1980; Walker and Ruekert 1987). Because prospectors are associated with high-growth markets (Miles and Snow 1978; Ruekert and Walker 1990), it follows that marketing would have more influence in growing markets. Additional empirical support derives from the ADVISOR 2 studies (Lilien 1979) in which it was found that marketing budgets as a percentage of sales was higher for business units in the growth stage rather than the mature stage of the product life cycle. Thus, we hypothesize that:

H_1: Marketing's influence is related positively to the growth rate of the market.

Market-related uncertainty. One of the more widely studied environmental variables is environmental uncertainty. Uncertainty is a central construct in the formulation of Thompson's (1967) theory of organizational structure and he argues that boundary-spanning units help to buffer the "technological core" from the sources of uncertainty. Hickson et al. (1971) argue that coping with important sources of uncertainty for the organization confers power on a group. Within a marketing context, Spekman and Stern (1979, p. 55) studied the structure of the buying group and argued that "By adapting its structural configuration to match the level of uncertainty in its environment, a firm can facilitate the gathering and processing of information crucial to its decision making; thereby reducing uncertainty to a manageable level." When market-related uncertainty is high, we hypothesize that marketing makes a more important strategic contribution to the firm since there is a greater need to gather and process market-related information. According to Pfeffer (1981) and Anderson (1982), this greater value of the contribution is related to increased influence.

We conceptualize market-related uncertainty as a multidimensional construct consisting of market-related complexity, frequency of major market-related changes, and unpredictability of major market-related changes. That conceptualization is consistent with work by Duncan (1972) identifying complexity and dynamism as major sources of uncertainty. Dynamism can be conceptualized in terms of magnitude, frequency, and unpredictability of changes (Dess and Beard 1984; Duncan 1972). This leads to our hypotheses:

H_{2a}: Marketing's influence is related positively to the level of market-related complexity.

H_{2b}: Marketing's influence is related positively to the frequency of major market-related changes.

H_{2c}: Marketing's influence is related positively to the level of unpredictability of major market-related changes.

Technological turbulence. Another environmental dimension that may be related to the role of the marketing sub-unit is technological turbulence. When there is a rapid rate of change in the technical environment, the contributions of people with technical backgrounds become relatively more important because of their greater expertise in coping with a key source of uncertainty facing the firm. For example, people in R&D provide information on emerging technologies and ideas on ways of applying technology in new ways that may provide greater benefit to customers. While there are numerous case-based and anecdotal examples that marketing often has relatively lower levels of influence in technologically turbulent environments (Dougherty 1992; Enz 1986; Workman 1993), there is relatively little empirical verification of this claim. We thus propose that due to the relatively greater importance of technical sub-units in providing technical information to the business unit:

H_3: Marketing's influence is related negatively to the level of technological turbulence in the industry.

Internal Contingency Determinants

Differentiation and low cost strategy. The next two hypotheses follow from work in strategy examining the importance of functional groups and core competencies for different business strategies (Hitt, Ireland, and Palia 1982; Snow and Hrebiniak 1980). Though the strategy of a business unit can be characterized in a variety of ways, we utilize the widely known Porter (1980) typology because our interviews showed that it reflects the way managers think about competitive strategy.

We specifically consider the relationships between cost leadership and differentiation and marketing's influence. Though we are unaware of any empirical research directly linking differentiation or cost leadership to marketing's influence, related work suggests marketing is more influential for a differentiation strategy and less influential for a cost leadership strategy. Unlike a cost leadership strategy, which is more internally oriented, a differentiation strategy emphasizes exploration of complex customer needs structures and adaptation of products and services to fit them or respond to them (Hambrick 1983; McDaniel and Kolari 1987; McKee, Varadarajan, and Pride 1989). Exploring customer needs structures is typically one of the core competencies of the marketing unit. Presumably, therefore, the resources provided by the marketing unit would be considered important if the business unit strongly emphasizes a differentiation strategy. That inference is supported by empirical results on other strategies that are related to differentiation and cost leadership. For example, research on prospectors and defenders has shown marketing to be more important for prospectors than for defenders (Hambrick 1981, 1983; McDaniel and Kolari 1987; McKee, et al. 1989). As Miller and Friesen (1986) note, there is significant overlap between business units characterized by Porters' differentiation strategy and Miles and Snow's prospectors.

H_4: Marketing's influence is related positively to a differentiation strategy.

Similarly, Miller and Friesen (1986) found that Porter's cost leadership strategy to be similar to Miles and Snow's defender strategy and prior work has shown that defenders tend to place less emphasis on marketing (e.g., Walker and Ruekert 1987).

H_5: Marketing's influence is related negatively to the emphasis placed on a cost leadership strategy.

Distribution and customer base. Finally, the last two hypotheses reflect strategic decisions about how to distribute products and how broad or narrow a set of customers to serve. The decisions about the ways to take products to market can lead to very different activities and influence for the marketing function (Corey, Cespedes, Rangan 1989). When business units sell directly to customers, rather than using middlemen, functional groups other than marketing commonly interact with their counterparts in the customer organization. It has been shown that providing a resource provides power to the extent that other groups are not able to provide that resource (Pfeffer and Salancik 1978). When marketing is no longer the sole provider of information on customer needs and market information, they would lose influence because they are substitutable. We thus hypothesize that direct distribution is related to less influence for marketing:

H_6: Marketing's influence is related negatively to the percentage of direct sales.

In addition to strategic decisions of whether to sell directly or indirectly, business units also make decisions of how broad or narrow a customer base to serve. Some business units choose to serve large OEM accounts or rely on large distributors that account for most of their business. Other business units choose not to rely on any single customer and seek a broader customer base. Business to business marketing research has shown that when there are fewer customers, there are often closer partnerships and joint product development with customers (Heide and John 1992). When there is such joint activity, more groups interact with the major accounts. Thus marketing no longer serves as the primary boundary-spanning unit between the business unit and the market and has less control over a scarce resource. We hypothesize that as customer concentration (i.e., the percentage of revenues that comes from the largest customer accounts) increases, marketing's influence will be reduced. Empirical support is provided by Lilien (1979) who found that the size of marketing budgets decreased as customer concentration increased.

H_7: Marketing's influence is reduced as customer concentration increases.

Institutional Determinants

As DiMaggio and Powell (1983) and Eisenhardt (1988) have noted, operationalizing institutional factors requires an understanding of the relevant organizational field and the types of factors which lead to pressures to act in certain ways. Commonly used sources of institutional pressure have been specific industry sectors (Eisenhardt 1988; Fligstein 1987; Palmer, et al. 1993), time period of the founding of the firm (Boeker 1989; Eisenhardt 1988; Judge and Zeithaml 1992), percent of other firms in an industry sector adopting the structure/form being studied (Fligstein 1987; Palmer, et al. 1993); functional or educational background of top management (Boeker 1989; Palmer, et al. 1993), and network ties among board members (Palmer, et al. 1993). In this paper, given our focus on influence within the SBU, we conceptualize three levels at which legitimacy pressures for marketing to be more or less influential may exist. First, the SBU is embedded within a corporate context and there may be pressure from the hierarchy to organize in certain ways. Second, SBUs operate within external organizational fields consisting of such actors as competitors, suppliers, customers, financial markets, professional associations, which may have certain expectations for marketing’s role. Finally, the state and the broader society may have certain expectations and may induce pressures which favor one functional group over another through societal norms, regulations, certification, historical precedence, and other factors.[3]

Corporate context. One organizational factor that is related to the influence of functional groups is the organizational culture within the firm (Deshpandé and Webster 1989). In some firms, the dominant logic of the firm (Prahalad and Bettis 1986) revolves around marketing and this firm orientation can thus affect sub-unit influence within each SBU. In other cases, marketing plays a less central role throughout the firm. In their ‘upper echelons’ theory, Mason and Hambrick (1984) argue that the top management team plays an important role in guiding strategic action within the firm and that organizations are shaped by the backgrounds and beliefs of members of the top management team. Thus, consistent with prior research (Fligstein 1987; Pasa and Shugan 1996; Pfeffer 1981), we propose that:

H_8: Marketing’s influence is higher in firms where CEOs have a marketing background.

Industry context. Attitudes and beliefs about the proper roles of functional groups may also be institutionalized within industry sectors. DiMaggio and Powell (1983) argue that the organization’s interconnectedness within its environment is a key determinant of how firms organize. Given the often weak or indeterminate relationships between organizational properties and success, “Organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful” (DiMaggio and Powell 1983, p. 152). Additionally, there may be pressures for conformity within the industry arising from legitimacy expectations of trade associations, regulators, boards of directors, customers, suppliers, the general public, or other important constituencies. Empirical research on institutional effects has often proposed that there may be stronger institutional pressures to organize in certain ways in one industry sector in contrast to other sectors (e.g., Boeker 1989; Eisenhardt 1988; Palmer, et al. 1993).

Traditionally, marketing has played an important role in consumer goods industries, a role that could result in a high influence of the marketing sub-unit. Based on our interviews and a general belief in the marketing literature that marketing plays a more central role in consumer vs. industrial firms, we propose:

H_9: Marketing’s influence is higher in SBUs in industries selling consumer goods than in SBUs in industries selling predominantly industrial goods.

Societal context. In addition, attitudes and beliefs about the proper roles of various functional groups are institutionalized at the country level. For example, Dimaggio and Powell (1983, p. 150) argue that coercive forces may arise from “cultural expectations in the society within which organizations function.” In our field interviews, we noted that firms in Germany were more likely than U.S. firms to equate marketing with sales and, when both groups were present, appeared to place more emphasis on sales than on marketing. An explanation may be that many of the key concepts and theories about marketing were developed in the United States and diffused gradually to other countries. For example, the first German-language marketing textbook was not published and the first marketing professorship at a Germany university was not established until the early 1970s. Moreover, cultural and legal restraints on the use of marketing tools in Germany are reflected in an emphasis on technical selling, political restrictions on comparative advertising, limitations on distribution arrangements and retail store placement, and legal restrictions on retail store hours. In Germany, customer orientation does not have a strong position and complaints about the lack of customer service are frequent (e.g., Steinmetz 1995).

Additionally, there is a higher level of governmental involvement in the economy and Germany has lagged the United States in deregulation of industries such as telecommunications, air travel, and energy supply. In the area of advertising, German ads tend to be more factual and technical with less imagery that American ads and, until recently, television commercials on the primary German TV channels could be shown only at the beginning and ending of each show. Altogether, those factors reflect an institutionalized attitude toward marketing that is less positive than the U.S. attitude.

H_{10}: Marketing's influence is lower in Germany than in the United States.

Method

Sample and Data Collection Procedure

Data for the study were obtained from managers responsible for marketing in SBUs in three industry sectors in the United States and Germany: consumer packaged goods, electrical equipment and components, and mechanical machinery. We defined the business unit as a relatively autonomous unit with the manager having control of at least three of the following functions: marketing, sales, manufacturing, R&D, finance, and human resources. Because firm size has been shown to affect organizational dimensions, we included in our sample equal numbers of firms in each industry sector in each country for each of four ranges of annual sales ($25 Million to $67M, $67M to $333M, $333M to $1.3 Billion, and over $1.3 B). From Dun and Bradstreet, industry directories and telephone calls to the SBUs, the names of 1500 U.S. and 1284 German managers responsible for the marketing in 2,784 SBUs were obtained. Out of 2,610 surveys delivered, usable responses were received from 280 U.S. and 234 German managers, a response rate of 19.9% in the U.S. and 19.4% in Germany and a total response rate of 19.7%.

To detect possible problems with nonresponse error, two methods were used. First, the dataset was divided into thirds within each country according to the number of days from initial mailing until receipt of the returned questionnaire. Country-specific t-tests between the first and last thirds indicated no statistically significant differences ($p < .05$) in the mean responses for the constructs used. Second, before sending the first mailing, we randomly selected 100 of the 1500 U.S. SBUs and made special efforts to increase the response rate from that group. The assumption was that responses from the random sample with the higher response rate would be more representative of the true population. We attempted to make telephone contact with the manager responsible for marketing in each of those SBUs and obtained a verbal commitment either to fill out the survey or at least to look at it carefully. In addition, we sent two follow-up surveys to nonrespondents as well as two follow-up postcards to everyone in the group to emphasize the importance of their responding to the survey. The net result was that we obtained a response rate of 45% in contrast to a response rate of 18.5% for firms not in the random sample. We then did a t-test comparing the means of all variables for the random sample versus all other respondents and found only one statistically significant difference ($p < .05$)[4]. Hence, on an overall basis, nonresponse bias was not a problem in our study.

General Measurement Approach

Scales for the study consisted of newly generated items and items that had been used previously. The questionnaire was designed in English and was modified after comments were provided by five academics and six marketing managers. To enhance translation equivalence, the revised English version of the questionnaire was first translated into German by one person and then retranslated into English by a second person, each of whom was bilingual. Differences were reconciled by the two expert translators. The resulting two versions of the questionnaire were pre-tested and modified in the United States and Germany on the basis of comments from 20 marketing and sales managers in those countries who completed the entire survey.

Three types of measures were used in the survey: single-item measures, formative multi-item measures, and reflective multi-item measures. If a construct was a summary index of observed variables, we used a formative measurement model (Bagozzi and Baumgartner 1994). In that case, observed variables cover different facets of the construct and cannot be expected to have significant intercorrelations. For example, complexity as conceptualized by Duncan (1972) consists of two dimensions, the number and heterogeneity of items which an organization faces. In contrast, if observed variables (and their variances and covariances) were manifestations of underlying constructs, we used a reflective measurement model (Bagozzi and Baumgartner 1994). In that case, the scales' psychometric properties can be assessed by means of criteria based on confirmatory factor analysis (Anderson and Gerbing 1988; Fornell and Larcker 1981). If necessary, the item pools were purified. Confirmatory factor analysis is considered to be superior to more traditional criteria (such as Cronbach’s alpha) in the context of scale validation because of its less restrictive assumptions (Bagozzi, Yi, and Phillips 1991; Gerbing and Anderson 1988).

The *single-item measures* used in the survey were market growth, functional background of the CEO, percentage of direct sales, country, and industry. Two *formative multi-item measures* were used, the multi-issue measure of marketing's influence (the dependent variable, described in the next section) and the measure of market-related complexity (an independent variable). The *reflective multi-item measures* used were frequency of major market-related changes, unpredictability of major market-related changes, technological turbulence, differentiation strategy, low cost strategy, customer concentration, and two size measures for the firm and the SBU, used as control variables.

Measurement and Validation of Influence

The influence of five functional groups identified in the field interviews (marketing, sales, R&D, manufacturing, finance/accounting) was assessed by using a 100-point constant-sum scale for each of 11 strategic issues: (1) pricing decisions, (2) distribution strategy decisions, (3) decisions concerning the strategic direction of the business unit, (4) decisions on major capital expenditures, (5) decisions on advertising messages, (6) decisions on expansions into new geographic markets, (7) choices of strategic business partners, (8) new product development decisions, (9) decisions on procedures for measurement of customer satisfaction, (10) decisions on programs for improving customer satisfaction, and (11) decisions on design of customer service and support. The approach of measuring sub-unit influence over specific issues was chosen based on the research of Enz (1986), Hinings et al. (1974), and Pfeffer (1981). A distinction was made between a functional group having no influence and the absence of a functional group. If the firm lacked a particular functional group, respondents were asked to give it no points and allocate 100 points among the other groups.

The eleven issues were chosen to represent a range of strategic decisions of high importance for success of the business unit which are typically not completely under the control of a single functional unit. We were particularly interested in the relative influence of the groups with regard to the cross-functional issue of customer satisfaction, a theme which is central to TQM and the reengineering movement. The field interviews guided our choice of issues in the sense that we selected issues where we observed a large variability of sub-group influence across the interviews. We wanted to account for this variation using theoretically relevant determinants. Also given that prior empirical research has not distinguished between marketing's influence versus the influence of sales, we wanted to explore influence differences between these groups. Thus some of the issues were those classically attributed to marketing and sales such as advertising, distribution channel management, and pricing where marketing and sales may have differential influence.

We used two measures of marketing's influence. First, for the dependent variable we used a *multi-issue measure of marketing's influence.* It was calculated by multiplying the importance of each of the 11 issues for the success of the business unit[5] by the influence allocated to marketing for that issue and then summing across all 11 issues. The resulting figure was divided by the number of issues for which answers were provided to correct for missing data. Second, we used a *general measure of marketing's influence*, obtained by asking for an overall assessment of the influence of the five functional groups.[6]

We used two methods to validate the dependent variable. First, we validated it with the general measure of marketing's influence *in the main sample* (managers responsible for marketing). The correlation coefficient between the multi-issue measure and the general measure of marketing's influence was .65 ($p < .001$).

Second, we collected a *validation sample* consisting of informants outside marketing to validate both the multi-issue and the general measures of marketing's influence. Specifically, we sent a shortened version of the survey to R&D managers (or production managers if R&D did not exist) who belonged to the same SBU as the respondents in the first survey. Names of managers addressed in the second survey were identified by the respondents in the first survey or through telephone calls if the first respondent did not designate a specific person. We sent 505 surveys (275 in the U.S., 230 in Germany) and obtained 101 usable responses (53 in the U.S. and 48 in Germany), a response rate of 20.0%.

We validated the influence ratings from the main sample with those from the validation sample in three ways. First, we compared the ratings of marketing's influence over individual issues provided by the respondents in the main sample with the corresponding influence ratings by the respondents in the validation sample. The average absolute difference in the influence ratings over all 11 issues and over all five functional groups was 2.8 on a scale from zero to 100. For the multi-issue measure of marketing's influence, the value was 4.3. The amount of influence assigned to marketing by the R&D managers was higher than the amount assigned by the marketing managers for six of the issues (ranging from 2.8 to 7.4

points higher with a mean of 4.4 higher). Second, we compared the multi-issue measure of marketing's influence as calculated from the responses in the main sample (managers responsible for marketing) with that calculated from the responses in the validation sample. The two measures were correlated significantly with a correlation coefficient of .39 ($p < .001$). Third, we compared the general measure of marketing's influence as rated by the marketing managers in the main sample with the general measure as rated by the R&D managers in the validation sample. The two measures were correlated significantly with a correlation coefficient of .45 ($p < .001$). Interestingly, the mean of the general measure of marketing's influence was even higher with the validation sample, supporting our belief that there is no bias in the influence ratings provided by the managers responsible for marketing. Overall, the results indicate that our dependent variable, the multi-issue measure of marketing's influence, is a valid measure.

Measures of Independent Variables

The following independent variables were used: (1) *single-item measures*: market growth, functional background of the CEO, percentage of direct sales, industry, and country; (2) *formative multi-item measures*: market-related complexity; (3) *reflective multi-item measures*: frequency of major market-related changes, unpredictability of major market-related changes, technological turbulence, differentiation strategy, low cost strategy, customer concentration, firm size, and SBU size. A complete list of the items used in the analysis is given in the Appendix.

Market-related complexity was assessed with eight items adapted from measures previously used in distribution channel settings (Achrol and Stern 1988). For example, the number of people involved in the buying process is considered to reflect market-related complexity. As is obvious from the items in the Appendix, they cover fairly distinct facets of the construct of overall complexity, which makes a formative measurement approach appropriate.

Frequency and unpredictability of major market-related changes were seen as reflecting dynamism. The respondent was asked to assess on seven items each, the frequency and unpredictability of major changes in market-related aspects of the business environment from which their business unit derived its largest amount of sales. Aspects included sales strategies, pricing behavior, sales promotion/advertising strategies, and new product introductions.

Technological turbulence was operationalized by using the scale developed by Jaworski and Kohli (1993). The items measured the extent to which technology in an industry was in a state of flux (e.g., "The technology in our industry is changing rapidly"). *Differentiation and low cost strategy* measured the degree to which the SBU emphasized those two strategies. The specific items measuring the strategic emphasis were based on those used by Kim and Lim (1988) and Dess and Davis (1984).

Metric Equivalence

We first performed confirmatory factor analysis to determine whether the factor loadings differed between the U.S. and Germany. If factor loadings are equivalent across subsamples, they can be combined in subsequent analysis (Mullen 1995). Two multiple-group confirmatory factor analyses were then run using LISREL 8 for the reflective multi-item measures. The first constrained the factor loadings across the U.S. and German samples to be equivalent. The second allowed the factor loadings to be freed across the samples. A statistical test comparing the fit of the two models found no statistically significant differences. Because of the strong evidence of metric equivalence across the two countries, we combined the two samples for subsequent measure analysis.

Measure Reliability and Validity

Measure reliability and validity were assessed using confirmatory factor analysis combining each factor measured by reflective indicators. This results in a confirmatory factor analysis model including eight factors. Composite reliability represents the shared variance among a set of observed variables measuring an underlying construct (Fornell and Larcker 1981). In general, composite reliability of at least .6 is considered desirable (Bagozzi and Yi 1988, p. 82). As shown in the Appendix, each construct met that criterion. Additionally, all of the coefficient alpha values exceeded the threshold value of .7 recommended by Nunnally (1978), suggesting for each of the constructs a reasonable degree of internal consistency between the corresponding indicators. That conclusion is supported by the fact that all the factor loadings were significant at the .001 level suggested as a criterion of convergent validity by Bagozzi, et al. (1991).

Measures of overall fit evaluate how well the confirmatory factor analysis model reproduces the observed variables' covariance matrix. GFI and AGFI are two descriptive overall fit measures for which a minimum value of .9 usually is considered to be acceptable (Bagozzi and Yi 1988; Baumgartner and Homburg 1996). The same threshold value can be applied to CFI, an incremental fit index suggested by Bentler (1990). RMSEA is a fit measure based on the concept of noncentrality (Steiger 1990). Usually values up to .08 are considered to indicate reasonable model fit (Browne and Cudeck 1993). These criteria were all met in our confirmatory factor analysis model (GFI = .94, AGFI = .93, CFI = .95, RMSEA = .045), suggesting that the model fits the data well.

Discriminant validity between the independent factors was examined by performing, one at a time, chi-square difference tests between a model in which a factor correlation parameter was fixed at 1.0 and the original (unrestricted) confirmatory factor analysis model. As every restricted model had a significantly poorer fit than the unrestricted model, we concluded that the degree of discriminant validity was sufficient. Discriminant validity was supported by the criterion suggested by Fornell and Larcker (1981).

Results

Relative Level of Marketing’s Influence

The relative influence of marketing was rated in relation to that of four other functions on 11 issues (see Table 1). Marketing had the most influence over decisions on advertising messages (on average 65 of 100), decisions on procedures for measuring customer satisfaction (48), and decisions on programs for improving customer satisfaction (40). Marketing had its lowest level of influence over decisions on major capital expenditures (13). In all but one of the 44 t-tests comparing the influence of marketing to each of the four other functional groups, the differences between marketing and other sub-units were statistically significant.

These results suggest that marketing plays a major role in relation to the other functions within the SBU. It is worth noting that while marketing and sales seem to have higher influence in the issues related to the classical domain of marketing, the influence of marketing is still substantive on other issues outside the classical marketing discipline and is rated the most influential unit with respect to decisions on the strategic direction of the business unit.

Table 1

Influence of Functional Sub-units over Specific Issues

(with t-tests comparing marketing to other groups)

Decisions concerning:	**Marketing**	**Sales**		**R&D**		**Operations**		**Finance**	
Advertising messages	65	29	**	3	**	1	**	2	**
Customer satisfaction measurement	48	35	**	5	**	8	**	4	**
Customer satisfaction improvement programs	40	37	*	7	**	10	**	6	**
Expansion into new geographic markets	39	45	**	3	**	3	**	10	**
Strategic direction of the business unit	38	29	**	11	**	9	**	14	**
Distribution strategy	34	52	**	1	**	6	**	6	**
Choices of strategic business partners	33	38	*	7	**	9	**	12	**
New product development	32	23	**	29	*	9	**	7	**
Design of customer service and support	31	47	**	5	**	10	**	7	**
Pricing	30	41	**	4	**	9	**	16	**
Major capital expenditures	13	11	**	13	-	29	**	35	**

Significance Levels:
** $p \leq .01$
* $p \leq .05$

The number in each cell is the mean of the amount of points given by the marketing managers to each group, using a constant sum scale of 100. A t-test was done to compare Column 2 (mean of relative influence of marketing) with columns 3 through 6 (relative influence of Sales, R&D, operations, and finance). Statistically significant differences with marketing are indicated in each column.

Hypothesis Testing and Discussion

We tested our hypotheses by means of a regression model linking the independent variables to our measure of marketing's influence. We considered regression analysis to be more adequate for theory testing than causal modeling because our set of independent variables included three variables measured on a nominal scale (CEO with marketing background, country, industry). We additionally entered size of the firm and of the SBU as control variables in the model because of the finding from previous research that size might influence the organization of a firm.

Since our measure of marketing's influence is based on both marketing and non-marketing issues, we conducted two additional regression analyses with influence over marketing and non-marketing issues respectively as dependent variables[7]. Since the results from these regressions are similar to the results from the overall regression analysis (see Table 2), we report the results from our measure of marketing's influence over all issues. Because multicollinearity of the predictors can be a problem in multiple regression, we then estimated variance inflation factors for the model. The results were below harmful levels and were thus not a problem.

External contingency determinants. The relationship between market growth and influence of the marketing sub-unit is positive but not significant, so H1 is not supported. H2, that the greater the market-related uncertainty, the greater the influence of marketing, is only partially supported, as frequency of major market-related changes significantly increased the influence of marketing ($\beta = .16$, $p < .01$), the influence of market-related complexity is not significant, and unpredictability of major market-related changes decreased the influence of marketing ($\beta = -.14$, $p < .05$). One possible explanation of the negative relationship between unpredictability and influence of marketing is that marketing may not be coping successfully with the uncertainty in the environment. Hickson et al. (1971) propose that it is not uncertainty alone that confers influence on sub-units, but rather their success in coping with the uncertainty. If changes in the environment are frequent and marketing is not able to predict them successfully, people in the organization might be disappointed by the performance of the marketing unit. Failure to meet expectations in forecasting or developing good scenarios would eventually lead to reduced influence.

Table 2

Results of Regression Analysis

All regression coefficients are standardized coefficients

Independent Variables	*Hypothesis Number & Direction*	*Dependent variable:* *Marketing's influence over all Issues*	*Marketing's influence over Marketing Issues*	*Marketing's influence over Non-Marketing Issues*
External contingency determinants				
Market growth	H_1 (+)	.06	.06	.07
Components of market-related uncertainty				
Market-related complexity	H_{2a} (+)	-.01	.01	-.04
Frequency of major market-related changes	H_{2b} (+)	.16 ***	.13 **	.16 **
Unpredictability of major market-related changes	H_{2c} (+)	-.14 **	-.15 **	-.11 *
Technological turbulence	H_3 (-)	.03	.06	.00
Internal contingency determinants				
Differentiation strategy	H_4 (+)	.14 ***	.15 ***	.08*
Low cost strategy	H_5 (-)	.01	-.01	.03
Percentage direct sales	H_6 (-)	-.17 ***	-.25 ***	-.03
Customer concentration	H_7 (-)	.04	.04	.06
Institutional determinants				
CEO with marketing background	H_8 (+)	.21 ***	.15 ***	.22 ***
Consumer packaged goods	H_9 (+)	-.04	-.10 *	.04
Germany	H_{10} (-)	-.10 **	-.09 **	-.10 **
Control variables				
Firm size		-.02	-.05	.02
SBU size		.04	.06	.00
Constant		112.88 ***	137.53 ***	82.15 **
F-value		4.615 ***	5.146 ***	2.812 ***
R^2		.159	.174	.111

* $p \leq .10$, ** $p \leq .05$, *** $p \leq .01$

H3, that technological turbulence in the market is negatively related to influence of marketing is not supported. Perhaps marketing's influence is not related to R&D's rising influence in situations of high technological turbulence. To explore that issue more fully, we conducted additional exploratory analysis of our data. The findings indeed indicate that as technological turbulence increases, the influence of R&D increases as well, but not at the expense of marketing's influence. The influence increase of R&D comes from functional groups other than marketing.

Internal contingency determinants. H4, that the influence of marketing is higher for a business unit with a differentiation strategy, is supported ($\beta = .14$, $p < .01$), but H5, that the influence of marketing is lower for business units with a cost leadership strategy is not. As the percentage of direct sales increased, the influence of marketing decreases ($\beta = -.17$, $p < .01$), supporting H6. However, H7, that the influence of marketing decreases as customer concentration increases, is not supported. Interestingly, neither firm size nor SBU size have significant effects as control variables.

Institutional determinants. A CEO with a background in marketing is positively related to marketing's influence ($\beta = .21$, $p < .01$), as postulated in Hypothesis H8. The strong relationship to CEO background indicates possible institutionalization of influence whereby a certain culture or functional background may be dominant even if it no longer meets the environmental demands.

H9, that the influence of marketing is higher in consumer goods industries, is not supported. Apparently the marketing concept has been adopted in business-to-business sectors as well as consumer sectors and has led to the formation of influential marketing groups. We conducted additional data analysis to explore the lack of support for H9. One possible explanation is that it may be more likely to find a system of internal differentiation of tasks and activities in large consumer goods companies (e.g., the development of a brand management system) that leads to marketing having more influence in these firms. The concept of the firm's center of gravity (Ilinitch and Zeithaml 1995) may be a theoretical basis for this reasoning, with large consumer goods firms being more likely to achieve synergy across brands than smaller consumer goods firms and the center of gravity being more oriented toward marketing in consumer firms than in industrial firms. This reasoning suggests a positive interaction between SBU size and consumer packaged goods industry which we observed ($\beta = .11$, $p < .05$). Furthermore, the relationship between industry and marketing's influence may depend on the emphasis put on a differentiation strategy. For example, consumer firms with more differentiated products may place more emphasis on advertising, promotion, and positioning than industrial firms, activities which are more likely to be positively related to marketing's influence. This reasoning suggests a positive interaction between differentiation and consumer packaged goods industry. Again, we find empirical support ($\beta = .62$, $p < .05$). Thus, while we find no support for the hypothesized positive relationship between industry and marketing's influence on an overall basis, we observe that the suggested relationship may hold for large SBUs and for a high level of differentiation. H10, that the influence of marketing is lower in Germany than in the United States, is supported ($\beta = -.10$, $p < .05$). We believe that finding reflects the more negative attitude toward marketing in Germany.

Implications

Theoretical Implications

Our objectives with this research were to examine the relative level of marketing's influence, see if there were systematic variations based on situational factors, and compare traditional contingency factors with institutional factors. Concerning the *level* of influence, the result that comes from our data is that marketing and sales are relatively influential in comparison with other functional groups within the firm. Some scholars have speculated that the growth of multi-divisional structures has led to an increase in the influence of finance (Chandler 1978, Fligstein 1987). Others have argued that marketing has lost its voice in strategic concerns due to a short term tactical focus at the product or brand level (Day 1992; Webster 1992, 1997). While we are not able to directly comment on longitudinal *changes* in marketing's influence, we can state that in our sample, marketing was ranked as a highly influential group on a general basis. In particular, marketing turns out to be the most influential group concerning the business unit's strategic direction[8]. We additionally examined whether the shift toward new organizational forms is associated with a diminished role for the marketing subunit[9]. While the importance of all functional groups may have decreased as indicated earlier in the article (Day 1997), we found no evidence that the *relative influence* of marketing decreased in firms that had adopted boundary-less, process-based organizational forms.

An additional implication concerning the relative level of influence is that marketing and sales have statistically significant differences in their relative influence for all eleven strategic issues (see Table 1). Much of the research on sub-unit power in organization theory has grouped marketing and sales (e.g., Fligstein 1987; Hinings et al. 1974; Pasa and Shugan 1996; Perrow 1970). However, there is increasing recognition that sales and marketing people have different orientations and ways of approaching problems (cf. Cespedes 1995). Little empirical research has characterized those orientations and additional empirical inquiry is needed into how the differing influence and perspectives of marketing and sales affect organizational performance. To summarize our findings on the *relative level of influence*, (a) marketing does not seem to have lost its voice in strategic decisions making (b) marketing's relative influence is not lower in firms which adopt horizontal, process-based organizational forms, and (c) there are important differences in the relative influence exerted by marketing and sales over various strategic issues.

Addressing the *determinants* of marketing's influence, we are able to explain variations in the influence of marketing without consideration of individual level factors. In this sense, influence is not solely a function of individual traits, charisma, personal network (Pfeffer 1992) or of individual bases of power such as authority, coercion, or expertise (French and Raven 1959). Rather, we found that marketing's influence systematically varied as a function of internal and external contingency factors as well as institutionalized factors which provide continuity and inertia to a sub-unit's influence. While other studies have shown similar results showing influence is derived from the social network within which a person is embedded (Kohli 1989; Ronchetto et al. 1989), both of these studies looked at individual rather than sub-unit influence, focused on the context of organizational buying, and did not consider institutional factors.

One important theoretical implication of our study is that institutional determinants account for variance in marketing's influence beyond that explained by determinants typically used in contingency-based research. This advances our understanding of the phenomenon of intraorganizational influence of marketing beyond Anderson's (1982) work. Anderson drew on Pfeffer and Salancik's (1978) resource dependence theory to argue that marketing's role in strategy formulation was dependent on the value of the resources marketing contributes to the firm. Our research indicates that in addition to being influenced by such contingency factors, influence may also be institutionalized within firms and in societies and that firms may not continually adapt to changes in contingency factors.

On a more general level, this indicates that marketing researchers should consider using institutional theory to a larger extent than it has been used before. Research, for example, in the areas of marketing channels, organizational buying and organization decisions concerning formalization and centralization have typically looked at classical contingency factors for explanation. The underlying assumption is that firms continuously adapt to the environment. Our research however indicates there may be a significant level of inertia. One of the fundamental observations of institutional theory is that social systems do not change as rapidly and as continuously as their environments. We believe that there are limits to the ability of social systems to continuously adapt to changes in the environment and institutional theory provides a lens to look at inertia and stability in organizational forms. Additional research on this topic of institutionalization is needed within marketing in order to understand its beneficial and detrimental aspects.

Finally, our findings show a need for future research to conceptualize better the components of environmental uncertainty and the effects they may have on constructs of interest to marketers. Uncertainty is a central construct in organization theory as reflected in theories of organizational coordination (Thompson 1967), information processing (Galbraith 1973), resource dependence (Pfeffer and Salancik 1978), and transaction cost analysis (Williamson 1985). We empirically find differential effects of the three components of market-related uncertainty (frequency of changes, predictability of changes, and complexity). The implication is that different strategies are appropriate to cope with, reduce, or buffer the organization from the various types of uncertainty. We therefore suggest that marketing research should place a stronger emphasis on studying differential effects of uncertainty dimensions.

Managerial Implications

Our study has several managerial implications. First, given that effective change management requires the support of influential actors in the organization, empirically-based knowledge of intraorganizational influence is important. As is indicated in Table 1, in general the marketing and sales sub-units are the most influential across the issues we studied. The implication is that to successfully implement change, a manager must have support from the marketing and sales groups.

Second, contemporary managerial literature increasingly emphasizes the importance of cross-functional teams for accomplishing the work within organizations. The members of teams come from functional areas with different levels of influence. An accurate diagnosis of the influence of the team members may be important for understanding and guiding team decision making. Managers need to recognize that not only the individual skills of the team members, but also their functional backgrounds, affect the influence they have. Influence is both an individual and a structural group phenomenon. A project team manager must manage effectively within the context of different power bases and recognize that not all voices on the team are equally heard.

Third, our research shows that institutional factors as well as contingency factors are related to the influence of sub-units. The implication is that the present organizational form may not necessarily be the result of rational adaptation to market forces, but rather may be due to cultural and institutionalized factors. Therefore, results can be less than optimal. Our findings indicate that managers must be sensitive to such potential barriers to change within their organization. For example, in the German telecommunications industry, Deutsche Telekom had a monopoly prior to deregulation of the German telecommunication market. Though historically the emphasis was on operations, market changes and increased competition imply that marketing should play a more prominent role. However, given the institutionalized negative attitude toward the importance of marketing, such adaptation may take time.

Finally, the constant sum instrument we developed for measuring sub-unit influence within organizations can be used by managers to diagnose the patterns of influence within their business unit. Such measurement may be important in planning and implementing strategy change, which requires the support of influential actors.

Limitations and Future Research Directions

Our work can be extended in several directions. First, researchers should examine outcomes of the influence of marketing. Like researchers who use contingency theories of organization (e.g., Galbraith 1973), we postulate that business units that can match the demands of their environment will perform best. However, we do not address the issue of whether firms that have an “appropriate” allocation of influence to marketing based on their environmental characteristics actually perform better than firms out of alignment with the environment.

Second, although our analysis provides acceptable support for our theoretical reasoning, as is the case in most empirical studies in organizations, a major proportion of the variance remains unexplained. Therefore, future research might incorporate individual determinants of the influence of marketing managers in addition to the structural determinants we considered. Additionally, future research may want to examine theoretically plausible moderating effects. For example, the relationship between our dimensions of uncertainty (market-related and technology-related) and marketing's influence may be moderated by the skill of the relevant sub-units in successfully handling these sources of uncertainty.

Third, as the United States and Germany are at similar levels of economic development, our findings do not address the issue of marketing's influence or role in firms in less developed countries or in the emerging market economies of Eastern Europe, Southeast Asia, and Latin America. Our findings suggest that Germany lags the U.S. in the adoption of the marketing concept and we believe the lag may be even greater in less developed countries. Many of those countries are in transition from economic systems in which marketing activities are severely constrained, the infrastructure to support marketing and distribution activities is poorly developed, and the societal attitudes toward marketing are different from those in the U.S. and Western Europe. Our findings suggest that the marketing's influence may be linked closely to societal attitudes, economic development, and legal restrictions, but empirical research is needed to assess that possibility.

Fourth, while our theoretical reasoning is based on general determinants which should apply across industry sectors, our sample was limited to manufacturing firms. We did not find any significant differences in the influence of marketing across the three industry groups we studied. Nevertheless, due to the nature of customer interactions in service firms, there may be additional determinants of marketing's influence which were not empirically included in our study.

Fifth, in regard to the functional background of the CEO, future research may want to look at whether there is a stronger relationship for more recently appointed CEO's (who may have been brought in with a mandate for change) than for CEO's with a longer tenure. Hambrick and Fukutomi (1991) and Miller (1991) have argued that there may be different relationships between the CEO's background and firm characteristics based on the CEO's tenure in the office.

Finally, in this paper we focus on relative levels rather than absolute levels of sub-unit influence. In some organizations politics and influence play a much greater role than in others and we have not considered the overall extent to which politics is a factor within the organization. Day (1997, p. 89) has argued that the importance of all functional groups will be diminished with the increasing use of cross-functional teams and lower boundaries between departments. Given our focus on relative influence, future research is needed on the issue of absolute level of influence.

Footnotes

[1] For a more detailed description of the findings from the field interviews see also Workman, Homburg and Gruner (1998), p. 33-34.

[2] An additional insight from our field interviews was the need to specify carefully what we mean by a strategic business unit. We found many variations in the functions reporting to the business unit manager, with many business units sharing functional groups such as marketing, sales, R&D, or manufacturing with other business units. Therefore, in the survey instructions we defined the business unit as "an organizational unit which has control over at least three functional areas (e.g., marketing, sales, R&D, finance, manufacturing, human resources) and reports to a general manager (or VP or President)." Thus we excluded from our sample, for example, distribution units that only sell products.

[3] Rather than directly measuring the specific institutionalized beliefs about marketing of these various constituencies, we use categorical variables to indicate the sources of greater institutional pressures for marketing to have a greater role in the business unit. This approach is consistent with prior empirical research drawing on institutional theory which has been conducted in organization theory and strategy.

[4] Respondents from the random sample scored significantly higher on the low cost strategy variable ($p < .01$). If we assume the random sample is more representative of the true population, the implication is that our U.S. sample is biased toward placing less emphasis on a low cost strategy. We see two possible explanations for such potential bias. First, managers responsible for marketing in firms with a low cost emphasis might be less interested in organizational issues. Second, given their emphasis on low cost and efficiency, they may have less slack time available to answer mail surveys.

[5] Issue importance was measured for each of the 11 issues on a 7-point Likert scale of the importance of the activity for the success of the business unit with anchors 1 = relatively low

importance and 7 = extremely high importance. Interestingly, the average value of importance assigned to the issues was 5.2 in the main sample. Hence, we did identify a set of important strategic issues, though it is not exhaustive.

[6] For the multi-issue measure of influence, the wording was: "What is your assessment of: (a) the degree of influence each of the following functional groups has had over the past three years on decisions reached concerning the following issues and (b) the importance of these activities for the success of your business unit." For the general influence measure (which came next on the survey), the respondent was asked "In general, how much influence within your business unit would you say each of these functional groups has had over the past three years?" A 100-point constant-sum scale across five functional groups (marketing, sales, R&D, manufacturing, finance/accounting) was used for all 11 issues and for the general measure.

[7] The marketing issues were advertising messages, distribution strategy, pricing, design of customer service and support, customer satisfaction measurement, and customer satisfaction improvement. The non-marketing issues were strategic direction of the business unit, choice of strategic business partners, new product development, major capital expenditures, and expansion into new geographic markets.

[8] While one reason for this high ranking might be that marketing managers answered the survey, the results from the R&D managers support the marketing managers' perceptions (as was reported in the section on influence validation). Furthermore, when we examine the influence rankings provided by the 15% of our respondents who were presidents, general managers, and VPs not in marketing or sales (and thus presumably less likely to be biased toward marketing), we find similar results.

[9] Specifically, we did a t-test comparing the mean level of influence for firms which answered high and low on the following two items on our survey: "The boundaries between marketing and other functional groups have been dissolving over the past few years" and "We are or-

ganized more around processes than around functional groups”(each answered on a 7 point agree/disagree Likert scale). There were no statistically significant results for the two subgroups and the correlation coeffients between these two items and our measures of marketing’s influence were all statistically insignificant.

Appendix

SCALES, ITEMS, SCALE MEANS, AND STANDARD DEVIATIONS FOR THEORETICAL MEASURES

Scale name, response cue, and individual items	*Scale mean / Std deviation*
The measures MARKGRO and DIRSALES were introduced as follows: *In this section we will ask questions on your business environment. If you operate in several markets, please focus on the market/industry which you consider the core of your business.*	
Market growth - MARKGRO (1 = decrease by more than 20%, 2 = decrease of 10% to 20%, 3 = decrease of 5% to 10%, 4 = decrease of up to 5%, 5 = relatively constant market volume, 6 = increase of up to 5%, 7 = increase of 5% to 10%, 8 = increase of 10% to 20%, 9 = increase of more than 20%)	
Over the last three years, what was the average annual market growth or decline for this market?	6.18 / 1.92
Percentage direct sales -DIRSALES	
Approximately what percent of your sales are direct to final customers and are not made through a middleman (e.g., a wholesaler, distributor, or retailer)?	47.64 / 40.85
CEO with marketing background - CEOMKT (CEO with background different from marketing, CEO with marketing background)	
What is the primary functional background of the CEO of your firm?	
Market-related Complexity - MKCPLX (scored on 7-point Likert scale with anchors 1 = strongly disagree, 7 = strongly agree)	
To what extent do the following statements reflect the situation in your market? In this market ...	4.56 / 1.0
MKCPLX1: The number of products and brands is very high.	
MKCPLX2: The number of people/organizations involved in the distribution process is very high.	
MKCPLX3: The number of people involved in the buying process is very high.	
MKCPLX4: Communication varies very much across different customer segments.	
MKCPLX5: Customer requirements vary a lot across different customer segments.	
MKCPLX6: There is a lot of variety in products for sale.	
MKCPLX7: There is a lot of variety in the type of people involved in the buying process	
MKCPLX8: There are many people other than direct customers who must be influenced in order to sell.	
Firm size - FIRMSIZ (*FIRMSIZ1 and FIRMSIZ2 were standardized prior to aggregation)*	0.0 / 1.0
FIRMSIZ1: What were the sales of your entire firm for the most recent year? If you do not want to provide an exact figure in spite of the promise of confidentiality, could you provide a range (e.g., $150-200 million)?	
FIRMSIZ2: What approximately is the total number of full time employees in your entire company?	
(coefficient alpha = .90; composite reliability = .94)	

Size of the strategic business unit - SBUSIZ (SBU*SIZ1 and SBUSIZ2 were standardized prior to aggregation)*	0.0 / 1.0
SBUSIZ1: What were the sales of your business unit for the most recent year? If you do not want to provide an exact figure in spite of the promise of confidentiality, could you provide a range (e.g., $150-200 million)?	
SBUSIZ2: What approximately is the total number of full time employees in your business unit?	
(coefficient alpha = .86; composite reliability = .80)	
Customer concentration - CUSTCON (1 = under 1%, 2 = 1 to 5%, 3 = 5% to 10%, 4 = 10% to 20%, 5 = 20% to 35 %, 6 = 35% to 50%, 7 = over 50%)	
What is the approximate percentage of sales that comes from the following sets of "direct customers"? (We define direct customers to mean those who directly pay you, regardless of whether they are a distributor, OEM, or "final consumer".)	4.59 / 1.50
CUSTCON1: Your largest direct customer	
CUSTCON2: Your 5 largest direct customers	
CUSTCON3: Your 10 largest direct customers	
(coefficient alpha = .94; composite reliability = .97)	
Frequency of major market-related changes - FREQUEN (scored on 7-point Likert scale with anchors 1 = very few changes and 7 = very frequent changes)	
Please indicate the frequency of major changes in the following aspects of the business environment that your business unit derives its largest amount of sales from.	3.83 / 0.97
(FREQUEN1)[1] Changes in products offered by your business unit and your competitors.	
FREQUEN2: Changes in sales strategies by your business unit and your competitors.	
FREQUEN3: Changes in sales promotion/ advertising strategies of your business unit and your competitors.	
FREQUEN4: Changes in pricing behavior of your business unit and your competitors.	
FREQUEN5: Changes in customer preferences in product features.	
FREQUEN6: Changes in customer preferences in product quality/price relationship.	
(coefficient alpha = .69; composite reliability = .70)	
Unpredictability of major market-related changes - UNPRED (scored on 7-point Likert scale with anchors 1 = highly predictable) and 7 = highly unpredictable)	3.75 / 0.97
Please indicate the overall predictability of major changes in the following aspects of the business environment that your business unit derives its largest amount of sales from.	
(*UNPRED1*): Changes in products offered by your business unit and your competitors.	
UNPRED2: Changes in sales strategies by your business unit and your competitors.	
UNPRED3: Changes in sales promotion/ advertising strategies of your business unit and your competitors.	
UNPRED4: Changes in pricing behavior of your business unit and your competitors.	
UNPRED5: Changes in customer preferences in product features.	
UNPRED6: Changes in customer preferences in product quality/price relationship.	
(coefficient alpha = .70; composite reliability = .70)	

[1] Items not kept after the item purification process are shown in parentheses.

Technological turbulence - TECHTUR (scored on 7-point Likert scale with anchors 1 = strongly disagree and 7 = strongly agree)	4.07 / 1.35

To what extent do the following statements reflect the situation in your industry?

TECHTUR1: The technology of our industry is changing rapidly.

TECHTUR2: Technological changes provide big opportunities in our industry.

TECHTUR3: It is very difficult to forecast where the technology in our industry will be in the next 2 to 3 years.

TECHTUR4: A large number of new product ideas have been made possible through technological breakthroughs in our industry.

TECHTUR5: Technological developments in our industry are rather minor. (reverse scored)

(coefficient alpha = .83; composite reliability = .86)

Differentiation strategy - CSDIFF (scored on 7-point Likert scale with anchors 1 = not at all and 7 = a great deal)

In this section, if you operate in different markets with different strategies, please refer only to the most important market. To what extent does your business unit emphasize the following activities?	5.04 / 1.01

CSDIFF1: Competitive advantage through superior products.

CSDIFF2: Creating superior customer value through services accompanying the products.

CSDIFF3: New product development.

CSDIFF4: Building up a premium product or brand image.

CSDIFF5: Obtaining high prices from the market.

CSDIFF6: Advertising.

(CSDIFF7): Development of customer-specific solutions and products.

(coefficient alpha = .76; composite reliability = .80)

Low cost strategy - CSCOST (scored on 7-point Likert scale with anchors 1 = not at all and 7 = a great deal)

In this section, if you operate in different markets with different strategies, please refer only to the most important market. To what extent does your business unit emphasize the following activities?	5.19 / 1.25

CSCOST1: Pursuing operating efficiencies.

CSCOST2: Pursuing cost advantages in raw material procurement.

CSCOST3: Pursuing economies of scale.

(*CSCOST4*): Gaining market share through aggressive pricing of your products.

(coefficient alpha = .82; composite reliability = .82)

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