John M.D. Koster[1]

On the Role of Marketing within the Firm

Abstract

The marketing department's influence has diminished and marketing has less influence on strategic decisions. Marketing is placed mainly in a tactical, executive role. More marketing activities take place outside the conventional marketing department. Reasons for all that are the marketing department's disappointing performance, lack of accountability and inadequate measurement; the mutual lack of understanding between marketeers and non-marketeers about the meaning, content and scope of marketing; and the inability of marketeers to coordinate the implementation of their plans. The disintegration of marketing can be balanced by small, highly specialized and well educated marketing centres of excellence, which monitor and stimulate market orientation, which direct all dispersed marketing activities, focusing on long-term strategic issues, such as branding, customer loyalty, and innovation. This requires marketeers to understand more about the challenges of organizational change.

Over the years the role of marketing within the corporation has regularly been subject to remarkable changes, and these changes have not gone unnoticed in the scientific literature. Day (1992, 1994), Webster (1992), Moorman and Rust (1999), Homburg et al. (1999), Webster et al. (2005), and Nath and Mahajan (2008), among others, have studied the changing role and position of marketing within the company. Recently, Verhoef and Leeflang (2009) conducted a comprehensive empirical study into the influence of the marketing department within firms, its determinants and consequences, and how this influence is related to market orientation and, indirectly, to firm performance. These two authors have made a significant scientific contribution to the ongoing debate on a sensitive subject like the role of marketing.

In this paper we will outline the current role and position of marketing and the changes this role is subject to, the consequences of the perceived diminished influence of marketing, and

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[1] Prof. dr John M.D. Koster RM is Chairman of Holland Consulting Group and professor of marketing organization and implementation at Nyenrode Business University.

what may have caused this. We end with conclusions and implications for management practice.

Is marketing on its way out?

One might be inclined to think so when reading publications like ‘Marketing Gets No Respect in the Board Room (Schultz 2003), and ‘Heeft marketing nog toekomst?’ [Is there a future for marketing?] (Leeflang 2005). ‘Marketing died, was declared impotent and most likely just became irrelevant to many senior managers’, according to Schultz (2005). Ambler (2003, p.62) states that only 10 percent of executive meeting time is devoted to marketing. It is a fact that today there are fewer marketers in the average boardrooms than before. In their study Leeflang and Verhoef (2007) found that only 8% of CEOs has a marketing background and that marketing is represented in only 36.8% of executive boards. Marketing is a staff function in about 50% of businesses and a line function only in some 20%; it is not uncommon that businesses have no independent marketing department and that marketing is part of another department, for example the sales department. The same study also shows that the influence of the marketing department is relatively limited. It has less influence on strategic decisions than it did in the past; marketing is placed mainly in a tactical, executive role. Other research shows that both the average age and seniority of marketing staff has decreased and that the number of part-timers in marketing positions has increased (Van Bel 2005). Leeflang and Verhoef (2007, 2008) confront us with the facts and conclude that marketing has lost, as they say, 2Ps to the finance function: pricing policy and distribution policy. We venture to add that in many cases product policy is controlled by a technical department, especially in BtoB environments, which make up the majority of businesses. Marketing departments turn out to engage mainly in advertising, relationship management and the well-known ‘triad’ of market segmentation, targeting and positioning. In short, we are back to square one, because in the early days of marketing the main goal of marketing was to provide sales support in the shape of market research, sales promotion, and advertising. The grand strategic ambitions of the 1970s and ‘80s have proved unsustainable.

Consequences of decreasing influence

The immediate and most perceptible consequences of the decreasing influence are smaller budgets and less staff, as the annual NIMA (Dutch Marketing Insitute) marketing survey shows for the Netherlands, but also less initiative and less say in decision making. This creates the risk of a vicious circle; if marketing is considered less relevant, the marketing department is given a less prominent position within the organization, and less budget, and this means the department has fewer possibilities to show concrete results, which to others confirms the legitimacy of the lower status. This can start a downward spiral that may eventually have a negative effect on corporate results. According to Verhoef and Leeflang (2009) marketing department influence is positively linked to market orientation, which is in turn positively related to firm performance (Narver and Slater 1990). Reduced marketing influence is therefore a serious matter.

Peter Drucker is said to be the source of the statement that only two business functions should be considered truly strategic: innovation and customer value creation. Both should be prominent in the marketing domain. That is, if we understand marketing in a broad sense as the complete commercial function. In practice, however, we see many other departments claim their role in this function: we already mentioned technical departments when it comes to R&D and new product development, but also warranties and claims; the customer service department takes over the mandate on customer contacts and the entire so-called customer journey; the ICT department sets its stamp on the web sites, social media and frequently also on CRM; sales has, especially in BtoB environments, a big say in pricing decisions, it dominates relationship management (key account management), trade shows, dealer development and partnerships, and sometimes also takes on strategic marketing tasks (consultative selling, strategic selling); HRM strongly influences selection and training, also of commercial employees, which is essential especially in the service industries. In professional services companies in particular, professionals have to take care of part of their own marketing and sales, for example in engineering companies or law firms. So more and more marketing activities take place outside the conventional marketing department (Homburg et al. 2000).

Another aspect is the customer-connecting capacity of the marketing department. How often do marketers still talk directly to their target group? On many fronts the direct customer contacts are controlled by other departments. A reduced customer connection can negatively impact the influence of marketing within the firm (Moorman and Rust 1999).

An integrated approach of expanding and dispersed commercial activities is more important than ever and it requires firm direction. Logically the marketing department should be responsible for this direction (Webster et al. 2005). However, cooperation with the marketing department, the influence of marketing, and above all the confidence in marketing are essential, especially in this situation. A weak position of the marketing department is detrimental to an integrated marketing approach. Remarkably, the marketing department is confronted with a shrinking market share in the firm’s marketing activities: the marketing department is unable to market internally the one thing that they should be experts at: their own profession.

Possible determinants

An obvious place to search for the cause of the diminished influence of the marketing department would be the marketing department's disappointing performance. In times of recession, when business needs a boost, all eyes turn expectantly to the marketing department. But then it turns out that marketing does not have a box of tricks to immediately increase trade and profits at will. The consequences for the size of the marketing budgets are easy to predict: marketing expenditures are viewed as easy to cut costs, not long-term investments in market orientation (Koster 2007). This raises the question how it is possible that marketing is confronted with such unrealistic expectations. One reason is found in the fact that marketing has so many different meanings. We mention the most important ones (Koster 1991):

1. marketing as short for the marketing department
2. marketing as those activities that are traditionally carried out by the marketing department, such as sales support, advertising, sales promotion, and market analysis
3. marketing as the company-wide commercial function and set of processes, responsible for all exchange-promoting and stimulating activities, aiming for satisfied, loyal, enthusiastic and profit-generating customers.

During their training marketers learn to view their discipline as the company-wide commercial function, whereas non-marketers regard marketing mainly as advertising and market analysis. This mutual lack of understanding results not only in many people feeling that marketing obviously has no place on the executive board, but also that many feel it is strange that marketers interfere in many things that have nothing to do with the tasks of the department, for example logistics or invoicing. Shipley (1994) observes that in the eyes of others marketers are too often trying to change the company. Marketers on the other hand are of the opinion that the only way they can do their job, the integrated marketing approach, well is if they can influence a diversity of corporate functions. In addition, they know that marketing plans in general are investments with a long time horizon, for example building brand identity and customer equity, which is not compatible with the short-term thinking of the crisis manager. Our conclusion is that the mutual misunderstanding about the meaning, content and scope of marketing is an important cause of the diminished role of marketing. And again the marketers prove unable to market the core ideas about their own profession to fellow workers in the company.

Another related issue is the lack of accountability: the inability to account for marketing's contribution to the firm's results. Marketing's performance may be substantial, but marketing is unable to demonstrate this effectively. Verhoef and Leeflang suggest two possible causes. First of all marketers do not go out of their way to measure the effect of their activities, either because they do not believe in measuring, or because they are not familiar with the appropriate methods and metrics. Furthermore, the interpretation of the obtained data is a difficult issue for managers, especially when they need to demonstrate a causal relationship between actions and results (McGovern et al. 2004). On the other hand there is a lack of measures for long-term effects, so it is difficult to quantify marketing's contribution. Improving accountability is one of the most important assignments for the marketing discipline.

We observe that expectations are too high, and that accountability falls short. Moreover there are many indications that the concrete effects of marketing on firm performance are actually small. In an online survey among 145 Dutch managers in a commerical function (Koster 2008) only 20% of the respondents indicate that their marketing goals are completely or largely reached, 42% report reaching half of the goals, and 38% indicate few or no goals at all were reached. 30% of the respondents say they are not satisfied to only somewhat satisfied about this, and 47% report being only moderately satisfied. Signals from a very different source, namely the consumer, regularly report a lack of customer orientation in BtoC firms (Koster 2007); this is another indication that the effects of marketing efforts do not yield sufficient results.

The abovementioned online survey demonstrates that there is a strong connection between not or insufficiently reaching marketing objectives and the actual implementation of the formulated marketing plans: only 24% of respondents indicate that the plan is largely or completely implemented, 45% implement about half of the marketing plan and 32% implement little to nothing of the plan. When asked for the reasons 28% indicate that the plan proved insufficiently concrete and 20% say not having enough control over the implementation. Potential explanations like insufficient budget, insufficient manpower, not enough time, or changed external circumstances scored considerably lower (less than 10%). Apart from that, 16% indicate that with hindsight the goals were too ambitious, which can be explained by unreliable market information, a factor that is also mentioned in the research of Verhoef and Leeflang (2009).

Marketing plans being insufficiently concrete is an often-heard complaint (McDonald 1991, Piercy 1998 and 2002). Marketing plans are characterized as vague, too general, not listing enough concrete actions. Furthermore they are also very analytical, too descriptive, and not nearly innovative or creative enough (Koster 2008).

Another important aspect is the fact that marketers say they have little control over the implementation of their plans. This refers in particular to the interfunctional coordination that is required for an integrated approach to marketing aimed at achieving market orientation for every part of the organization (Harris 2000, Kennedy et al. 2003). Implementation problems occur especially in the area of cooperation with other departments. The relationship between marketing and sales is the most infamous in this respect; according to the textbooks sales should be an integral part of marketing, yet in most businesses they are separate departments that are frequently at odds with each other (Shipley 1994). But also cooperation with financial administration, logistics or R&D proves to be anything but simple. The interface between marketing and R&D is important especially in product development (Mukhopadhyay and Gupta 1998). Verhoef and Leeflang demonstrate that a lack of innovativeness, meaning the contribution of marketing to new product development, partly explains the limited influence of marketing.

The difficult cooperation with other departments is caused by the lack of understanding displayed by non-marketers regarding the role of marketing, but also by inadequate directing skills of marketers. Due to the nature of their work, marketers have a strong focus on the content of their activities, and much less on internal organizational processes. Their attention is primarily directed towards the external world, with a strong preoccupation with markets and customers.

Directing skills prove to have less to do with formal hierarchical positions, and more with the number of networks one is part of (Hutt 1995). The competences this requires differ from the analytical skills needed for common marketing activities. These topics are not a standard part of the current marketing curriculum: knowledge and skills with regard to negotiating, convincing, knowing the right people and knowing how to get things done. In general, change management is a weak spot for marketers. According to Meldrum (1996) there may well be a whole set of non-marketing specific competences which are required for the practice of marketing but which are, as yet, undefined. Among other things, Tapp and Hughes (2004) mention in this respect: 'persuasion skills and facilitating skills for dealing with virtual teams for interdisciplinary projects….This will involve marketers in understanding more about the challenges of organizational change, a complex and contested area, and working closely with other areas, such as human resources, to influence change programmes'.

Conclusions and management implications

The continuing confusion and lack of shared understanding about the meaning and scope of marketing proves to be a recurring factor in understanding the role and position of marketing within the firm (Noble and Mokwa 1999). Many line managers are ignorant of basic marketing principles (McDonald 2002). Piercy (2002 p. 634) quotes a study that shows that most functional areas do not understand the concept of being driven by customer needs, and if market plans exist they are not told about what is in them or what they mean; consequently, most employees do not see how their jobs have anything to do with customers or customer needs; most functional areas have little or no meaningful input to the market direction of the company. This situation is aggravated by the fact that the sheer existence of a marketing department may lead other departments to think they do not have to do anything with customers (Workman et al. 1998).

The disintegration of marketing means that many tasks that were traditionally part of the marketing department, are now carried out by other departments. The implication for management is that considerably more attention needs to be given to marketing training for non-marketers. The aim is twofold: on the one hand improved understanding of the content and scope of marketing and for the marketing department, and on the other hand an incentive for every manager to take responsibility when it comes to the market orientation of the company as a whole.

It has been a long time since marketing activities in the broad sense were the monopoly of the marketing department. This does not need to be a problem as long as a sufficient level of commercial knowledge and skills is maintained in the entire organization (Webster et al. 2005). ‘The most important contribution the marketing department can make is to be exceptionally clever in getting everyone else in the organisation to practice marketing’ (Berry, quoted by Kotler 2003, p. 451).

In addition there is an urgent need for development among the marketers themselves. Accountability can be improved considerably if marketers become more knowledgeable about metrics and start applying these techniques in practice. The assignment for the marketing discipline as a field of scientific research is to put more effort into the development of metrics that measure long-term effects, and to give ample attention to these metrics in the marketing curriculum (Frambach and Leeflang 2009). A second development assignment for marketers is to bring back creativity in their marketing plans. On the one hand this demands a much greater customer connection, and on the other hand more intensive cooperation with others, both within and outside the company. Perhaps the most challenging assignment for marketers is to increase their directing skills and competences, by educating themselves about change management (Gebhardt et al. 2006). The more dispersed the marketing activities become, the stronger the need for these skills and competences will be felt. Working in cross-functional teams proves to be a successful prerequisite for effective implementation (Maltz and Kohli 2000).

What does all this mean for the position of the marketing department? Marketing departments can be classified on the basis of responsibilities and size (Table 1, Piercy 2002).

Responsibilities

extensive

Strategy/Services Marketing Departments	Integrated/Full-Service Marketing Departments
Limited/Staff Role Marketing Departments	Selling-oriented Marketing Departments

limited large

Size (ftes)

Table 1: Marketing departments classified.

Traditional, large, full-service marketing departments are in the process of disappearing. Marketing departments tend towards the bottom left position, partly as a result of the waning influence of marketing in the organization and partly due to the dispersion of marketing acivities.

Remarkably, from the perspective of marketing effectiveness this is not necessarily a bad thing. In some larger businesses marketing is no longer a traditional department; marketers develop their activities and qualities successfully throughout the entire organization from finances to sales, and from product development to CRM (Piercy 2002).

This does not neutralize the objections against a diminishing, less influential marketing department. Others may take over part of the marketing tasks, but they lack the schooling to be able to apply and develop marketing in a broad sense. Nor is innovation in a commercial sense realized when there is no dedicated unit that feels responsible for it. Accountability is even less if marketing is scattered throughout the organization, which has an impeding effect on marketing investments for long-term goals, such as brand and reputation building, and a strategic focus on customer needs. A small, specialized marketing department does not have to be a problem, provided its influence is large.

We suggest that the marketing department become a small, highly specialized and educated centre of excellence, which monitors and stimulates the organization's market orientation, which directs and has control over all dispersed marketing activities. This centre should develop, record, and open up knowledge about markets and customers, and ensure that all commercial processes in the company have a solid foundation in that knowledge. The focus should be on long-term issues, such as branding, creating customer value, and innovation. Commercial awareness should not only be present in this marketing centre, but should be found in many places. Prerequisites for such a marketing process organization are:

1. marketing is anchored in the executive board (CMO or CCO);
2. there is a clear, widely shared and understood vision on how value must be created for the customer with a long-term focus;
3. employees understand the marketing concept and work in a market-oriented way;
4. most marketing activities take place in the line organization in cross-functional teams, with an emphasis on visibility and measurability of results;
5. sufficient commercial knowledge and skills are present in all echelons of the organization;
6. there is ample attention for the systematic gathering and analysis of market and customer information, and for measurement and evaluation of marketing performance;
7. the marketing department has experience and affinity with change management processes, and has been appointed by top-management and accepted by others as 'change agent'.

Which all confirms the old saying: Marketing is too important to leave to marketers!

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