The role of marketing in today's enterprises

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Received 14 February 2013
Revised 8 April 2013
Accepted 20 February 2014

Abstract

Purpose – The purpose of this paper is to explore the role of marketing in today's enterprises and examines the antecedents of the marketing department's influence and its relationship with market orientation and firm performance.

Design/methodology/approach – Data were collected from the West (i.e. the USA and Europe) and the East (i.e. Asia). Partial least squares (PLS) was used to estimate structural models.

Findings – The findings support the idea that a strong and influential marketing department contributes positively to firm performance. This finding holds for Western and Asian, and for small/medium and large firms alike. Second, the marketing department's influence in a firm depends more on its responsibilities and resources, and less on internal contingency factors (i.e. a firm's competitive strategy or institutional attributes). Third, a marketing department's influence in the West affects firm performance both directly and indirectly (via market orientation). In contrast, this relationship is fully mediated among Eastern firms. Fourth, low-cost strategies enhance the influence of a firm's marketing department in the East, but not in the West.

Research limitations/implications – The paper assumes explicitly that a marketing department's influence is an antecedent of its market orientation. While the paper finds support for this link, the paper did not test for dual causality between the constructs.

Originality/value – Countering the frequent claim in anecdotal and journalistic work that the role of the marketing department diminishes, the findings show that across different geographic regions and firm sizes, strong marketing departments improve firm performance (especially in the marketing-savvy West), and that they should continue to play an important role in firms.

Keywords Firm performance, Market orientation, East and West, Importance of marketing, Marketing department, Marketing function

Paper type Research paper

Introduction

The role and influence of marketing departments has received much attention in both the popular press and academic literature in recent years (Dixon *et al.*, 2014; Gummesson *et al.*, 2014; Strandvik *et al.*, 2014). These articles commonly assert that the marketing function has been diminished (Verhoef and Leeflang, 2009; Webster *et al.*, 2005), that marketing has lost its strategic role (Murphy, 2005), and that marketing departments are now engaged in tactical rather than strategic decision making (Sheth and Sisodia, 2005; Klaus *et al.*, 2014). Fournaise Marketing Group, a London-based global marketing performance measurement and management firm, surveyed the chief executive officers (CEOs) of 1,200 large corporations and small- and medium-sized

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Journal of Service Management
Vol. 25 No. 2, 2014
pp. 171-194

1757-5818
DOI 10.1108/JOSM-01-2014-0037

firms in Asia, Australia, Europe and North America. Their findings clearly demonstrated the bleak status of marketing in today's enterprises: 80 percent of the CEOs surveyed either ranked marketers lowly in the hierarchy of their organizations' executive committees, or did not include them at all (Lukovitz, 2012). Further, 64 percent of the "marketer-unhappy" CEOs reported that they have removed critical responsibilities from marketing's traditional core functions, including product development, pricing and channel management (Lukovitz, 2012).

However, as Verhoef *et al.* (2011, p. 59) note, "[…] the discussion remains mainly qualitative, without strong empirical evidence in multiple countries." Studies have empirically demonstrated that strong marketing departments lead to superior business performance, regardless of a firm's general market orientation (Moorman and Rust, 1999). Götz *et al.* (2009, p. 29) further argue that "marketing plays a crucial role in implementing and successfully managing market orientation." That is, market-oriented behavior in a firm can be enhanced because the marketing function champions the customer's voice internally, and is often also responsible for gathering, analyzing and communicating internally relevant market, customer and competitor insights (Lovelock and Wirtz, 2011, pp. 393-394).

The contribution of this study is twofold. First, we investigate the role of marketing departments of firms headquartered in the USA, Europe and Asia. Although several empirical studies have already been conducted within this domain, a common weakness of such studies is their lack of cross-cultural comparison. Most are based on single-country data (e.g. Götz *et al.*, 2009; Merlo, 2011; Wu, 2004), with the notable exceptions of Verhoef *et al.* (2011) study which tested Verhoef and Leeflang's (2009) model across seven industrialized Western nations. Engelen and Brettel (2011) compare data from six Western and Asian countries and explore the moderating effects of three cultural dimensions (i.e. individualism, power distance and uncertainty avoidance) of a marketing department's capabilities on its influence in the organization. The former study does not cover Asia, and the latter study does not investigate the effects of a marketing department's influence on firm performance. This gap of cross-cultural research motivates us to contrast the antecedents and consequences (i.e. firm performance) of a marketing department's influence in the West (i.e. North America and Western Europe) to that in the East (i.e. Asia). This comparison could provide interesting insights, because most Eastern companies, except for a few such as Singapore Airlines (cf. Heracleous and Wirtz, 2010), have been less advanced in their marketing efforts. Second, we contribute to the growing body of literature examining the diminution of the role of marketing departments because of their perceived lack of added value over and above a firm's overall market orientation.

Literature review and model development

Consistent with prior conceptualizations, we define marketing's role within a firm as the impact of the marketing department, relative to that of other departmental functions, on strategic decisions important to the success of the business unit and/or organization (Homburg *et al.*, 1999; Merlo, 2011). Over the last two decades, several conceptual and empirical studies (see Table I) have explored the role of the marketing department in firms. While the terminology in the literature varies (e.g. marketing power, marketing emphasis, marketing influence), we use these terms interchangeably and define them as the influence of the marketing department on a firm's strategic decision making.

Table I. Review of empirical studies in the literature

Author(s) and year	Research focus	Theory and framework	Unit of analysis, sample size and country(ies)	Sectors	Key findings
Homburg *et al.* (1999)	Influence of the marketing department	Contingency theory, institutional theory	SBU level; $n = 72$; The USA and Germany	Consumer packaged goods, electrical equipment and machinery	External contingency factors (i.e. competitive strategies) and institutional variables (i.e. marketing background of the CEO and the type of industry) are positively related to marketing department's influence
Moorman and Rust (1999)	Role and value of the marketing function	Conceptual framework building on extensive literature review	SBU level; $n = 330$; The USA	B2B vs B2C	The marketing function contributes to firm performance beyond the variance explained by a firm's market orientation
Wu (2004)	Marketing department's influence and cross-functional interactions in e-commerce	Contingency theory	Firm level; $n = 142$; Taiwan	Online bookstores, online retailing and travel web sites	Marketing's influence mediates the relationships between market orientation and performance and between differentiation/low-cost strategy and performance
Götz *et al.* (2009)	Role of marketing and sales departments	Contingency theory	SBU level; $n = 153$; Germany	Automotive, electronics, cosmetics, food and banking	Marketing department's power amplifies (i.e. moderates) the relationship between market orientation and firm performance
Verhoef and Leeflang (2009)	Determinants of marketing's influence and impact on firm performance	Conceptual framework building on literature review	Firm level; $n = 213$; The Netherlands	B2B vs B2C; services vs goods	Market orientation mediates the link between a marketing department's influence and firm performance Accountability and innovation are key antecedents of a marketing department's influence Actual decisional influence of the marketing department is limited to segmentation, targeting and positioning, advertising, and customer relationship management

(*continued*)

Table I.

Author(s) and year	Research focus	Theory and framework	Unit of analysis, sample size and country(ies)	Sectors	Key findings
Urbonavičius and Dikčius (2009)	Role of marketing activities in a transitional economy	Literature review	4 studies (2 pre-recession and 2 during a recession); Firm level; $n = 346$; Lithuania	Manufacturing and trade	The overall importance of the marketing function was higher during the recession Large firms rated the importance of the marketing function more highly than small firms Sales growth is positively correlated with ratings of the importance of marketing activities
Engelen and Brettel (2011)	Moderating effects of three national cultural dimensions on relationship between marketing department's capabilities and its influence	Conceptual framework based on Verhoef and Leeflang (2009)	Firm level; $n = 740$; 3 Western (Austria, Germany, the USA), 3 Asian (Hong Kong, Singapore, Thailand) countries	Financial services, consumer goods, utilities, chemical, automotive, and machinery/ electronics	Accountability has no impact on the marketing department's influence in Asian countries, contradicting previous findings for Western countries. Innovativeness and customer connecting are positively related to the influence of the marketing department across cultural contexts
Lee *et al.* (2011)	Marketing program implementation	Resource-based view, dynamic capabilities theory	SBU level; $n = 269$; The USA	Retailing	Marketing program implementation has a positive direct effect on firm performance
Merlo (2011)	Marketing department's influence from a power perspective	Power theory	SBU level; $n = 122$; Australia	Manufacturing	Marketing subunits can strengthen their role by employing different types of power Market turbulence can lead to greater influence of the marketing department within the firm
Sarkees (2011)	Marketing emphasis as mediator between technological opportunism and firm performance	Resource-based view	Firm level; $n = 135$; The USA	Manufacturing and services	A firm's marketing emphasis mediates the relationship between technological opportunism and firm performance
Verhoef *et al.* (2011)	Replication of Verhoef and Leeflang (2009)	Conceptual framework based on Verhoef and Leeflang (2009)	7 industrialized nations (The USA, 5 European countries and Australia)	As in Verhoef and Leeflang (2009)	Firms in industrialized countries should have strong marketing departments The presence of a CEO with a marketing background is positively related to a marketing department's influence Competitive strategies are not consistently related to a marketing department's influence

We next advance our hypotheses which are summarized in Figure 1. Our model suggests several antecedents of the influence of the marketing department in a firm, and predicts that this influence affects firm performance directly and indirectly.

Determinants of a marketing department's influence

Marketing department characteristics. Previous research has demonstrated that the characteristics of a marketing department (e.g. accountability, creativity, customer-connecting capabilities) are key determinants of its influence (e.g. Verhoef and Leeflang, 2009; Verhoef *et al.*, 2011). More recently, scholars have argued that marketers are facing a "widening gap between the accelerating complexity of markets and the capacity of most marketing organizations to comprehend and cope with this complexity" (Day, 2011, p. 183). This is supported by the findings of the 2011 IBM Global Chief Marketing Officer (CMO) study which demonstrates that marketing departments are challenged by complexities related to changing consumer demographics, new technologies, and growing quantities of data (e.g. Bolton *et al.*, 2013; Kumar *et al.*, 2013; Wirtz *et al.*, 2013), changing business models (Ehret *et al.*, 2013), and the constant need for developing powerful value propositions that offer meaningful differentiation (Bolton *et al.*, 2014; Payne and Frow, 2014). However, without market-sensing capabilities, marketing departments are less likely to develop marketing strategies and activities that generate profitable growth. This ultimately contributes to a lack of trust in marketing departments among CEOs, and a loss of marketing departments' responsibilities (Lukovitz, 2012).

Following the results of Fournaise's CMO study, we propose that the greater a marketing department's responsibilities within a firm, the greater its internal influence. In order to identify possible responsibilities, we follow Moorman's (2012) CMO surveys. Results from her surveys indicate that marketers judge several

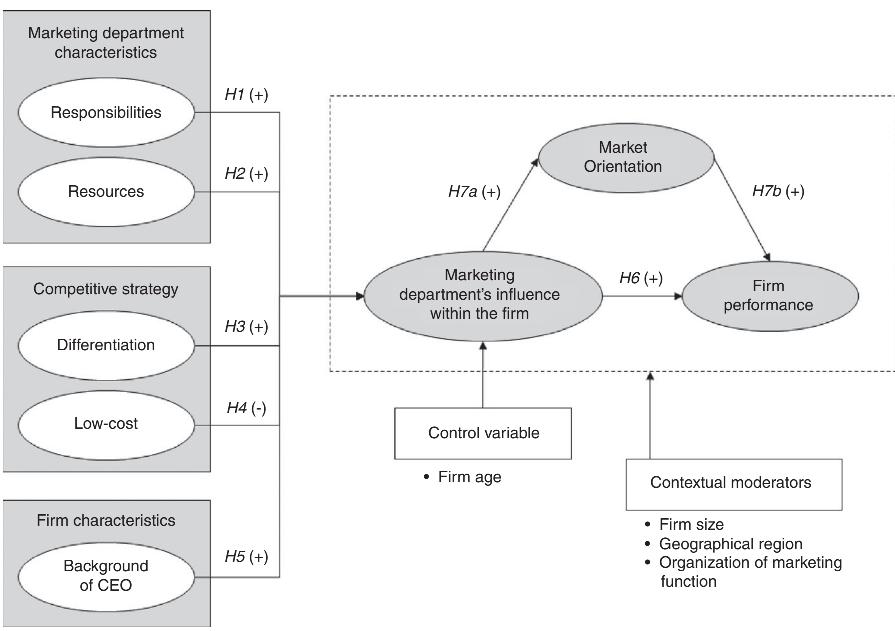


Figure 1.
Conceptual framework

responsibilities as being highly relevant, including market positioning, promotion, marketing research, social media, competitive intelligence, and public relations.

We propose further that a marketing department's influence depends both on its market-sensing resources and capabilities, which we collectively label "resources." Previous research has adopted the resource-based or capabilities theory (Day, 1994, 2011) to investigate how resources and capabilities relate to the marketing function (e.g. Lee *et al.*, 2011; Sarkees *et al.*, 2010). To investigate the relationship between a marketing department's responsibilities and resources, and its influence within the firm, we propose that:

H1. The greater the marketing department's responsibilities in a firm, the greater the department's influence in the firm.

H2. The greater the marketing department's level of resources in a firm, the greater the department's influence in the firm.

Competitive strategy. Prior research suggests that the choice of a firm's competitive strategy is related to the influence of its marketing department. Some scholars have found that a differentiation strategy is related positively to marketing's influence, whereas a low-cost strategy, similar to a "defender strategy" (Miles and Snow, 1978), is related negatively (Homburg *et al.*, 1999; Wu, 2004). However, recent cross-country results by Verhoef *et al.* (2011) indicate non-conclusive effects. In order to compare these relationships in Western firms with rapidly developing Eastern firms, we propose:

H3. A differentiation strategy is related positively to a marketing department's influence within a firm.

H4. A low-cost strategy is related negatively to a marketing department's influence within a firm.

Background of the CEO. Previous research has argued that the influence of functional groups is related to the organizational culture (Deshpandé and Webster, 1989) and guidance by top management (Hambrick and Mason, 1984). There is empirical support that if a firm's CEO has a background in marketing, the marketing function has a higher level of influence (Homburg *et al.*, 1999; Verhoef *et al.*, 2011). This is because the background of the CEO serves "as a manifestation of the bureaucratic power of marketing" (Merlo, 2011, p. 1156), leading to greater legitimacy compared to other functions. Thus, we propose:

H5. The marketing department has a stronger influence in firms in which the CEO has a marketing background compared to firms in which the CEO does not have a marketing background.

Marketing department's influence, market orientation and firm performance

Several scholars support the idea that marketing departments are important for a company's performance (Day, 1994; Webster, 1997), affecting it directly and positively (Moorman and Rust, 1999; Wu, 2004). Their rationale is that marketing departments develop vital knowledge and skills that allow firms to connect customers to their products.

At the same time, numerous studies and several meta-analyses provide ample evidence that firm performance is positively influenced by a firm's market orientation, independent of the marketing department's role (e.g. Cano *et al.*, 2004; Kirca *et al.*, 2005). Market orientation is a crucial construct in the marketing literature (e.g. Kohli and Jaworski, 1990), and such an orientation has been conceptualized from both behavioral and cultural perspectives (Homburg and Pflesser, 2000).

Only few studies have investigated the simultaneous relationship between a marketing department's influence and market orientation on firm performance. Moorman and Rust (1999) showed empirically that strong marketing departments provide value over and above a firm's market orientation and have a direct positive effect on firm performance. The authors argue that, through its skill set, the marketing department contributes to new product performance, customer relationship performance and to the financial performance of a firm beyond the variance explained by a firm's market orientation, and that "the marketing function can and should coexist with a market orientation" (Moorman and Rust, 1999, p. 180).

Two recent studies suggests that market orientation mediates the relationship between a marketing department's influence and firm performance (Verhoef and Leeflang, 2009; Verhoef *et al.*, 2011). In fact, in Verhoef and Leeflang's (2009) study, market orientation fully mediated the effects of the marketing department's influence on firm performance. One explanation the authors offer for their finding is that since Moorman and Rust's (1999) study, "firms have become more market oriented, creating a less strong need for an influential marketing department" (Verhoef and Leeflang, 2009, p. 28). Verhoef *et al.* (2011) conclude that top management respect and decision influence of the marketing department are directly and indirectly related to firm performance. In order to explore these relationships in potentially more market-oriented Western firms, and firms in rapidly developing Asia, we propose:

H6. The greater the marketing department's influence in a firm, the better the firm's performance.

H7. The greater the marketing department's influence in a firm, the higher its market orientation, which in turn improves firm performance.

Empirical study

Sample and data collection

In order to test our hypotheses, we conducted a large-scale cross-sectional survey across three continents: North America, Europe, and Asia. Utilizing the student directories of the authors' and affiliated universities, we sent e-mails to approximately 2,930 MBA and EMBA alumni. In total, 580 individuals participated, yielding an overall response rate of 19.8 percent, which is comparable with that of prior research in which data were obtained from commercial list providers (e.g. Sarkees *et al.*, 2010). The response rate was also at the top end of the average response rates among managers, which according to Menon *et al.* (1996), is between 15 and 20 percent. We excluded all respondents who did not complete the entire survey, and a few respondents from Africa and Australia, leaving a final sample of 312 responses for analysis. Table II shows the composition of the sample with regards to geography, industry, firm revenue, the number of employees, as well as the respondents' background.

Measures

All measures are shown in Tables III and IV.

Industry	%
Advertising/PR/communications	2.5
Automotive	2.5
Construction	1.5
Consulting	7.7
Consumer packaged goods	4.3
Financial services	9.9
Healthcare/pharmaceutical/life Science	7.7
Hospitality/tourism	5.9
Manufacturing	8.0
Marine and shipping	0.9
Oil and gas	1.5
Public service	2.8
Real estate/property	1.5
Telecommunications/IT	10.8
Other	32.2
Annual revenue	
<$25 million	22.9
$25 million-$49 million	5.7
$50 million-$99 million	4.5
$100 million-$199 million	5.1
$200 million-$499 million	11.1
$500 million-$999 million	9.2
>$1 billion	41.4
Number of employees	
1-499	29.4
500-999	6.5
1,000-9,999	19.8
10,000-49,999	19.2
50,000-99,999	11.8
>100,000	13.3
Position of respondent	
President/CEO	11.6
Other C-level (e.g. CFO, CMO, CTO)	7.2
SVP	3.4
VP	10.0
Director	17.2
Head of department	11.3
Senior manager	12.2
Manager	13.5
Other	13.5
Years of service in firm	
0-3	21.9
4-6	21.9
7-11	21.6
12-20	23.5
More than 20	11.0
Location of firm's headquarters	
Africa/Middle East	1.9
Asia	45.9
Australia/Oceania	1.9

Table II.
Sample composition

(*continued*)

Industry	%
Europe	26.1
North America	24.2
South America	0.0
Organization marketing function	
Corporate function	43.6
Business unit level	31.0
Brand/product level	16.0
Field offices	9.3

Table II.

Construct	Standardized factor loading
Differentiation strategy (*adapted from Homburg et al.*, 1999; *Götz et al.*, 2009)	
Building a competitive advantage through superior products	0.79
Building up a premium product or brand image	0.69
Obtaining high prices from the market	0.77
Low-cost strategy (*adapted from Homburg et al.*, 1999*; Götz et al.*, 2009)	
Pursuing operating efficiencies	0.81
Pursuing cost advantages in raw material procurement	0.62
All in all, our business unit pursues a low-cost strategy	0.56
Market orientation (*adapted from Götz et al.*, 2009*; Verhoef and Leeflang*, 2009)	
Our objectives are driven by our commitment to serving customers	0.78
Our strategy is based on our understanding of customer needs	0.85
Our strategies are driven by our beliefs about how we can create greater value for our customers	0.73
Our organization has routine or regular measures of customer service	0.62
Our organization has a good sense of how our customers value out products and services	0.59
Our organization is more customer-focussed than our competitors	0.63
Marketing department's influence (*adapted from Götz et al.*, 2009)	
The implementation of our customer relationship management is coordinated by the marketing department	0.46
The marketing department serves on our strategic steering committees	0.78
The marketing department has access to information that is crucial to the executive board's strategic decisions	0.86
The executive board confers with the marketing department concerning long-term decisions	0.91
All in all, the marketing department has strong influence within our organization	0.88
Firm performance (*adapted from Sarkees et al.* 2010)	
Revenue: my organization's revenue growth last year greatly exceeded industry average	0.75
Profit: my organization's profit margin is much higher than industry average	0.73

Notes: All items use a seven-point Likert-type scale anchored in "1" = strongly disagree, and "7" = strongly agree. Instructions: please indicate the extent to which you agree or disagree with the following statements. (The question for differentiation and low-cost strategy was worded differently: To what extent does your organization emphasize the following activities?). Measurement model fit: χ^2/df = 2.104, CFI = 0.937, RMSEA = 0.044, all items are significant at $p < 0.001$

Table III.
Reflective construct measurement items

Construct	Mean	Outer weights	t	p
Marketing responsibilities (*To what extent do you agree that marketing is responsible for the following in your organization? Anchors: 1 = strongly disagree and 7 = strongly agree; adapted from Moorman, CMO Survey, 2012*)				
New products	5.02	0.44	15.5	0.000
Positioning	5.79	−0.36	4.5	0.000
Distribution	4.14	−0.09	3.3	0.001
Market entry strategies	5.25	0.42	9.6	0.000
Advertising	6.09	−0.09	1.5	0.144
Brand	6.06	0.38	5.2	0.000
Promotion	5.90	−0.24	4.3	0.000
Competitive intelligence	5.09	−0.35	6.0	0.000
Marketing research	5.56	0.22	3.0	0.003
Public relations	4.57	0.04	1.4	0.177
Lead generation	5.38	0.10	1.8	0.072
Social media	4.93	0.27	8.3	0.000
Marketing resources (*How important are the following resources in influencing marketing decisions in your organization? Anchors: 1 = unimportant and 7 = extremely important; adapted from IBM's Global CMO Study 2011*)				
Market research	5.13	−0.01	0.1	0.902
Corporate strategy	5.61	0.26	4.6	0.000
Competitive benchmarking	5.20	−0.69	14.2	0.000
Customer analysis	5.41	0.08	1.7	0.098
Marketing team analysis	4.77	0.13	4.5	0.000
Customer service feedback	5.04	0.34	1.3	0.000
Financial metrics	4.98	0.09	1.4	0.152
Campaign analysis	4.60	0.30	4.2	0.000
Brand performance analysis	4.82	0.05	1.7	0.081
Sales/sell-through numbers	4.85	0.37	6.7	0.000
Test panels/focus groups	4.09	−0.20	4.3	0.000
R&D insights	4.21	0.42	6.9	0.000
Consumer-generated reviews	4.56	−0.17	5.2	0.000
Third-party reviews and rankings	4.26	0.11	4.6	0.000
Retail and shopper analysis	3.85	0.10	2.4	0.015
Online communications	4.48	−0.41	16.9	0.000
Professional journals	4.12	−0.13	3.4	0.001
Blogs	3.65	0.48	11.4	0.000
Supply-chain performance	3.78	−0.35	11.7	0.000

Table IV.
Formative construct measurement items

Reflective construct measures. Competitive strategy, market orientation, marketing department's influence and firm performance were adapted from past studies (see Table III). We used managers' subjective firm performance assessment as a convenient proxy for objective firm performance as past research has shown that it is generally consistent with objective firm performance (e.g. Hart and Banbury, 1994).

Marketing's resources and responsibilities. In order to identify what the marketing department is primarily responsible for, we developed a formative scale based on Moorman's (2012) annual CMO Survey. Although Moorman asked CMOs about 19 different responsibilities, her 2011 and 2012 results indicate that marketers judge several of these responsibilities to be less or not at all relevant. We dropped items which had less than 50 percent agreement, and used the remaining 12 items to measure a marketing department's responsibilities. The scale for resources available to the marketing department was adapted from IBM's 2011 Global CMO Study. The final formative scales are shown in Table IV.

Control variable. Firm age was incorporated into the study to control for possible nuisance effects (Sarkees *et al.*, 2010) and measured by the number of years the firm had been in business. Five categories were created for firm age:

(1) less than three years;

(2) four to six years;

(3) seven to 11 years;

(4) 12-20 years; and

(5) more than 20 years.

Contextual moderators. We included several contextual variables (geographical region, firm size, and organization of the marketing function) to test for potential moderating effects. We included these contextual moderators to potentially account for observed effects (Spector and Brannick, 2011), but did not formulate explicit hypotheses linking these moderators to our focal constructs (cf. Verhoef and Leeflang, 2009). Following the distinction between the West and the East in the literature (e.g. Crittenden *et al.*, 2008; Ellis, 2006; Engelen and Brettel, 2011), we compared results from participants in the West (i.e. North America and Western Europe) to those from the East (i.e. Asia) to explore for possible cultural effects.

Analysis and results

Measures and correlations

All measures of the reflective constructs were submitted to a confirmatory factor analysis (CFA). As formative items do not necessarily correlate among themselves, conventional procedures for assessing the validity and reliability are not appropriate for such items (Diamantopoulos and Winklhofer, 2001). Thus, we excluded the two formative scales from the CFA (Briggs and Grisaffe, 2010; Lam *et al.*, 2004).

The model (χ^2/df = 2.10, IFI = 0.94, TLI = 0.92, CFI = 0.94, RMSEA = 0.04) fits the data well. All factor loadings for the model are highly significant ($p < 0.001$), and the construct reliability exceeds the common threshold of 0.70 for each construct (see Table V). The average variance extracted (AVE) of all factors is above the critical value of 0.50, thus providing support for the measures' convergent validity (Hair *et al.*, 2012). To assess the discriminant validity of the constructs, two approaches were applied. First, the indicators' cross-loadings revealed that no indicator loads more highly on an opposing construct (Hair *et al.*, 2012). Second, each construct's AVE was larger than the squared interconstruct correlation for each pair of variables (Fornell and Larcker, 1981). Both analyses suggest that the measured items have more in common with the construct they are associated with than they do with other constructs.

Because multicollinearity represents a potential threat to formative constructs (Grewal *et al.*, 2004), we tested for it using the variance inflation factor (VIF) method. Regression analyses were performed for each item as a dependent variable, with the remaining items serving as independent variables. The maximum VIF calculated for the marketing's responsibilities construct was 4.38, and for the marketing's resources construct, it was 2.73. Both were well below the common threshold of five (Hair *et al.*, 2011). This means that multicollinearity problems were not encountered in relation to any of the items.

Table V.
Mean, standard deviation, correlation matrix, reliability, and AVE

	M	SD	1	2	3	4	5	6	7	8	CR	AVE
1 Responsibilities	na	na	na								na	na
2 Resources	na	na	0.57***	na							na	na
3 Differentiation	5.19	1.54	0.30***	0.46***	(0.78)						0.88	70.08%
4 Low-cost	5.84	1.22	0.34***	0.48***	0.38***	(0.66)					0.81	59.30%
5 Background of CEO	na	na	0.08	0.11	0.08	0.06	na				na	na
6 Marketing influence	4.79	1.61	0.54***	0.51***	0.23***	0.34***	0.18***	(0.88)			0.92	70.98%
7 Market orientation	5.67	1.23	0.31***	0.43***	0.38***	0.51***	0.07	0.33***	(0.84)		0.89	58.80%
8 Firm performance	4.57	1.54	0.23***	0.25***	0.25***	0.24***	0.02	0.24***	0.33***	(0.70)	0.87	77.77%
Control												
9 Firm age	na	na	−0.12	−0.14*	0.06	−0.10	−0.19**	−0.19**	−0.11	0.02	na	na

Notes: M, mean, SD, standard deviation, CR, construct reliability, AVE, average variance extracted. $n = 312$. Cronbach's α's are shown in parentheses on the correlation matrix diagonal. ***$p \leqslant 0.001$, **$p \leqslant 0.01$, *$p \leqslant 0.05$

To assess the quality of the scales, the weights of the indicators' were tested (see Table IV). The bootstrapping method was used to calculate item weights (or partial least squares (PLS) scores or outer weights), and the t-values of each formative indicator (Chin, 1998; Diamantopoulos and Winklhofer, 2001). The results suggest the elimination of some items because of their insignificance (Petter *et al.*, 2007). However, the elimination of formative indicators brings with it the risk of changing the nature of the constructs (Diamantopoulos and Winklhofer, 2001). All items were therefore retained for further analysis.

Descriptives and initial analysis

As a first step, we examined the data for possible differences between the USA and European responses. Except for the item "market entry strategies" ($p = 0.03$) in the responsibilities scale, and the item "blogs" item in the resources scale ($p = 0.02$), no significant differences were found between the regions ($p > 0.05$). Given the similarities, they were combined to form a single category for further analysis, subsequently referred to as "the West" and compared against "the East" (i.e. Asia).

Next, we tested mean differences by geographic region and by firm size. Interestingly, we found a number of significant differences as shown in Table VI. The results indicate that marketing departments' in the West tend to have more resources than those in the East. One interesting difference in the area of responsibilities relates to social media, which tends to be more the responsibility of the marketing department in Asia than of those in the West. An explanation might be that social media has progressed further in the West than in the East, leading to the establishment of independent units that are responsible for social media engagement campaigns.

The results show a few significant differences across company size. As would be expected, the significant differences suggest that marketing departments in large firms have more responsibilities and more resources than those of small- and medium-sized firms.

Antecedents of a marketing department's influence

We next assessed the relations in our model using structural equation modeling (SEM) with the SmartPLS 2.0 (M3) software (Ringle *et al.*, 2005). We chose a nested model approach (cf. Baron and Kenny, 1986) and tested a direct effects model and a mediated model (see Table VII). The results show that as a firm's marketing department grows in its level of responsibilities and resources, it becomes more important within the organization, providing support for *H1* and *H2*. However, a differentiation strategy was not found to significantly affect or strengthen the influence of the marketing department ($\beta = -0.05$, $p > 0.05$), thus rejecting *H3*. Further, although a low-cost strategy was found to have a significant impact on the influence of the marketing department ($\beta = 0.10$, $p < 0.05$), the coefficient was in the opposite direction of what had been hypothesized. Therefore, *H4* was also rejected. Finally, we found that the marketing function has a significantly higher level of influence if the firm's CEO has a background is in marketing ($\beta = 0.12$, $p < 0.01$), supporting *H5*.

Effects of a marketing department's influence on firm performance

The direct relationship model shows that a strong marketing department has a direct and positive effect on firm performance ($\beta = 0.25$, $p < 0.001$). In the mediated relationship model, market orientation partially mediates the direct link between the

Construct	Overall	Western firms	Eastern firms	Small/ medium-sized firms	Large firms
Marketing responsibilities					
New products	5.02	*5.25**	*4.81*	5.02	5.01
Positioning	5.79	*5.60*	*5.96**	5.72	5.87
Distribution	4.14	*4.38**	*3.92*	4.08	4.21
Market entry strategies	5.25	5.31	5.19	5.27	5.22
Advertising	6.09	5.98	6.19	5.99	6.21
Brand	6.06	6.07	6.06	*5.95*	*6.22**
Promotion	5.90	5.83	5.96	5.81	6.00
Competitive intelligence	5.09	5.23	4.96	*4.91*	*5.32**
Marketing research	5.56	5.58	5.54	5.54	5.59
Public relations	4.57	4.67	4.47	4.59	4.53
Lead generation	5.38	5.39	5.36	5.40	5.35
Social media	4.93	*4.39*	*5.65***	4.80	5.13
Marketing resources					
Market research	5.13	5.26	5.02	5.03	5.27
Corporate strategy	5.61	5.58	5.64	5.60	5.63
Competitive benchmarking	5.20	*5.36**	*5.06*	5.12	5.31
Customer analysis	5.41	5.52	5.31	5.39	5.44
Marketing team analysis	4.77	*4.96**	*4.6*	4.64	4.95
Customer service feedback	5.04	5.12	4.96	5.14	4.90
Financial metrics	4.98	5.03	4.94	*4.76*	*5.28***
Campaign analysis	4.60	4.69	4.53	4.54	4.69
Brand performance analysis	4.82	4.93	4.72	4.73	4.93
Sales/sell-through numbers	4.85	*5.07**	*4.66*	4.73	5.02
Test panels/focus groups	4.09	*4.39***	*3.81*	*3.90*	*4.33**
R&D insights	4.21	4.36	4.07	*4.05*	*4.42**
Consumer-generated reviews	4.56	*4.83***	*4.31*	4.59	4.52
Third-party reviews and rankings	4.26	*4.60****	*3.96*	4.33	4.17
Retail and shopper analysis	3.85	*4.11**	*3.62*	3.76	3.98
Online communications	4.48	4.55	4.42	4.53	4.41
Professional journals	4.12	4.24	4.01	4.22	3.99
Blogs	3.65	*3.90**	*3.42*	3.72	3.56
Supply-chain performance	3.78	*3.99**	*3.58*	3.69	3.90

Notes: $n = 312$. Two-tailed significances, significances are shown at the higher mean. *** $p \leqslant 0.001$, ** $p \leqslant 0.01$, * $p \leqslant 0.05$

Table VI.
Mean differences

marketing department's influence and firm performance. Specifically, the direct link remains significant ($\beta = 0.15$, $p < 0.05$), showing that a strong marketing department contributes to firm performance over and above its marketing orientation. This finding supports *H6*.

In addition and consistent with *H7a*, an influential marketing department is positively related to a firm's market orientation ($\beta = 0.31$, $p < 0.001$). Market orientation in turn, as hypothesized in *H7b*, has a positive impact on firm performance ($\beta = 0.30$, $p < 0.001$). The Sobel's z-test statistic (Sobel, 1982) indicates a significant mediation at the 0.001 level (z-value: 3.68, $p < 0.001$). The ratio of the indirect to the total effect (i.e. variance accounted for) was 26.9 percent. Finally, the direct path between the influence of the marketing department and firm performance is reduced, but remains significant ($\beta = 0.15$, $p < 0.05$), suggesting partial mediation. Together, these findings

Table VII. Results of the structural models

Path			Standardized loadings: Direct relationship model	Standardized loadings: Mediated relationship model (*H7*)
Marketing responsibilities → Marketing department's influence	*H1* (+)	✔	0.39***	0.39***
Marketing resources → Marketing department's influence	*H2* (+)	✔	0.31***	0.31***
Differentiation strategy → Marketing department's influence	*H3* (+)	/	−0.05	−0.05
Low-cost strategy → Marketing department's influence	*H4* (−)	/	0.10*	0.10*
Marketing background of CEO → Marketing department's influence	*H5* (+)	✔	0.12**	0.12**
Marketing department's influence → Firm performance	*H6* (+)	✔	0.25***	0.15*
Marketing department's influence → Market orientation	*H7a* (+)	✔		0.31***
Market orientation → Firm performance	*H7b* (+)	✔		0.30***
Control				
Firm age			−0.04	−0.05

Notes: $n = 312$. Two-tailed significances estimated by 5,000 bootstraps; the signs in parentheses show the hypothesized relationships; "✔" – hypothesis is supported; "/" hypothesis is rejected. ***$p \leqslant 0.001$, **$p \leqslant 0.01$, *$p \leqslant 0.05$

provide support to the assertion that a marketing department contributes positively to firm performance over and above a strong marketing orientation.

Multi-group analyses

We conducted multi-group analyses as proposed by Henseler (2012) to test for the possible moderating influence of geographical region and firm size. Significances were estimated using 5,000 bootstraps in all calculations.

West vs East. The marketing literature has addressed the issue of how culture and values associated with Western and Eastern societies affect the adoption of the marketing concepts (Ellis, 2006; Nakata and Sivakumar, 2001). We split the data set into two groups, one with respondents from the USA/Europe ($n = 163$), and the other from Asia ($n = 149$). We then calculated the direct and mediated relationship models as shown in Figure 2.

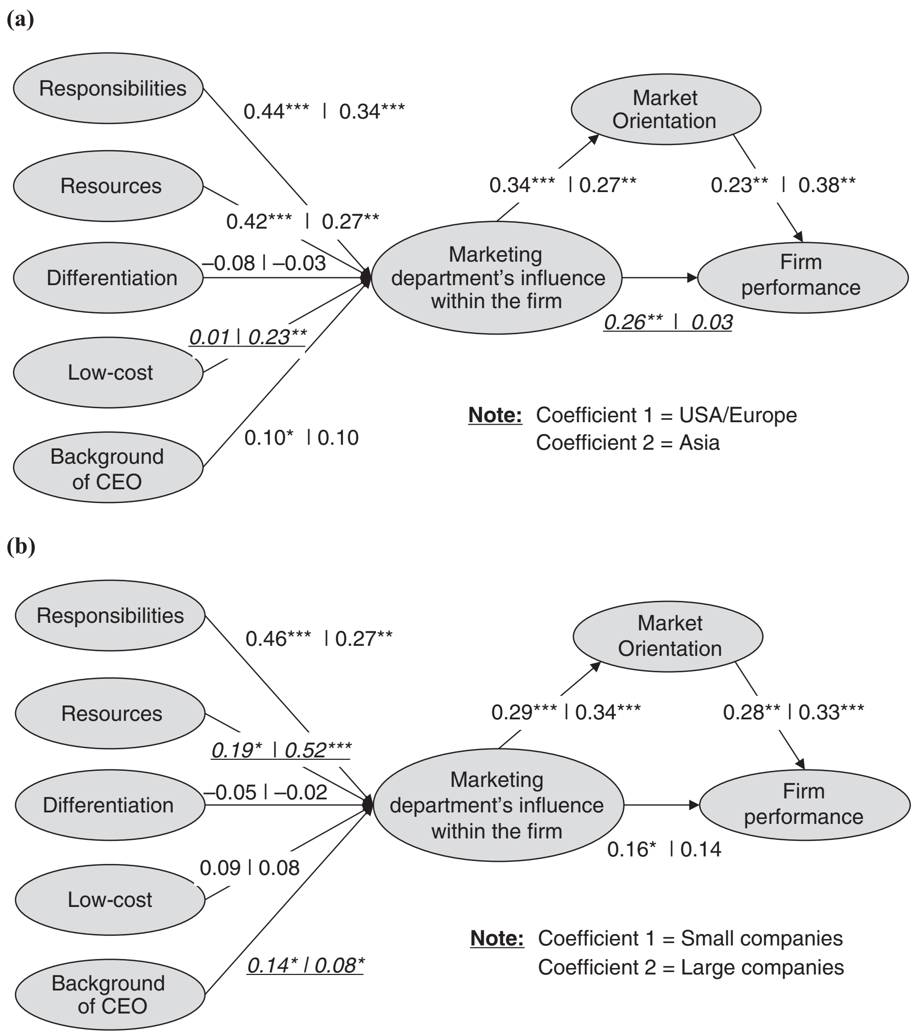
Significant differences were found between the West and the East in the coefficients pertaining to the impact of adopting a low-cost strategy on a marketing department's influence ($\Delta = 0.22$, $p < 0.001$). While the path coefficient is insignificant in the USA/Europe data set ($\beta = 0.01$, $p > 0.05$), the coefficient is strong in the Asian data set ($\beta = 0.23$, $p < 0.01$). This result suggests that compared to Western companies, Asian firms that follow a low-cost strategy ask their marketing departments to help in selling this cost-effectiveness to their customers.

The Western data set shows a strong and positive direct relationship between the marketing department's influence and firm performance ($\beta = 0.26$, $p < 0.01$), whereas this relationship is insignificant in the Asian data set ($\beta = 0.03$, $p > 0.05$). Interestingly, a significant direct path coefficient was found in the unmediated model for the influence of the marketing department on firm performance ($\beta = 0.14$, $p > 0.05$). This finding shows that the influence of the marketing department on firm performance is fully mediated by market orientation in the Asian data set, suggesting that Asian respondents perceive marketing departments to have a weaker influence on firm performance compared to respondents in the West. These findings suggest that Asia trails the USA and Europe in its adoption of the marketing concept.

Firm size. To test for the influence of firm size, we divided the data set into small- and medium-sized firms ($<$10,000 employees, $n = 178$) and large companies ($\geqslant$10,000 employees, $n = 134$). See Figure 2 for the results of the mediated model. Significant differences between these two groups were found in the relationship between marketing resources and the marketing department's influence ($\Delta = 0.33$, $p < 0.001$), and between responsibilities and the department's influence ($\Delta = 0.19$, $p < 0.05$). The coefficients show that the influence of the marketing department in large firms is shaped more strongly by resources and less by responsibilities than is the case in small- and medium-sized firms.

Summary, implications and further research

In response to the ongoing discussion in the popular press and the assertion that the importance and role of marketing departments is diminishing, the first objective of this study was to examine the status and role of marketing in today's firms. The second objective was to understand the determinants and consequences of a marketing department's influence by surveying a global cross-industry sample of firms. Prior empirical research has investigated both the antecedents of the marketing department's influence as well as the marketing department's relationship with market orientation and firm performance. However, a limitation of these studies is their



Notes: (a) Multi-group analysis by region; (b) multi-group analysis by company size. The path coefficient pairs in italics and underlined font are significantly different at $^{*}p \leqslant 0.05$, $^{**}p \leqslant 0.01$, $^{***}p \leqslant 0.001$ (two-tailed)

Figure 2. Multi-group analyses

use of country-level data. Our study is the first to compare both antecedents and consequences of the marketing department's influence across the West (the USA and Europe) and the East (Asia).

Theoretical and managerial implications

We contribute to the limited number of studies that have simultaneously investigated the relationship between the influence of marketing departments, market orientation and firm performance (Moorman and Rust, 1999; Verhoef and Leeflang, 2009; Verhoef *et al.*, 2011). Our findings support the contention that a strong and influential marketing department enhances a firm's performance, and that the department's influence is related primarily to its levels of responsibilities and resources. Both of these findings hold for Western and Eastern firms, and for small/medium and large firms alike.

However, our findings challenge current thinking in two ways. First, our results contrast with prior studies that found market orientation to be a full mediator of the influence of a marketing department on firm performance (e.g. Verhoef and Leeflang, 2009). Instead, we identify a strong direct between the influence of the marketing department and firm performance (Moorman and Rust, 1999). This has important implications. As organizations face a marketplace that is becoming more complex, their ability to successfully meet the needs of customers lies in the hands of their marketing departments. Market-sensing and customer-connecting capabilities become the cornerstone of an "outside-in approach" that "opens up a richer set of opportunities for competitive advantage and growth" (Day, 2011, p. 187). In other words, firm performance can be amplified by the marketing department's ability to sense and cope with the complexities of market.

Second, there are important differences between Western and Eastern firms. In the West, the influence of a marketing department has a significant direct and indirect impact (via market orientation) on firm performance, whereas this effect is fully mediated in the East. One possible explanation for this difference is that Asia trails the USA and Europe in the adoption of the marketing concept. For example, in Homburg *et al.* found a difference between the USA and Germany, and they concluded that "the lag may be even greater in less developed countries" (Homburg *et al.*, 1999, p. 13). Another reason might be that certain cultural dimensions may have moderating influences (Engelen and Brettel, 2011).

Our study makes some important contributions to the current understanding of the antecedents of a marketing department's influence. Recent studies by IBM (2011) and Fournaise (Lukovitz, 2012) suggest that marketing professionals are challenged by increasing levels of complexity in the marketplace, and as a result have not been able to deliver value to customers and their own organizations (i.e. by building customer connections, capturing value and showing accountability). The better marketing departments have the capability to dynamically sense and cope with environmental changes, and they retain responsibility over all four Ps (promotion, product, place, and price). As a result, they gain higher influence within their firms (Day, 2011). Consistent with this assessment, our findings show that a marketing department's influence is primarily associated with its responsibilities and resources.

Further, we found differences between large and small/medium-sized firms. Specifically, the influence of a marketing department is significantly more resources driven in large firms, whereas it is more responsibilities driven in small firms. It is possible that the marketing departments in large firms are more dependent on resources to gain influence, and that once these resources are given to them, they are more professional in utilizing them. Small/medium-sized firms, on the other hand, may be more stretched for resources, but they can still gain significant influence by taking on additional responsibilities.

Previous research has been contradictory on the effect of a firm's competitive strategy on the influence of its marketing department. While some scholars advance that the influence of marketing is higher for a business with a differentiation strategy (e.g. Götz *et al.*, 2009; Homburg *et al.*, 1999), Verhoef and Leeflang's (2009) recent study does not support this perspective. Our findings similarly do not support the idea that a differentiation strategy is associated with greater influence of the marketing department. In addition, on an aggregate level, our results are consistent with literature that indicates that a low-cost strategy is not associated with the influence of marketing departments. However, the Asian data set differs significantly from the USA/European data set in this regard. Although following a low-cost strategy is important for marketing departments in the East, the adoption of such a strategy is insignificant in the West. One explanation for this disparity may be that consumers in the East are more price conscious than consumers in the West, such that Asian firms are more likely to follow low-cost strategies. Ackerman and Tellis (2001) investigated differences in the shopping behavior of Chinese and American consumers across a number of grocery stores. Among other observations, they found that Chinese supermarkets had substantially lower prices, leading them to assert that "[Asians], raised in a collectivist society that values price consciousness and sophistication in money-handling, differ from Americans [and Western Europeans] raised in an individualistic society that traditionally does not have the same values" (p. 58). Our findings are consistent with this reasoning.

Our study also presents a number of important implications for practitioners. Most importantly perhaps, it reinforces the view that marketing departments have a problem. According to a recent study of 1,200 CEOs by the Fournaise Marketing Group, marketing's role within firms has been weakened (Lukovitz, 2012). Nonetheless, our study provides empirical evidence that a strong marketing department has a positive influence on firm performance both directly and indirectly via market orientation. Therefore, a strong marketing department is still beneficial (cf. Verhoef *et al.*, 2011). Given their clear value, how can marketing departments gain more trust among members of their organizations' executive committees? One suggestion commonly made by scholars (e.g. Klaus *et al.*, 2014) and CEOs (according to Fournaise) is to be more accountable for their marketing programs' financial results. As Fournaise's study indicates, "ROI marketers" are highly valued (Lukovitz, 2012).

Limitations and future research

As with any study, this study has a number of limitations that provide directions for future research. First, as typical of studies in this genre (e.g. Lee *et al.*, 2011; Verhoef and Leeflang, 2009), this study relies on the self-report of respondents. More objective performance data (e.g. changes in sales, profits and market share) should be employed in future research as this will provide hard and quantitative data on how the marketing function affects a firm's bottom-line.

Second, the operationalization of firm performance could be extended to include customer satisfaction as a leading indicator of a firm's financial performance. As such, future research efforts may consider the incorporation of customer satisfaction scores from J.D. Power & Associates or the American Customer Satisfaction Index to enhance the understanding of firm performance.

Third, although we explicitly assumed that marketing's role is an antecedent of market orientation (see Moorman and Rust, 1999) and found support for this link, we did not test for dual causality between these constructs. Future research is needed to advance our understanding of the interrelationships between the marketing department's role and a firm's general market orientation (Verhoef and Leeflang, 2009).

Fourth, we did not examine whether sales was combined with the marketing department in our sample. It is conceivable that combining the sales function with the marketing department might influence the extent of a marketing department's influence. Further research is needed on this issue.

Finally, the generalizability of our findings across contexts needs to be examined further. We did not examine potential moderating effects of cultural dimensions (Engelen and Brettel, 2011). We also did not explore whether the increase in skill sets required to navigate the marketing applications of latest technology (ranging from big data and location-based services to mobile marketing and social media) has on a marketing department's influence. Furthermore, it is conceivable that make-or-buy decisions of marketing activities and functions (e.g. sophisticated marketing skills can be readily bought from external providers in the West, but less so in the East) affect the influence of the marketing department (cf. Ehret and Wirtz, 2010; Wirtz and Ehret, 2013). Finally, the functional background and seniority of respondents, and the fact that all our respondents have MBA degrees, and that we only surveyed one manager in each company may have influenced the results. Nevertheless, we believe that our findings are robust as we tested for possible boundary conditions as far as possible (i.e. examining potential interaction effects with our independent variables). But future research is needed as the small cell sizes in our study make the fact that we did not find interaction effects non-conclusive.

In sum, our findings support the idea that a strong and influential marketing department contributes positively to a firm's performance. This finding holds for Western and Asian and for small/medium and large firms alike.

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