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The marketing department's reputation in the firm

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A B S T R A C T

The role, effectiveness and credibility of the marketing function within a firm have been the focus of scholarly research and practitioners' attention in marketing, and both researchers and practitioners argue that the marketing department's reputation has been besmirched in recent years. This study makes an initial attempt to empirically investigate antecedents and consequences of the marketing department's reputation within the firm. We put forward the notion that the marketing department's reputation is a key factor in the junction of the departmental influence and power-oriented research streams. The results indicate that the customer connection capability, accountability and status of the marketing department are positively related to its reputation in the firm. Conversely, the variable of the resources controlled by marketing is negatively associated with the department's reputation. The results further show that a reputable marketing department is associated with improved market performance regardless of the generic strategy pursued by the firm. Development of departmental capabilities is vital for marketing to be a respected department in the organization. Marketers also have to build favorable perceptions on and beyond their capabilities within the firm and upper echelons.

1. Introduction

The role and position of marketing within firms has received increasing attention in scholarly journals and business magazines in the last decade (Achrol & Kotler, 1999; French, LaBerge, & Magill, 2011; Homburg, Workman, & Jensen, 2000; Leeflang, Verhoef, Dahlström, & Freundt, 2014). Both academic and practitioner communities have expressed concerns that the marketing department (MD) has become less respectable within the organization and the marketing function has been demoted in the organizational hierarchy (Sheth & Sisodia, 2005). Several marketing tasks – including product development, pricing, marketing research and logistics – have been overtaken by other internal functions or outsourced to external parties. Boards of directors have started paying less attention to marketing issues (e.g. McGovern, Court, Quelch, & Crawford, 2004; Nath & Mahajan, 2008; Webster, Malter, & Ganesan, 2005). These trends create a challenge for the MD's reputation, status and credibility within the firm; further, they threaten its legitimacy and even its existence as a distinct functional entity (O'Sullivan & Abela, 2007; Rust, Ambler, Carpenter, Kumar, & Srivastava, 2004).

Hambrick and Cannella (1993) point out that the world of organizations is rife with social phenomena – such as social dominance, status, perceptions of superiority and inferiority, supervision and supplication, and winning and losing – which significantly affect organizational outcomes. Inevitably, firms include several units, and each unit attempts to move the corporation toward what it views as the preferred position for the firm's long-term survival, subject to the constraints imposed by the strategies of the other functional units (Anderson, 1982). Reputational standing is a critical resource for an entity, representing the outcome of a competitive process in which the entity signals its economic and non-economic characteristics to its constituents (Fombrun & Shanley, 1990). Hence, researchers propose that reputation is a resource of an entity that reflects cumulative investments and exists as a distinct concept from other organizational behavior constructs (Carmeli & Tishler, 2005). From this perspective, reputation is a more comprehensive and stable construct than power and decision influence of the organizational unit, shaped by several economic and non-economic features of an entity.

Departments struggle to access and protect social and financial resources within the firm. In such a challenging environment, the MD

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has to compete for both tangible (e.g. funds, human resources) and intangible (e.g. reputation, power and dominance) scarce resources of the firm. The higher a unit's reputation, the more valuable it becomes in this internal dominance market and the more positively affected will be its long term performance (Kilduff & Krackhardt, 1994). Echoing the extant discussions in the literature regarding the eroding stature of MD within firms, it is a significant area of research that focuses on how the MD's reputation is perceived by its constituents in the organizational system. Similar to the necessary awareness of individual reputation, members of departments must be aware of their social surroundings and the message that the department is sending (Ferris, Blass, Douglas, Kolodinsky, & Treadway, 2003). Understanding the antecedents and consequences of the MD's reputation may guide marketing managers and company executives to raise the decreasing reputation of the department and increase its chance of survival as a distinct organizational unit. Thus, it is both a theoretically and a managerially rewarding challenge to understand how the MD can maintain and improve its reputation and prominence in the organization.

Although an ample body of research exists on organizational and personal level reputation, very few departmental reputation studies exist in the marketing discipline (Merlo, Lukas, & Whitwell, 2012) and in the literature of other functions of business organizations, such as human resources (Ferris et al., 2007) and purchasing (Goebel, Marshall, & Locander, 2003). Hence, antecedents of the MD's reputation and its possible impact on performance have hitherto been neglected in the marketing literature. Thus the present study represents a relevant and timely effort to understand the reputation and stature of the MD within the firm. Considering the research gap in the literature regarding this understudied topic, our contributions to the domain are threefold. Departing from organization and personal-level reputation theories, the present study initially attempts to theorize the concept of an organizational unit's reputation in the firm. Second, our study proposes and tests a comprehensive model addressing both the determinants and the consequences of the MD's reputation from a contingency perspective. Third, predominant reputation theories assert that an entity's reputation is a collective set of judgments evaluated by "others." Hence, our study provides a widespread non-marketing perspective on the MD's reputation and diverse views of marketing from the perspective of several other non-marketing functions (e.g., finance, manufacturing/operations and R&D) including top management.

In the next section we present the conceptual framework of the research. Then, we explain the research methodology of the study and present the findings of the analysis. Finally, we discuss the results and management implications, and suggest avenues for further research.

2. Developing the concept of the MD's reputation and its antecedents

Reputation is inherently an interdisciplinary construct, attracting research in fields as diverse as economics, management, marketing, psychology and sociology, among others (Ponzi, Fombrun, & Gardberg, 2011). Hence, reputation research draws upon several theoretical roots, such as institutional theory (Meyer & Rowan, 1977), the resource-based view of the firm (Wernerfelt, 1984), signaling theory (Spence, 1974), stakeholder theory (Freeman, 1984), social identity theory (Tajfel & Turner, 1985) and others, demonstrating the complexity and richness of the concept. Organizational reputation studies assert that reputation refers to a particular type of feedback received by an organization from its stakeholders' judgments concerning its credibility, favorability, esteem and attractiveness (Lange, Lee, & Dai, 2011; Whetten & Mackey, 2002). These judgments are formed by stakeholders' assessments of the organization's past actions, future prospects, network position and ability to deliver valued outcomes. Reputation is also a perceived capacity to meet those stakeholders' expectations (Shrum & Wuthnow, 1988; Whetten & Mackey, 2002); hence, it serves as a signal of the future performance of the entity (Lange et al., 2011).

Addressing the multiple-constituency approach, Tsui (1990) points out that, as part of the organization, a subunit needs to earn constituency support for survival, and it does so by producing something of value to its environment (i.e., to its constituencies) (Pfeffer & Salancik, 1978; Thompson, 1967). By producing something of value, the subunit will be viewed or judged favorably by its constituencies, and this favorable assessment will increase the subunit's chances of survival. Walsh, Beatty, and Shiu (2009) point out, as a general premise, that the more favorable the public's general estimation of an entity is, the more positive will be the impact of the public's attitude, actions and behavior on that entity. As is the case for every actor in a social system, reputation is a critical resource for the marketing department, signaling its prominence, credibility and advancement within the organization. Thus, when the reputation of marketing in an organization is good, other organizational actors may be confident in the capabilities of marketing and may be more willing to act on marketing advice and inputs (Merlo et al., 2012).

Due to a lack of work on the antecedents of the MD's reputation within the firm, we derive conceptual inferences from the organizational and personal reputation theories. Because the marketing organization is a subunit within the firm's social system, this postulation will not be an obstacle for developing the conceptual background of the MD's reputation construct. Although we have neither adequate specific theory nor empirical data at present to guide us in developing the concept of departmental reputation, theory in the field on both the organizational and personal levels has provided ample cues that the construct of reputation can be effectively applied at the subunit level of analysis (e.g., Kilduff & Krackhardt, 1994; Lange et al., 2011; Mishina, Block, & Mannor, 2012). Organizational behavior scholars emphasize that the privileges of a social position are tied to the actions and position of an actor in the social system (Benjamin & Podolny, 1999; Bitektine, 2011). Prominent reputation studies similarly assert that the reputation of an entity is related to its capabilities (Carmeli & Tishler, 2005; Mishina et al., 2012; Rindova, Petkova, & Kotha, 2007), centrality in the organization (Bond, Walker, Hutt, & Reingen, 2004; Carmeli & Tishler, 2005; Shrum & Wuthnow, 1988; Zinko, Ferris, Humphrey, Meyer, & Aime, 2012), status (Benjamin & Podolny, 1999; Kilduff & Krackhardt, 1994) and level of resources controlled by the entity in the social system (Boeker, 1989; Fombrun & Shanley, 1990; Mishina et al., 2012). These well-known reputation studies base the reputation concept on two major dimensions: stakeholders' perceptions of an organization related to its capabilities to produce quality outcomes and the organization's prominence in the minds of stakeholders (Rindova, Williamson, Petkova, & Sever, 2005). Thus, we establish our research model on these two major dimensions and we include capabilities of the MD and other constructs signifying the MD's prominence in the organization (i.e. status, the resources controlled by the MD and its centrality). Therefore, we posit the following framework including those variables as antecedents of the MD's reputation within the firm (Fig. 1).

2.1. MD capabilities

Organizational capability refers to the ability of an organization to perform a coordinated set of tasks using organizational resources to achieve a particular end result (Helfat & Peteraf, 2003). Several