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The power of marketing within the firm: Its contribution to business performance and the effect of power asymmetry

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ABSTRACT

While marketing continues to gain prominence as an orientation within the firm, concerns remain about the contributions of the marketing subunit. Given the current limited and conflicting evidence on the issue, this study responds to calls for research on the link between a powerful marketing subunit and business performance. The study draws on the critical contingencies perspective on power, which was specifically developed to study power distribution among organizational subunits. The key objectives of the study are (1) to determine whether a powerful marketing department is beneficial to business performance, (2) to reconcile conflicting evidence pertaining to the marketing function's contribution to performance beyond that of a market orientation, and (3) to investigate the effect on business performance of power asymmetry between marketing and other functions. Employing data from senior managers in medium and large manufacturing firms, the study shows that a powerful marketing function is associated with improved business performance above and beyond the contribution of a market orientation. Power asymmetry between marketing and finance/accounting and between marketing and production has a negative effect on business performance while a power asymmetry between marketing and R&D shows a positive effect on business performance. Finally, a differentiation strategy attenuates the negative performance outcomes of power asymmetry between marketing and production.

1. Introduction

A perceived lack of influence and accountability has been claimed to undermine the credibility of marketing within the firm, threatened its standing, and even its existence as a distinct capability within the firm (O'Sullivan & Abela, 2007; Rust et al., 2004). Marketing has already been declared either dead, irrelevant, or powerless (Schultz, 2005). The relevance of marketing activities is at stake and even marketing scholars have voiced concerns that the power of marketing subunits may be in decline (e.g., Day, 1992; Kotler, 2004; Kumar, 2004; Sheth & Sisodia, 2005; Varadarajan, 1992; Webster, Malter, & Ganesan, 2005). These concerns have led to numerous studies on the role of marketing within the firm (e.g., Homburg, Workman, & Krohmer, 1999; Moorman & Rust, 1999; Verhoef & Leeflang, 2009). But surprisingly, empirical evidence pertaining to a link between a powerful marketing subunit and business performance is still scarce, contradictory, and inconclusive. The first objective of this study is to respond to calls for further research on the link between marketing subunits and performance (e.g., Verhoef & Leeflang, 2009) by investigating whether powerful marketing departments contribute to firm performance in business-to-business contexts.

These controversies have been exacerbated by the growth of marketing as an orientation and the diffusion of marketing responsibilities across functions (e.g., Moorman & Rust, 1999). There is conflicting evidence pertaining to whether marketing subunits are responsible for positive business outcomes above and beyond those generated by a market orientation. Verhoef and Leeflang (2009) suggest that an influential marketing department does not explain significant incremental variance in performance beyond the adoption of a market orientation. In contrast, Moorman and Rust's (1999) findings suggest that marketing departments contribute to business performance, customer relationship performance, and new product performance beyond the contribution of a market orientation. Not only are these results conflicting, but the most important evidence of a link between marketing subunits and performance (Moorman & Rust, 1999) is now more than a decade old. Therefore, the second key objective of this study is to determine whether the marketing function contributes to a firm's performance above and beyond the contribution made by a market orientation in an industrial marketing context.

While there might be strong theoretical and practical reasons why organizations should increase the power of marketing subunits, the question remains as to what happens when marketing has very low or very high power *relative* to the other functions. This begs the

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question as to what are the performance consequences of power asymmetry between marketing and other subunits. Marketing's interface with other business functions has attracted increasing attention in the marketing literature, with some studies focusing for example on the dyadic interface between marketing and sales (Homburg & Jensen, 2007a), R&D (Gupta, Raj, & Wilemon, 1986), and finance (de Ruyter & Wetzels, 2000). Only a few studies have considered several interfaces at once (Maltz & Kohli, 2000; Ruekert & Walker, 1987), but without focusing on the business performance outcomes or on power asymmetry among functions. Furthermore, because a business unit's strategy can affect the distribution of power among subunits and its consequences (Walker & Ruekert, 1987), power asymmetry may have different performance outcomes depending on strategy type. Hence, the third main objective of this study is to investigate the effect of power asymmetry between marketing and other functions on performance, and test whether it varies depending on the strategy adopted by the firm.

We begin by reviewing the relevant literature: first, power theory, which underlines our model; second, the literature on marketing's role within the firm. Next, we present our model and research hypotheses, followed by the methodology and results. The paper concludes with a discussion of our key findings, implications for marketing research and practice, and suggestions for future research.

2. Theoretical background

2.1. The power of marketing

There are numerous different perspectives and formal theories on power (Bacharach & Lawler, 1980; Cartwright, 1959; Lukes, 1975; Thibaut & Kelley, 1959), and the concept of power has been studied in a wide range of domains, ranging from organizational change (Hardy, 1994) to social group dynamics (Cartwright & Zander, 1968) and planning (Forester, 1989). It has been argued that due to theoretical fragmentation and lack of convergence, the application in marketing of the concept of power has been rather slow and limited (Deshpandé & Webster, 1989; Merlo, Whitwell, & Lukas, 2004). In fact, the use of power theory in marketing has been restricted primarily to four areas: (1) distribution channels (e.g., Butaney & Wortzel, 1988), (2) organizational buying (e.g., Kohli, 1989), (3) consumer behavior (e.g., Bearden & Etzel, 1982), and to a lesser extent, (4) the influence of marketing departments and marketing people (e.g., Cespedes, 1995; Deshpandé & Webster, 1989; Piercy, 1989). Fundamentally, power may be defined as the capacity of an actor to get another actor to do something that the latter would not otherwise do (Dahl, 1957). Most characterizations of power, including those in the marketing literature, are reasonably consistent with this definition (see Bacharach & Lawler, 1980; Gaski, 1984; Lucas & Gresham, 1985). In this paper we are interested in the power of the marketing function as perceived by senior management.

In a review of the main schools of thought in power and their potential usefulness in marketing research, Merlo et al. (2004) identify four dominant schools of thought on power: the bureaucratic perspective (e.g., French & Raven, 1959), the critical contingencies perspective (Hinings et al., 1974; Salancik & Pfeffer, 1974), the network perspective (e.g., Tichy, Tushman, & Fombrun, 1979) and the psychological perspective (e.g., Crozier, 1964; Kipnis & Schmidt, 1988). Each perspective can be useful to study different marketing phenomena, but Merlo et al. (2004) argue that the critical contingencies approach displays the highest degree of suitability to the study of power distribution within the firm, and specifically, the power of the marketing function. This view is also expressed by Piercy (1989, p.102) who finds the critical contingencies approach a “useful lever to make sense of power differences between marketing and other sub-units”. Also consistent with this view is a recent study by Nath and Mahajan (2011) that employs the critical contingencies view on power to study the influence of Chief Marketing Officers within organizations. Our study adheres to this research stream in two significant ways: first, we adopt a macro perspective of power, by focusing on power as potential influence, as opposed to a micro perspective, which is concerned with manifest influence (Brass & Burkhardt, 1993; Gaski, 1984). The benefit of such an approach is that it is applicable over a wide range of decisions and issues. Second, while we acknowledge the multiplicity of power theories that have been put forward, we draw distinctively on the critical contingencies theory of intraorganizational power (e.g. Hinings et al., 1974; Salancik & Pfeffer, 1974), which was born out of a specific desire to explain power distribution among subunits within organizations.

According to the critical contingencies theory, organizational tasks and resources are allocated among organizational actors because they have bounded rationality vis-à-vis firm complexity (Child, 1972; Cyert & March, 1963; Hickson et al., 1971; Pfeffer, 1981; Thompson, 1967). As an actor gains control over resources that are critical to the work of other actors, dependency increases, giving one actor power over the other (Blau, 1964; Dahl, 1957; Emerson, 1962; Hickson et al., 1971; Pfeffer, 1981; Thibaut & Kelley, 1959). The theory posits that there are three key elements of power: (1) a function's ability to cope with uncertainty, (2) its substitutability, and (3) its centrality within the workflow of activities. Hickson et al. (1971) explain: “When organizations are conceived as interdepartmental systems, the division of labor becomes the ultimate source of intraorganizational power, and power is explained by variables that are elements of each subunit's task, its functioning, and its links with the activities of other subunits” (Hickson et al., 1971, p. 217). Hinings et al. (1974) and Salancik, Pfeffer, and Kelly (1978) were among the first to provide empirical support for the strategic contingencies explanation of power. Accordingly, formally stated, we define the power of marketing as the extent to which the marketing subunit is relied upon to cope with uncertainty, is non-substitutable, and holds a central location within the workflow of activities. Many different power scenarios are possible within organizations. The focus of this paper is on what happens when other organizational subunits become reliant on marketing as the provider of certainty, as a central subunit, and as a non-substitutable function.

It should be noted that the performance outcomes of power can also be explained by the resource based view (RBV) of the firm (Barney, 1991), in that power can be viewed in terms of the possession of valuable, rare, inimitable, and non-substitutable resources that explain heterogeneity in firm performance. However, while the RBV explains firm performance heterogeneity in terms of differences in inter-firm resource possession, the critical contingencies perspective illustrates firm performance based on distribution of intra-firm resource possession.

2.2. The role of marketing within the firm

This study focuses on the contribution of marketing departments to firm performance, and the performance effects of power asymmetry between marketing and other functions. Studies of the role of marketing within the firm may be divided into four key categories. First, there is research that assesses marketing's role as an orientation, typically assessing its impact on performance. The market orientation literature is vast, and the concept and its dynamics have been examined thoroughly (e.g., Jaworski & Kohli, 1993; Kirca, Jayachandran, & Bearden, 2005; Langerak, 2003; Narver & Slater, 1990; Slater & Narver, 2000), providing mostly support for a positive link between a market orientation and performance. Other examples of studies in this vein have focused on linking different elements of strategic marketing to performance (Jaakkola et al., 2010), another argument in this category states that market orientation enhances cross functional dispersion of marketing activities such that firms embrace an activity-based approach to marketing as opposed to a functional-view of marketing (Workman, Homburg, & Gruner, 1998).