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Power dynamics of the international marketing within firms and how they shape international performance

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ABSTRACT

The status of marketing within the firm and its cross-functional interactions continue to draw academics and practitioners' attention. Using power, rather than influence, and power asymmetry concepts in an industrial *international marketing* (IM) context for the first time, the study examines the interface between IM and non-IM functions and investigates whether powerful IM functions benefit *international* performance. Findings show that IMs are powerful and enhance performance, however to some extent. Power asymmetry between IM and non-marketing functions is related negatively with performance while power asymmetry between IM and non-international marketing function is not related to performance. However, in the presence of *international* market orientation (IMO) the negative effect of differences between IM and non-marketing functions powers on performance is weaker. Thus, a strategic decision to adopt an IMO, perceived as a power mechanism, potentially has a reviving effect on the IM function, and IMO and the power distribution activity should not be isolated domains of managerial decision-making. The study accounts simultaneously for IM as a *distinct* function and as an activity-based process and allows refined observation into the marketing functions' interaction.

1. Introduction

The status and importance of marketing within the firm continue to draw attention. Practitioners and academics address the role and contribution of the marketing area and voice continued concerns regarding the marketing function's influence (Auh & Merlo, 2012; Verhoef & Leeflang, 2009; Webster, Malter, & Ganesan, 2005). Marketing has been declared as powerless (Schultz, 2005) and some scholars state that strong marketing functions are disappearing (Merlo, 2011). Furthermore, marketing's position and existence as a *distinct* capability within the firm is pondered (O'Sullivan & Abela, 2007; Rust, Ambler, Carpenter, Kumar, & Srivastava, 2004). Recently, Homburg, Vomberg, Enke, and Grimm (2015) found that the marketing department has lost significant influence within the past two decades.

These concerns notwithstanding, empirical evidence on the relationship between powerful, rather than influential, marketing functions and firm performance is limited and contradictory. Some scholars find that marketing functions contribute directly to performance (Auh & Merlo, 2012; Homburg et al., 2015; Moorman & Rust, 1999) while others do not approve a direct link (Verhoef & Leeflang, 2009). These inconclusive findings do not illuminate whether *powerful* marketing functions are needed especially where there is an ongoing organization-wide adoption of the marketing concept and responsibilities (Auh & Merlo, 2012; Verhoef & Leeflang, 2009). Notably, influential marketing units still make the greatest contribution to performance (Homburg et al., 2015). Furthermore, such extant studies address the non-international marketing (NIM; i.e., local marketing) functions' *influence* leaving the *international* marketing's (IM) *power* and its impact on *international* performance under-researched. Particularly, the power of IM as a *distinct* function in the firm has not been researched. In light of the essentiality of internationalization to firms that may increase the importance of IMs' relative functional power, scholars call on to study the relationship between IM functions and performance (Cadogan, Sundqvist, Salminen, & Puumalainen, 2005; Gnizy & Shoham, 2014). Power is a central aspect of organizational life that affects organizational processes, strategies and outcomes (Fleming & Spicer, 2014). Notably, the power of organizational functions plays a role in the creation of effective cross-functional relationships (Dawes & Massey, 2006a). Hence, the first objective of this study is to examine whether powerful IM functions contribute to performance in an industrial marketing context. In B2B firms, functional power frequently resides in functions other than marketing, which may unjustifiably undermine marketing's contribution (Griffin et al., 2013).

Even though there may be solid justifications why international firms should increase the power of IM functions, two questions remain unanswered. The first is what happens when IMs possess too much power. Excessive power of an organizational function may result in dysfunctional outcomes (Atuahene-Gima, Slater, & Olson, 2005; Atuahene-Gima & De Luca, 2008). Thus, there may be an optimal level of power, which implies the investigation of a non-linear relationship

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between IMs' power and performance. Such a more complex relationship can provide perspectives that managers can cope with but has not been addressed in prior research, and is therefore the second key objective of this study.

The second unanswered question is what happens when IMs have very low or very high *relative* power. Unequal intra-firm relationships and power differences may undermine the quality of the cross-functional dialog and affect firms' outcomes. This implies the investigation of the consequences of power asymmetry between IMs and other functions. While power asymmetry is an ongoing reality and exists in the vast majority of relationships (Kumar, 1996), its effects on performance in *international* context has not received attention and is therefore the third key objective of this study.

Matters at the interface of marketing with other functions are among the essential ones that managers are concerned with (Kotler, Rackham, & Krishnaswamy, 2006). Such interface can be viewed along two dimensions in which marketing can exercise power: marketing as a distinct functional group or as an activity-based organization-wide culture, i.e., market orientation (Merlo & Auh, 2009). The interplay between these dimensions exposes a facet of marketing's position. Although few studies include both dimensions and report conflicting consequences regarding the contribution of a strong marketing function to performance beyond that of a market orientation (Auh & Merlo, 2012; Verhoef & Leeflang, 2009), their simultaneous impact is neglected (Merlo & Auh, 2009). Notably, strategy affects the distribution of power among functions (Walker & Ruekert, 1987) and thus affects the power asymmetry-performance link. Thus, *international* market orientation (IMO) can drive the power of IM and play a role in the link amid power asymmetry between IM and other functions. Prior literature on power has not addressed this phenomenon in IM context. Hence, the fourth objective of this study is to examine whether IMO facilitates the effect of power asymmetry between IM and other functions on performance.

This study draws on power theory to address its four objectives and contributes in several ways. First, not only is the concept of power applied limitedly on marketing within the firm (Auh & Merlo, 2012; Hingley, Angell and Campelo, 2015; Hingley, Angell and Lindgreen, 2015) but also restricted to studies on NIMs. In addition, we lack knowledge of the operation of power in asymmetry (Hingley, Angell and Campelo, 2015; Hingley, Angell and Lindgreen, 2015). Our study extends the power domain into an *international* context. Although IM may be perceived merely as "one of the business functions" it is a crucial one because of its unique roles and skills. The IM function extends throughout internal (e.g., new products for the international markets, adaptation/standardization levels) and external (e.g., connecting the organization to other entities in the supply chain) issues. The growth of international economies and the increase in IM activities in many industrial firms bring to surface the importance of IM issues. Second, this study highlights the need to study IM in a different stream than NIM functions. While scholars send warning signals concerning the existence of marketing "as a distinct capability within the firm" (Auh & Merlo, 2012, p. 861), research on IM as a *distinct* unit is limited. Distinctive aspects of IM must be understood since asymmetry may exist across firms' international and domestic operations and functions (Howard, 2003). Thus, our study is conducted on firms with a clear distinction between IMs and NIMs. Furthermore, we examine the interactions between IM and non-marketing (NM) functions. Prior research investigates the influence of the marketing function in isolation and does not account for the distribution of power among functions (Homburg et al., 2015). To the best of our knowledge, no prior research has focused simultaneously on the *power* of IM, NIM and NM functions. Such setting assists in better understanding how IM functions are nested within the firm. Third, the decline in marketing departments' influence, attributed to marketers' inability to communicate their influence on outcomes, ultimately leads to decreased performance and is thus worrisome (Homburg et al., 2015). Hence, current understanding of IMs' power dynamics and their consequences is important for international managers' conducting. Furthermore, this study focuses on power rather than influence. The distinction between the two constructs provides another perspective on marketing's position.

We proceed with a theory and hypotheses development. We describe the methodology, present the study's findings and discuss them. We conclude with implications, limitations, and further research suggestions.

2. Theory development and hypotheses

2.1. The power of IM

2.1.1. Power and influence

The relationship between power and influence is widely recognized though in many cases the two terms are used interchangeably. This study focuses on relative functional power and distinguishes power from influence. While power in general is the ability to change others' behaviors, whether this ability is used or not, influence is the use of power (Homburg, Workman, & Krohmer, 1999). Therefore, power is a potential influence and influence is a subtle manifestation of power. On one hand, the more an organizational entity possesses power, the more potential influence it may have (Krush, Sohi, & Saini, 2015). On the other hand, influential entities may have little power and powerful entities are sometimes not influential. For instance, the IM function can advise the NIM function on the conduct of a common communication strategy in both foreign and local markets. IM may have influence if the NIM function follows this advice. However, in many firms, especially those with independent IM from NIM functions, IM may have no power over the NIM function. IM can persuade but not necessarily compel. The NIM function may have power over its resources and can impose its will upon a separate communication strategy. Hence, power and influence are not distributed equally and reflect different aspects of behavior. Merlo (2011), for example, used power as a determinant of marketing's influence in the firm. While prior research has uncovered the *influence* of the marketing functions (Gnizy and Shoham, 2014 in IM context, Engelen, 2011 in NIM context), this study examines their relative *power* and thus supplements views and findings from prior research, and provides a more nuanced understanding of IMs' position and how they are nested in the firm.

2.1.2. Functional power

Organizational power is a multidimensional concept that touches on a wide variety of different phenomena with numerous perspectives (Fleming & Spicer, 2014). When one function is dependent on another, a power relationship emerges (Daft, 2010). Specifically, interdependence affects marketing's interactions with other functions. This view is consistent with a resource-based view of the firm (Dawes & Massey, 2006b). However, concerns regarding the decline of the marketing functions in recent years induced scholars to explore the relative power of marketing and focus on lateral power relationships. Notably, managers simply understand the relative functional power concept and can easily apply it to their firms (Harris & Ogbonna, 2003).

Functional power originates form different sources such as the function's centrality, substitutability, uncertainty coping, expertise, and access to resources (Krush et al., 2015). While the term power is widely used to designate the potential or ability to change others' actions and beliefs, following the above discussion and this study's context, we conceptualize *power* as the relative importance of a unit to the firm (Dawes & Massey, 2006b). This definition is consistent with other scholars' definition of marketing power (e.g., Atuahene-Gima & Evangelista, 2000; Homburg et al., 1999). Specifically, IM's power is a reflection of its strength within the firm. Auh and Merlo's (2012) operationalization of marketing power was based on the critical contingencies perspective but they called on to use other direct views of power in future research.