

# The Role of Marketing

As marketing gains increasing prominence as an orientation that everyone in the organization shares and as a process that all functions participate in deploying, a critical issue that arises is the role of the marketing function. Specifically, what role should the marketing function play, and what value does the marketing function have, if any, in an organization that has a strong market orientation? The authors take the view that though a firm's market orientation is undeniably important, the marketing function should play a key role in managing several important connections between the customer and critical firm elements, including connecting the customer to (1) the product, (2) service delivery, and (3) financial accountability. The authors collect data from managers across six business functions and two time periods with respect to marketing's role, market orientation, the value of the marketing function, and perceived firm performance. The results show that the marketing function contributes to perceptions of firm financial performance, customer relationship performance, and new product performance beyond that explained by a firm's market orientation. Marketing's value, in turn, is found to be a function of the degree to which it develops knowledge and skills in connecting the customer to the product and to financial accountability. For service firms, the value of the marketing function also is related positively to marketing's ability to connect the customer to service delivery.

Looking broadly at the marketing literature and practice, it appears that during the past ten years there has been a movement toward thinking of marketing less as a function and more as a set of values and processes that all functions participate in implementing. In this view, marketing becomes everybody's job, which potentially diffuses the marketing function's role but increases marketing's influence (Greyser 1997). As McKenna (1991, p. 68) notes, "Marketing is everything and everything is marketing," or as Haeckel (1997, p. ix) states, "Marketing's future is not a function of business, but is *the* function of business."

The empirical literature on market orientation is the most profound indication of this change in perspective. Although it has been defined in a variety of ways, several empirical studies of business organizations indicate that an organizationwide market orientation has a positive impact on the financial performance of firms and their new products (Day and Nedungadi 1994; Deshpandé, Farley, and Webster 1993; Jaworski and Kohli 1993; Kohli, Jaworski, and Kumar 1993; Moorman 1995; Narver and Slater 1990). Likewise, important advances have been made in conceptualizing the key capabilities exhibited by market-oriented firms (Day 1990, 1994; Kohli and Jaworski 1990; Webster 1992, 1997).

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As marketing gains increasing prominence as a set of processes that all functions participate in deploying, a critical issue that arises is the specific contributions of the marketing function. Specifically, what role should the marketing function play, if any, in a firm that is market-oriented? Reflecting this concern, the Marketing Science Institute's 1996–1998 research priorities included investigations into "Marketing as a function (big M) in relation to marketing as a process and a vision (little m) in the future" (*Marketing Science Institute Research Priorities 1996\**, p. 6). In response, Day (1997, p. 69) suggests that many find a trade-off between "developing deep functional expertise through specialization vs. subordinating functions to teams managing linked processes." Likewise, Workman, Homburg, and Gruner (1998) refer to this as the "cross-functional dispersion of marketing activities" and predict that it will lead to a reduction in the need for a strong marketing function.

In this article, we argue for the value of the marketing function beyond an organizationwide market orientation. These arguments suggest that the marketing function can and should coexist with a market orientation and that the effectiveness of a market orientation depends on the presence of strong function that includes marketing. To make our case, we present a framework that defines the scope of the marketing function and how it operates in the cross-functional world of a market-oriented firm. At the heart of this framework is the idea that the marketing function facilitates the link between the customer and various key processes within the firm (Day 1994). We examine both the value of the marketing function and its scope in a large-scale empirical effort.

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\*Authors were limited in the number of references used in text, therefore, those references marked with an \* are available at [www.ama.org/pubs/jm](http://www.ama.org/pubs/jm) and at [www.msi.org](http://www.msi.org).

# The Marketing Function in a Market-Oriented Firm

## **Structural Approaches to Marketing Organization**

The question of how to structure an organization to maximize performance has been a source of enduring debate in organizational research, strategy research, and marketing. Within this broad topic, the specific question we address pertains to the proper organization of marketing in firms. Two specific structures that currently are being scrutinized by practitioners and that offer distinctive theoretical approaches for scholars are examined here: a functional marketing organization and a process marketing organization.

A *functional marketing organization* refers to the concentration of the responsibility for marketing activities (knowledge and skills) within a group of specialists in the organization.<sup>1</sup> The benefits of functional structures are well documented and include enhanced efficiency and ability to develop specialized, distinctive capabilities (e.g., Thompson and Strickland 1983). The risks include the challenge of coordination between specialized functions, interfunctional conflict, functional myopia, and overspecialization. A *marketing process organization* refers to the dispersion of marketing activities (knowledge and skills) across nonspecialists in the organization (Workman, Homburg, and Gruner 1998). This approach can take a variety of forms. For example, Kohli and Jaworski (1990, p. 3) define market orientation as the organizationwide generation, dissemination, and responsiveness to market intelligence. Consistent with a process structure, they suggest that a market orientation involves multiple departments sharing information about customers and engaging in activities designed to meet customers needs (see also Narver and Slater 1990). Day (1994, p. 38) describes two key cross-functional processes of market-driven organizations: market-sensing and customer-linking activities.

A great deal of commentary suggests a tension between these two approaches to marketing organization in firms (Day 1996\*). For example, some scholars have suggested that firms are reducing the size and resources associated with formal marketing functions, even as they move toward embracing an organizationwide market orientation. Greyser (1997, p.14) refers to this as “a simultaneous upgrading of the orientation and downsizing of the formal function.” Webster (1989, p. 6) notes, “Marketing in many companies has been ‘pushed out’ into the operating units of the business, especially in those companies that are consciously ‘disintegrating’ their organizations ... I think that marketing as a stand alone function in the typical organization will become extremely rare.” Wind (1996, p. iv) likewise states, “Marketing, as a management function, appears to be in decline. Marketing as a management philosophy and orientation, espoused and practiced throughout the corporation, is however seen increasingly as critical to the success of any organization.”

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<sup>1</sup>In reality, a firm can outsource a marketing function as well as maintain one internally. Our predictions are expected to hold across both internal and external marketing functions. We address possible differences subsequently.

Other anecdotal evidence points to a de-emphasis on the formal marketing function as its work is either outsourced (Cook 1993\*; Curtis 1997\*; Leggett 1996\*; Morrall 1995\*; Moulton 1997\*) or assigned to cross-functional teams (Brady and Davis 1993\*; Doyle 1995\*) or other organizational units (Sheth and Sisodia 1995\*). More formal examinations indicate that the loss of marketing as a function and its integration across functions may be less common than these observations suggest (Piercy 1998\*).

In this article, we are not interested in whether marketing as a function is actually on the decline. We take no stand on this issue. Instead, we examine the contribution of a distinct marketing function as organizations adopt a process or cross-functional structure to the management of marketing.

## **Theoretical Issues in Marketing Organization**

In addition to the critical substantive questions surrounding different forms of marketing organization, this topic also raises important and enduring theoretical questions related to the value of what have been termed variously as shared or integrated knowledge and skills in organizations (e.g., Dougherty 1992; Lawrence and Lorsch 1967). Contemporary research focusing on the value of shared knowledge and skills in organizations suggests that integrated approaches are necessary because most of the work in organizations cuts across different knowledge and skill domains, such as product development or supply chain management (e.g., Day 1994). This view would be consistent with the cross-functional dispersion of marketing or the process marketing organization. Integrated knowledge and skills have been linked to reduced conflict (Frankwick et al. 1994; Gupta, Raj, and Wilemon 1986\*) and increased communication (Griffin and Hauser 1992\*; Moenaert and Souder 1990\*, 1996\*) in organizations. Stronger functional orientations, conversely, have been found to reduce information sharing within firms (Fisher, Maltz, and Jaworski 1997\*).

Other research points to the value of specialized or differentiated knowledge and skills. Hambrick, Cho, and Chen (1996\*) recently provided evidence that higher levels of functional heterogeneity among top management team members were significantly related to growth in market share and profits in the airline industry. Bantel and Jackson (1989\*) find that top team function heterogeneity increased the level of innovation in the banking industry. Reed and DeFillippi (1990\*) suggest that differentiation is an important source of causal ambiguity in an organization that can erect competitive barriers to imitation (see also Madhavan and Grover 1998\*). Still other work suggests a contingent view of the value of specialized knowledge and skills in organizations. For example, in a study focused on new product development, Moorman and Miner (1997) demonstrate that higher levels of specialized knowledge and skills had a positive impact on new product innovation levels only in conditions of high environmental turbulence. Likewise, Dougherty (1992) claims that the value of specialized knowledge and skills is dependent on the presence of effective routines for managing complex and novel interdepartmental relations.

It is our opinion that there is room for a third view on the value of specialized (differentiated) versus shared (integrat-

ed) knowledge and skills that suggests that both are important to organizational performance. Other conceptual approaches support this view. Grant's (1996) model of organizational capability as knowledge integration suggests an architecture of integration that moves from individual manager knowledge to functional knowledge to cross-functional capabilities. Dougherty's (1990) grounded theory of market knowledge creation suggests distinct stages that involve building unique departmental knowledge and then moving to an integrated view of new product opportunities that cuts across departments. Finally, Fiol's (1994) two-year case study of cross-functional activities in a *Fortune* 100 financial services firm finds that consensus still allowed for considerable diversity in meaning between managers from different functions.

Following from this research, we take the view that there is a significant role for the marketing function in an organization with a strong market orientation. This position does not negate the value of the entire firm becoming market-oriented. Instead, it suggests that the marketing function has value to an organization beyond the value achieved through the cross-functional dispersion of marketing activities. We propose the following:

H<sub>1</sub>: The marketing function will contribute to the (a) financial performance, (b) customer relationship performance, and (c) new product performance of the firm beyond the contribution of an organizationwide market orientation.

## The Management of the Marketing Function

Working from the assumption that the marketing function contributes to firm performance beyond an organizationwide market orientation, the critical question is then how the marketing function should be designed to provide the greatest value for organizations. In this section, we develop a framework that defines the scope of the marketing function. At the heart of this framework is the idea that the marketing function's key contribution is to serve as a link between the customer and various processes within the firm (Day 1994). Therefore, we expect that, as the marketing function develops knowledge and skills related to each of these connections, the perceived value of the function within the organization will increase. To clarify terms, we define the *value of the marketing function within the firm* as the degree to which it is perceived to contribute to the success of the firm relative to other functions. The value of the marketing function relative to other functions was selected to provide a common frame of reference across firms for thinking about the marketing function's contributions. This definition does not preclude other functions contributing to the firm; it only measures marketing's contributions on a relative scale.

### The Central Elements and Processes of Business Organizations

In Figure 1, we show a simplified diagram of the central elements of business organizations. We define the central elements of the firm as the five nodes: customers, product, service delivery, financial accountability, and top management.

*Customers* refer to those intermediate and end consumers who purchase and/or use the firm's goods or services. *Product* is used broadly in this model to refer to the goods or services offered by the firm. *Service delivery* refers to the ancillary actions involved in providing a firm's goods and services to the customer. Therefore, even in a service business, product and service delivery are distinct; the product refers to the designed offering (e.g., an insurance policy), whereas service delivery refers to how well the customer is actually served before, during, and after the transaction (e.g., insurance sales, claim handling; Rust, Zahorik, and Keiningham 1996\*). *Financial accountability* refers to the links between firm actions and profitability. *Top management* refers to organizationwide leadership and decision making.

Using these nodes, Figure 1 delineates nine connections that reflect key firm knowledge and skills, including those contained in human resources, technologies, behavioral routines, and material artifacts owned or contracted by the firm (Moorman and Miner 1997). It could be argued that firms historically have focused on developing node-specific knowledge and skills. For example, operations would become experts in product issues, marketing in customer issues, and accounting in financial accountability issues. The approach in Figure 1, in contrast, emphasizes developing knowledge and skills related to managing the connection between nodes, such as the customer-service delivery node (e.g., Day 1994).

Drawing on Figure 1, we suggest that the marketing function should play a role in connecting the customer with (1) the product, (2) service delivery, and (3) financial accountability. Of these three connections, the traditional role of marketing has been to link the customer with the product. Identification of the other two connections with marketing is a fairly recent development, made germane by trends in information technology and the growing dominance of the service economy. As we show in Figure 1, our approach does not suggest that the marketing function has complete purview over a certain customer connection, nor does it preclude other cross-functional activities. On the contrary, our view supports the role of both functional and cross-functional influences.

This approach follows other frameworks in marketing that address customer connections. Howard's (1983, p. 99) marketing theory of the firm, for example, suggests that the customer gives "marketers a rationale for their planning, which facilitates their interfacing with other functions in the design and implementation of strategy." In his constituency-based theory of the firm, Anderson (1982, pp. 23-24) suggests that "One of the marketing area's chief functions in the strategic planning process is to communicate this perspective to top management and the other functional areas.... Marketing's objective, therefore, remains long run customer support through customer satisfaction." Hauser, Simester, and Wernerfelt (1996\*) suggest that marketing must demonstrate the criticality of the external customer to the exchanges that other organizational functions engage in with internal customers and external suppliers (see also Cespedes 1996\*).

This connection view also is expressed by marketing practitioners. For example, Boston Consulting Group's

Daniel Leemon (1995\*) states that “The marketing function, with its unique perspective on customers, products, and competitors, should take the lead in defining marketing opportunities and rallying the whole organization to support them.” Likewise, a study by The Marketing Society points to the same conclusion: “The challenge is for marketing to impose and coordinate quality control over the growing number of customer interfaces” (Curtis 1997\*, p. 20).

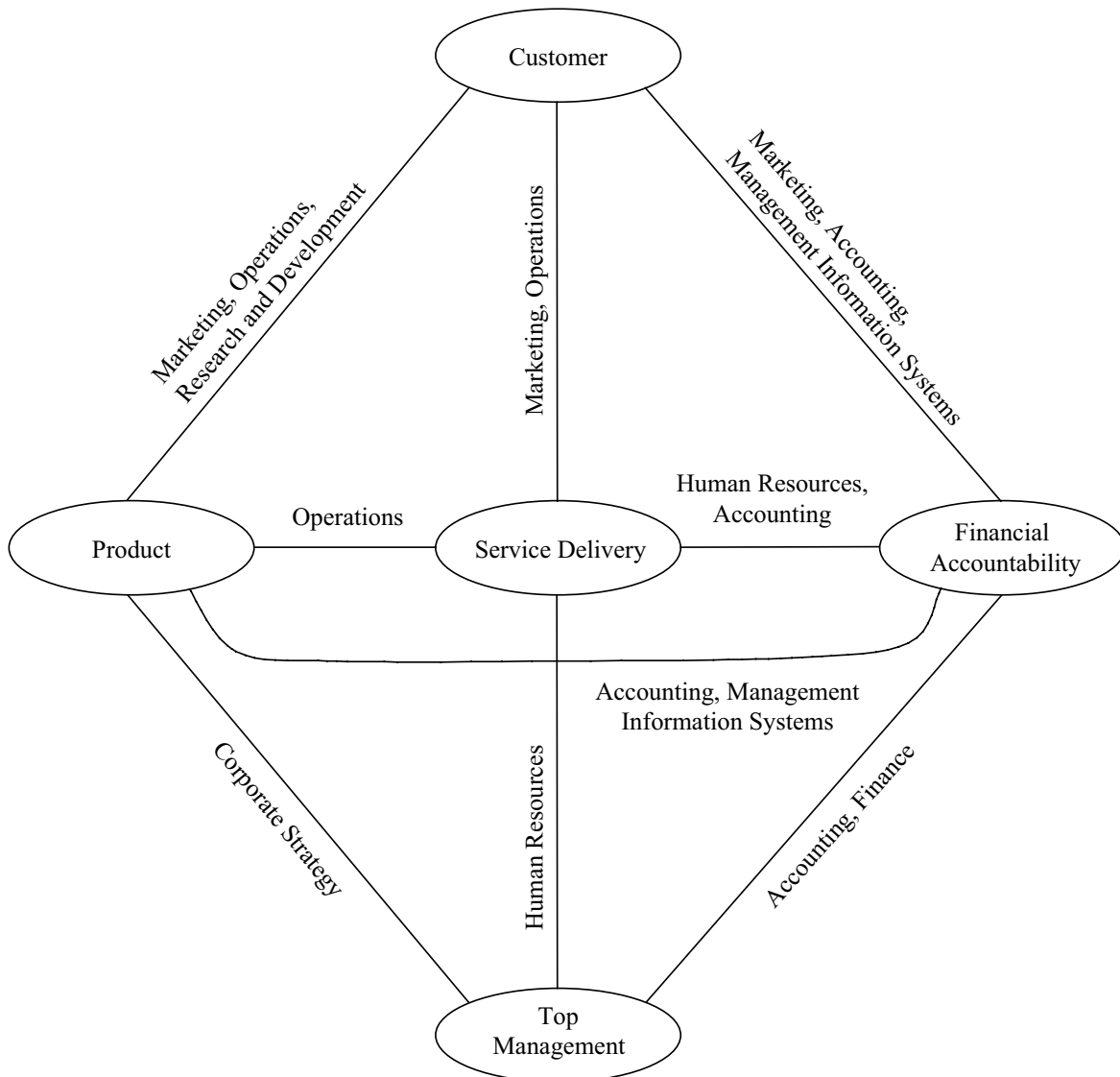
Our view of the marketing function’s perspective on the proposed connections follows this work. Specifically, we do not expect marketing or any other function to be neutral with regard to the two nodes that constitute the connection. Instead, we expect that the marketing function will tend to emphasize a customer vantage point, or what Day (1994) has referred to as an “outside-in” or external perspective. This unique perspective is what provides the marketing function

with a specialized or differentiated knowledge and skill base.

**The Three Customer Connections**

*The customer–product connection.* This connection pertains to linking the customer to the focal offering provided by the firm. In the traditional domain of marketing—the domain of the 4Ps—marketing often is perceived as developing a product that will suit the customer, promoting the product to the customer, pricing the product to be acceptable to the customer, and distributing the product to the customer. In our framework, marketing’s emphasis in this linkage is on providing knowledge and skills that connect the customer to product design or quality issues. This emphasis underlies many contemporary methodologies for new product development and for managing the customer–product interface

**FIGURE 1**  
**Functional Influences on the Connections Between Central Elements of the Firm**



(Hauser and Clausing 1988). Specifically, by beginning with the discovery of customer specifications and then turning to engineering specifications, the customer, not technology, leads and, in some cases, even may create product activities (von Hippel 1986\*).

We also acknowledge that the presentation of the product to customers (through advertising and promotion) and pricing the product play a role in this linkage, given advertising's ability to address the connection between the customer and the product and the role of the price in influencing value perceptions. However, we believe these are secondary aspects of the customer-product linkage (see Lehmann 1997).

Although the marketing function traditionally has concentrated on the "external" side of the customer-product connection, other functions focusing on this link have tended to be more internally driven. For example, research and development (R&D) might concentrate on the technology or the invention and operations on cost issues. Both the external and the internal focus are essential to the firm and are complementary.

*The customer-service delivery connection.* Service delivery used to be less important, largely because the service sector was much smaller, but also because it used to be harder to mass-customize service (Varki and Rust 1998\*). But the trend throughout the twentieth century, in every developed economy in the world, has been a drastic increase in the percentage of the economy devoted to service. For example, in 1900, the United States was a 30% service economy (in percentage employed in services), whereas by the 1990s, it was 80% (Quinn 1992\*). In addition to the growth of the service sector, the service components of goods businesses also has grown (Payne 1993\*). The result is that service now dominates every developed economy (Godbout 1993\*).

The customer-service delivery connection involves the design and delivery of ancillary actions involved in providing a firm's goods and services to the customer. The focus of this connection is generally the frontline employee, whether an industrial salesperson, a retail salesperson, or a customer service representative who facilitates pre- or postpurchase aspects of the process. This connection also can subsume channel management activities, as when frontline employees provide services involved in moving products from one firm to another.

A marketing approach to this linkage is predominantly external in orientation. The focus is on ensuring that customers are satisfied with the delivery of services offered by the firm, measuring customer satisfaction with services, and changing internal processes that stand to have the greatest impact on the customer (Kordupleski, Rust, and Zahorik 1993). An internal approach, typically found in service operations or quality management, is more likely to have the goal of maximizing the internal efficiency of service processes by increasing productivity and decreasing costs (Deming 1986\*). As a by-product, customers presumably will become more satisfied. Although such internally driven approaches to service delivery are undoubtedly essential to any business (no business can afford to be too inefficient), recent work by Anderson, Fornell, and Rust (1997) has pro-

vided evidence that, in service-sector businesses, customer satisfaction and internal efficiency tend to trade off against each other. This suggests a certain degree of conflict in addition to the potential complementarities.

*The customer-financial accountability connection.* The customer-financial accountability connection refers to efforts focused on linking customers to financial outcomes. Historically, internally focused functions, such as accounting and management information systems, have been natural leaders in the management of this connection—accounting because of its ownership of the customer financial numbers and its ability to perform sophisticated activity-based accounting and management information systems because of its control over the distribution of customer financial information.

Marketing as a field has some history with building general frameworks that value marketing investment decisions directed at customers (Anderson 1979\*, 1981\*; Day and Fahey 1988\*; Srivastava, Shervani, and Fahey 1998). Other work has tried to dissect the connection between the customer and financial outcomes, with an eye toward managing the connection for greater accountability. For example, there have been attempts to measure the impact of marketing strategies on brand equity and link brand equity to incremental cash flows (e.g., Simon and Sullivan 1993\*) and to stock price changes (Lane and Jacobson 1995\*). Still other approaches investigate the customer satisfaction-financial accountability relationship at the industry level by linking quality to stock price changes (Aaker and Jacobson 1994) and customer satisfaction to profitability and customer loyalty (Anderson, Fornell, and Lehmann 1994\*; Fornell 1992). Finally, research provides theory that links customer satisfaction and customer value to the bottom line at the firm level (e.g., Bolton and Drew 1991, 1991\*; Danaher and Rust 1996\*; Fornell 1992; Heskett et al. 1994\*; Nelson et al. 1992\*; Rust, Zahorik, and Keiningham 1995).

The marketing function in many firms does not manage this linkage, and the inevitable result is that financial accountability is perceived largely in terms of costs. Given marketing's external vantage point, we expect that the function's greatest contribution will be in understanding the link between customer satisfaction and revenues by developing and analyzing individual-level databases that tie customer attraction efforts (i.e., advertising) and customer retention efforts (i.e., service improvements and relationship management programs) to financial outcomes.

### ***Connections Drive the Value of the Marketing Function***

Our discussion to this point leads us to put forth hypotheses about the relationship between the marketing function's knowledge and skills in the management of these three customer connections and its value within the firm. We contend that, as the marketing function's knowledge and skills increase in these three areas, the value of the function will increase as well. We predict the following:

- H<sub>2</sub>: The more the marketing function develops knowledge and skills related to managing the customer-product connection, the greater the function's value to the organization.
- H<sub>3</sub>: The more the marketing function develops knowledge and skills related to managing the customer-service delivery

connection, the greater the function's value to the organization.

H<sub>4</sub>: The more the marketing function develops knowledge and skills related to managing the customer–financial accountability connection, the greater the function's value to the organization.

### **Marketing Function Connections Relative to Organizationwide Market Connections**

Having specified the nature of the customer connection knowledge and skills the marketing function should develop to increase its value within the organization (H<sub>2</sub>–H<sub>4</sub>), we believe it is fruitful to return to our original prediction that the marketing function will contribute to firm performance beyond the contribution of an organizationwide market orientation. Specifically, considering the types of customer connection knowledge and skills, we predict that developing marketing function knowledge and skills in the areas of customer–product, customer–service quality, and customer–financial accountability will contribute to firm performance beyond the contribution of the cross-functional market orientation knowledge and skills. We predict the following:

H<sub>5</sub>: The more the marketing function develops knowledge and skills related to managing the three customer connections, the more it will contribute to the (a) financial performance, (b) customer relationship performance, and (c) new product performance of the firm beyond the contribution of an organizationwide market orientation.

## **Method**

### **Sample and Procedure**

The data collection was performed in two separate stages. The first stage involved asking managers about firm performance, the value of the marketing function, relevant firm control variables, and the marketing function's knowledge and skills related to the three customer connections. The second stage of the data collection followed the first review of the article and was prompted by reviewer feedback. In this stage, we sent an additional survey to our original respondents that included two market orientation scales (Jaworski and Kohli 1993; Kohli, Jaworski, and Kumar 1993; Narver and Slater 1990).

*Stage 1 procedures.* The initial sample consisted of 1200 managers from six different functions from a sample of U.S. business organizations. The six different functions were marketing, human resources, R&D, operations, accounting, and finance. The samples were drawn from the membership lists of four professional organizations: American Marketing Association (marketing managers), Institute of Management Accountants (accounting and finance managers), Society of Manufacturing Engineers (R&D and production managers), and Society for Human Resource Management (human resource managers). Approximately 200 managers of each type were sampled from relevant lists.

Each manager was mailed a copy of the questionnaire and a cover letter explaining the study goals. A dollar attached to the cover letter and an advance copy of the results were offered as incentives for participating. Three weeks

following the initial mailing, nonrespondents were sent another copy of the questionnaire. Two weeks after the remailing, nonrespondents were telephoned and encouraged to complete and return the questionnaire. Tests of nonresponse (Armstrong and Overton 1977\*) indicated no systematic differences between those who responded before and those who responded after the second mailing on the key variables in the study.<sup>2</sup>

Response to the questionnaire was reasonable. Of the 1200 in the original sample, 106 managers had left the organizations or their organizations had no marketing function, reducing the eligible sample to 1094. Of the 1094, 330 responded to the questionnaire, for an overall response rate of 30.4%. In Table 1, we show that this response was similar across the functions examined in this study, including marketing (32.3%), human resources (27.7%), operations (31.1%), R&D (27.1%), accounting (34.2%), and finance (28.5%). Other key descriptive statistics are contained in Table 1.

*Stage 2 procedures.* Stage 1 respondents were sent a follow-up survey approximately nine months following the initial questionnaire. Of the original 330 respondents, 30 had left their organizations, the organizations had gone out of business, or the respondent had died between the mailings, reducing the eligible sample to 300 respondents. Of these, 128 responded to the follow-up mailing, for a response rate of 42.6%. There was again reasonable response across the six functions examined in this study, including marketing (44.8%), human resources (36.1%), operations (44.8%), R&D (47.9%), accounting (52.4%), and finance (41.6%). An analysis of the composition of respondents in the two stages of data collection (see Table 1) indicates no difference in terms of the industry orientation of the firms, the size of the firms, the size of the marketing functions, or the number of marketers who serve as principals for the firm.

### **Measurement**

The Appendix contains all of the measures as well as their sources. All measures were at the organizational level. If the organization had only one strategic business unit (SBU), respondents were asked to focus on the overall firm as the unit of analysis. However, if the organization had multiple SBUs, respondents were asked to focus on their SBU as the unit of analysis.

The marketing function's knowledge and skills for each of the three connections was assessed using multi-item measures that used seven-point Likert scales. The three connections measures paralleled one another structurally, but the content of the measures varied depending on the focus of the connection. For example, in measuring the marketing function's knowledge and skills related to the customer–product connection, we asked respondents to rate the degree to

<sup>2</sup>The results of these tests (where ER = early responders and LR = late responders) are as follows: customer–product connection (ER = 4.14, LR = 4.13,  $F_{(322)} = .10$ ), customer–service delivery link (ER = 3.51, LR = 3.38,  $F_{(325)} = .48$ ), customer–finance link (ER = 4.08, LR = 4.04,  $F_{(327)} = .16$ ), firm financial performance (ER = 4.51, LR = 4.35,  $F_{(324)} = 1.31$ ), customer relationship performance (ER = 4.91, LR = 4.98,  $F_{(324)} = .50$ ), and new product performance (ER = 3.97, LR = 3.90,  $F_{(317)} = .26$ ).

**TABLE 1**  
**Sample Response Rates and Characteristics**

	Total	Marketing	Research and Development	Operations	Accounting	Finance	Human Resources
<b>Stage 1 Data Collection</b>							
Original sample	1200	200	200	200	228	172	200
Eligible sample	1086	195	177	167	210	172	166
Responses	330	63	48	52	61	60	46
Response rate	30.4%	32.3%	27.1%	31.1%	34.2%	28.5%	27.7%
Consumer goods and services	70%	64%	77%	59%	80%	73%	70%
Services	12%	27%	4%	6%	12%	12%	9%
Firm size	6347	4770	2725	19,550	3006	4751	2790
Marketing function size	113	125	121	63	106	196	44
Number of marketing principles	5.51	4.11	3.36	3.60	6.19	10.84	3.39
<b>Stage 2 Data Collection</b>							
Original sample	330	63	48	52	61	60	46
Eligible sample	300	58	48	49	61	48	36
Responses	128	26	23	22	32	20	13
Response rate	42.6%	44.8%	47.9%	44.8%	52.4%	41.6%	36.1%
Consumer goods and services	72%	67%	82%	60%	68%	86%	69%
Services	12%	37%	0%	5%	22%	5%	0%
Firm size	4542	1451	1697	15,652	2940	4173	966
Marketing function size	109	36	203	30	105	229	9
Number of marketing principles	5.48	3.79	4.75	2.00	4.63	14.00	1.36
<b>Comparison of Stage 1 and 2 Samples*</b>							
Consumer goods and services	t = -.410	t = -.228	t = -.486	t = -.076	t = 1.089	t = -1.314	t = .067
Services	t = .00	t = -.776	t = 1.385	t = .171	t = -1.090	t = 1.082	t = 2.082*
Firm size	t = .515	t = 1.269	t = 1.272	t = .188	t = .029	t = .263	t = 1.560
Marketing function size	t = .082	t = 1.024	t = -.446	t = .759	t = .004	t = -.207	t = 1.518
Number of marketing principles	t = .016	t = .166	t = -.847	t = 1.188	t = .499	t = -.344	t = 1.463

\*p < .05.

which (1) marketing is effective at translating customer needs into technical specifications for new products/services, (2) they would be willing to rely on marketing to translate customer needs into technical specifications for new products/services, (3) their firm's (division's) ability to translate customer needs into technical specifications for new products/services resides in marketing, and (4) marketing has the knowledge and skills to translate customer needs into technical specifications. The sets of measures composing each variable were reliable, including the marketing function's knowledge and skills of the customer-product connection ( $\alpha = .871$ ), the customer-finance connection ( $\alpha = .861$ ), and the customer-service delivery connection ( $\alpha = .916$ ). Descriptive statistics of these measures are contained in Table 2.

Because of the centrality of the value of the marketing function measure to this study, the domain was assessed using ten items that reflect two aspects of value: (1) the importance of the marketing function to the firm and (2) the weight given to the marketing function in decision making. Both were measured on seven-point Likert scales. Together, the items had adequate reliability ( $\alpha = .929$ ).

A firm's market orientation was measured using the published scales in Narver and Slater's (1990) and Kohli, Jaworski, and Kumar's (1993; Kohli and Jaworski 1990) work.<sup>3</sup> Narver and Slater (1990) propose three dimensions to a firm's marketing orientation that we measured with adequate reliability: customer orientation ( $\alpha = .831$ ), interfunctional coordination ( $\alpha = .821$ ), and competitor orientation ( $\alpha = .837$ ). Kohli, Jaworski, and Kumar (1993) and Jaworski and Kohli (1993) also propose three dimensions that we measured with adequate reliability: organization-wide market information acquisition ( $\alpha = .708$ ), information dissemination ( $\alpha = .684$ ), and responsiveness ( $\alpha = .813$ ).

The next set of variables was measures of firm performance. There are a variety of ways to measure performance, ranging from objective, secondary measures to more subjective measures that involve the use of managerial perceptions. Because of the size of the sample, typical unwillingness to share actual performance data, and the difficulty of creating valid measures of performance across industries, we followed most strategy research and opted to collect managers' subjective perceptions of performance. Previous studies have found a strong correlation between subjective assessments and their objective counterparts (e.g., Dess and Robinson 1984\*). In our study, we asked managers to rate firm performance relative to their firm's or SBU's stated objectives. This approach has been taken in prior literature (e.g., Gatignon and Xuereb 1997\*; Jaworski and Kohli 1993; Olson, Walker, and Ruekert 1995\*) and found to compare well to evaluations of firm performance relative to competitors (Moorman 1995).

The subjective performance measures focused on three domains. *Firm financial performance* reflects the firm's or SBU's perceived profitability and market performance. The four-item scale was found to be reliable ( $\alpha = .800$ ). *Cus-*

*tomership relationship performance* refers to the firm's or SBU's perceived ability to satisfy and retain customers by offering quality products and services ( $\alpha = .853$ ). Finally, *new product success* assessed the firm's or SBU's perceived financial performance, speed, and creativity of new product/service development ( $\alpha = .852$ ).

These measures were subjected to a purification process that involved unidimensionality and discriminant validity assessments (Gerbing and Anderson 1988\*). To assess unidimensionality and discriminant validity, a series of factor analysis models was examined. In the first step, the items expected to be associated with each scale were examined in a single factor analyses. The results followed our expectations, in that the items associated with a measure formed a single dimension in all but one case.<sup>4</sup> The items associated with the value of the marketing function formed two dimensions (the importance of marketing and the weight given to marketing in decision making) with eigenvalues greater than 1. However, because of the items' high cross-loadings, the high correlation between dimensions ( $\rho = .71$ ), and the strong theoretical linkage between the dimensions, we expect that this measure is multidimensional yet reflects a single domain: the value of the marketing function. To construct a single measure from the two dimensions, a partial aggregation approach (aggregating across the items within a dimension and then summing the dimensions; Bagozzi 1994\*) was used.

The second and perhaps more important step in the validation process was to examine pairs of related variables in the same factor analysis model. Following our predictions, we examined (1) each of the market orientation measures with the value of the marketing function measure, (2) each of the customer connection measures with the value of the marketing function measure, (3) each of the performance measures with both the market orientation measures and the value of the marketing function measure, and (4) each of the three customer connections measures and the three firm per-

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<sup>4</sup>Although validated by quite a bit of prior empirical research, the dimensions of each market orientation measure also were examined in a single factor analysis model. Results indicate that four of the six market orientation measures formed single dimensions (i.e., interfunctional communication and competitor orientation from Narver and Slater 1990; intelligence acquisition and intelligence responsiveness from Kohli, Jaworski, and Kumar 1993). However, there were also two cases in which the proposed scale formed two dimensions with significant levels of cross-loadings between the dimensions. For example, Narver and Slater's (1990) customer orientation measure formed two dimensions relating to customer commitment (items 1-3) and customer service (4-6). Likewise, Kohli, Jaworski, and Kumar's (1993) measure of intelligence dissemination formed two dimensions in which two items relating to the sharing of information regarding something important about competitors, customers, or the market (items 15 and 18) split from the other three items, which pertain to more routine information dissemination activities (items 12, 13, and 16). Despite this, because of the prior validation activities undertaken by the authors of these scales and the small differences found in the scale structure, we followed the formulations they report.

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<sup>3</sup>Kohli, Jaworski, and Kumar (1993) refine Jaworski and Kohli's (1993) work by suggesting that 12 of the original 32 items in the market orientation scales may be dropped.



TABLE 2  
Measures and Correlations

	N	Mean (Standard Deviation)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(1) Marketing function's customer-product connection knowledge and skills	325	4.11 (1.34)	.871															
(2) Marketing function's customer-financial accountability	330	4.08 (1.31)	.626*	.861														
(3) Marketing function's knowledge and skills customer-service delivery knowledge and skills	328	3.50 (1.47)	.460*	.499*	.916													
(4) The value of the marketing function within the firm	331	4.59 (1.20)	.466*	.404*	.276*	.929												
(5) MKTOR: Intelligence generation	128	3.35 (.75)	.198*	.209*	.056	.183*	.708											
(6) MKTOR: Intelligence dissemination	128	3.23 (.87)	.162	.196*	.171	.321*	.430*	.684										
(7) MKTOR: Intelligence responsiveness	128	3.38 (.60)	.167	.162	.026	.345*	.596*	.574*	.813									
(8) MKTOR: Customer orientation	128	5.17 (.98)	.142	.128	-.050	.248*	.444*	.353*	.464*	.831								
(9) MKTOR: Interfunctional coordination	128	4.30 (1.07)	.164	.183*	.148	.293*	.512*	.504*	.486*	.512*	.821							
(10) MKTOR: Competitor orientation	125	4.59 (1.27)	.301*	.205*	.124	.325*	.444*	.378*	.432*	.367*	.463*	.837						
(11) Firm financial performance	327	4.93 (1.08)	.219*	.301*	.127*	.221*	.254*	.215*	.251*	.402*	.291*	.188*	.800					
(12) Customer relationship performance	327	4.44 (1.20)	.305*	.359*	.180*	.242*	.185*	.140	.224*	.162	.214*	.075	.475*	.853				
(13) New product performance	320	3.98 (1.31)	.314*	.362*	.192*	.281*	.367*	.174	.349*	.326*	.293*	.245*	.492*	.531*	.852			
(14) Stage in product life cycle	318	5.54 (1.51)	-.001	.115*	-.075	-.023	-.148	-.090	.045	.071	-.054	-.106	-.145*	-.159*	-.230*			
(15) Consumer industry	315	.70 (.46)	.033	.015	-.020	.013	-.052	.107	-.084	-.024	.049	-.022	-.021	-.052	-.121*	.012		
(16) Goods producer	323	2.15 (1.74)	.082	.123*	.226*	.003	-.090	-.055	-.040	-.096	-.090	.062	-.013	.054	.106	-.159*	-.253	
(17) Firm size	328	6.46(1.68)	.064	-.018	-.172	-.047	.309*	.018	.112	.262*	.037	-.001	.120*	.060	.074	.059	.041	-.213*

\*  $p < .05$ .

Notes: The coefficient alpha for each measure is on the diagonal (and in italics), and the intercorrelations among the measures are on the off-diagonal. Single-item measures do not have an alpha. MKTOR is used as an abbreviation for market orientation. Measures 5-10 each contain a dimension of the market orientation scales.

formance measures.<sup>5</sup> In each case, the pairs of measures formed unique dimensions with eigenvalues of greater than 1, high factor loadings, and no cross-loadings. These results indicate discriminant validity between measures.

## Results

### *How the Marketing Function Contributes to Performance Beyond a Market Orientation*

A hierarchical regression model was used to test  $H_1$ . Specifically, following our predictions, the variables were entered into the models predicting firm performance in three steps: control variables (step 1), organizationwide market orientation (step 2), and the value of the marketing function (step 3). The changes in  $R^2$  and the F-statistic for the third step are used as an indication of the importance of the marketing function beyond a market orientation (Cohen and Cohen 1983\*).

Three control variables were used in these models. First, a measure of the location of the majority of the organization's products/services in the product life cycle was used because the value of marketing may vary over the life cycle (Lambkin and Day 1989\*). The measure was a continuous seven-point measure in which (1) was the "introduction stage, no dominant product/service accepted yet; high differentiation" and (7) was the "maturity stage, product/service is viewed as commodity; price competition is high." Respondents were asked to assess where most of the firm's products/services lie on this continuum, as perceived by the manager. The resulting mean of 5.54 (standard deviation = 1.51) suggests that we picked up a reasonable distribution of positions within the product life cycle.

Second, a measure of whether the organization operates in consumer or industrial markets was entered, on the premise that the value of marketing might vary across industries (Homburg, Workman, and Krohmer 1999). Respondents were asked to check one industry from a list of industry descriptions. A categorical variable, with all the consumer industries (retailing, services, durable consumer products, and nondurable consumer products) coded as "1" and the nonconsumer industries (wholesale distribution, industrial/commercial products, and governmental products) coded as "0," was used. In our sample, 72% of the firms produced consumer goods and services.

Third, given the importance of firm size to performance, a measure of firm size was entered as a continuous variable that reflected the number of employees in the SBU. The average size in our sample was 4542 employees.

The three dependent perceived performance measures (financial performance, customer relationship performance, and new product development performance) and the two different measures of market orientation (Kohli, Jaworski, and

Kumar 1993; Narver and Slater 1990) led to the examination of six models to test the impact of the marketing function. Variance inflation factors were estimated to examine collinearity for each of these models and all subsequent models and were found to be well below harmful levels (Mason and Perreault 1991\*). In all six cases, the overall models were significant, and the value of the marketing function was found to contribute significantly to perceived performance beyond the contribution of an organizationwide market orientation. In Table 3, we report the changes in  $R^2$  and the associated F-statistic for each step in all six models. These results support  $H_1$ .

### *How Customer Connection Knowledge and Skills Drive the Value of the Marketing Function*

Given that the value of the marketing function contributes to perceived firm performance beyond that explained by an organizationwide market orientation, the question then becomes: What types of knowledge and skills does a valued marketing function possess? We proposed that three distinct types of knowledge and skills, related to managing connections between customers and products, service delivery, and financial accountability, would improve marketing's contribution to the firm.

To test the relationships between marketing's effectiveness in managing key connections and the value of the marketing function, a hierarchical regression model again was estimated. The three variables reflecting the marketing function's ability to manage the three customer connections were entered as predictors. In addition, because we expected the connection between customers and the operations of frontline employees to be more important in organizations with direct customer interface (service providers), a variable reflecting the interaction of marketing's management of the customer-service quality connection and the extent to which the organization is a service provider also was entered into the model. The constituent variables in this interaction were a seven-point semantic differential scale that reflected whether the nature of the firm is (1) a goods producer versus (7) a service provider and the measure of marketing's ability to manage the customer-operation connection. Both variables were mean centered, and their product was used to create the interaction, thereby reducing the multicollinearity between the main and interaction effects in model estimation.<sup>6</sup>

Our hypotheses predict that the main effects of the customer-product connection and the customer-financial accountability connection will be positive and significant and that the interaction of the customer-service delivery

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<sup>5</sup>We believe it is important to provide evidence of discriminant validity between variables that are related in a model, because if they represent the same domain, suggesting that one predicts the other is not appropriate. Therefore, we tested for discriminant validity between independent and dependent variables in the last three models, as well as between sets of independent variables in the first model.

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<sup>6</sup>Interactions involving firm nature and the other connections were not modeled because the connections were not expected to occur at different rates in certain types of firms. Marketing's customer-product connection knowledge and skills, for example, examined marketing's effectiveness "at translating customer needs into technical specifications for new products/services," which is inclusive of both service providers and goods producers. Likewise, marketing's customer-financial accountability connection knowledge and skills examined marketing's effectiveness "at linking customer satisfaction/retention to financial outcomes," which also should be generic to all organizations.

**TABLE 3**  
**The Value of the Marketing Function Beyond a Firm's Market Orientation**

	Firm Financial Performance			Customer Relationship Performance			New Product Performance		
	Jaworski and Kohli	Narver and Slater	Jaworski and Kohli	Narver and Slater	Jaworski and Kohli	Narver and Slater	Jaworski and Kohli	Narver and Slater	Jaworski and Kohli
<b>Step 1: Control Variables</b>									
Change in R <sup>2</sup>	R <sup>2</sup> = .066	R <sup>2</sup> = .059	R <sup>2</sup> = .028	R <sup>2</sup> = .034	R <sup>2</sup> = .049	R <sup>2</sup> = .118	R <sup>2</sup> = .049	R <sup>2</sup> = .047	R <sup>2</sup> = .047
Change in F	F = 2.581	F = 2.245	F = 1.068	F = 1.273	F = 1.870	F = 4.847	F = 1.831	F = 1.697	F = 1.697
Significance of change	p = .057	p = .087	p = .366	p = .287	p = .139	p = .003	p = .146	p = .172	p = .172
<b>Step 2: Market Orientation</b>									
Change in R <sup>2</sup>	R <sup>2</sup> = .072	R <sup>2</sup> = .187	R <sup>2</sup> = .049	R <sup>2</sup> = .049	R <sup>2</sup> = .118	R <sup>2</sup> = .125	R <sup>2</sup> = .118	R <sup>2</sup> = .125	R <sup>2</sup> = .125
Change in F	F = 2.967	F = 8.626	F = 1.870	F = 1.866	F = 4.847	F = 5.062	F = 4.847	F = 5.062	F = 5.062
Significance of change	p = .035	p = .000	p = .139	p = .139	p = .003	p = .003	p = .003	p = .003	p = .003
<b>Step 3: Value of the Marketing Function</b>									
Change in R <sup>2</sup>	R <sup>2</sup> = .031	R <sup>2</sup> = .027	R <sup>2</sup> = .044	R <sup>2</sup> = .053	R <sup>2</sup> = .043	R <sup>2</sup> = .044	R <sup>2</sup> = .043	R <sup>2</sup> = .044	R <sup>2</sup> = .044
Change in F	F = 3.972	F = 3.836	F = 5.280	F = 6.381	F = 5.566	F = 5.681	F = 5.566	F = 5.681	F = 5.681
Significance of change	p = .048	p = .053	p = .024	p = .013	p = .020	p = .019	p = .020	p = .019	p = .019
<b>Overall Model</b>	<b>b<sup>d</sup> (se)<sup>e</sup></b>	<b>b (se)</b>	<b>b (se)</b>	<b>b (se)</b>	<b>b (se)</b>	<b>b (se)</b>	<b>b (se)</b>	<b>b (se)</b>	<b>b (se)</b>
Whether firm is in a consumer industry	.202 (.230)	.154 (.219)	.117 (.242)	.121 (.241)	-.034 (.269)	-.133 (.274)	-.034 (.269)	-.133 (.274)	-.133 (.274)
Stage in product life cycle	-.193 (.067)*	-.187 (.062)*	-.148 (.071)**	-.140 (.068)**	-.177 (.081)**	-.189 (.080)**	-.177 (.081)**	-.189 (.080)**	-.189 (.080)**
Firm size	.073 (.070)	.001 (.062)	.032 (.073)	.027 (.068)	.061 (.081)	.067 (.078)	.061 (.081)	.067 (.078)	.067 (.078)
Market orientation 1 <sup>a</sup>	-.125 (.209)	.449 (.118)*	-.031 (.220)	.069 (.129)	.235 (.237)	.339 (.148)**	.235 (.237)	.339 (.148)**	.339 (.148)**
Market orientation 2 <sup>b</sup>	.030 (.171)	.007 (.111)	-.223 (.180)	.166 (.122)	-.221 (.192)	.057 (.135)	-.221 (.192)	.057 (.135)	.057 (.135)
Market orientation 3 <sup>c</sup>	.434 (.225)***	-.012 (.085)	.416 (.237)***	-.165 (.094)***	.541 (.256)**	.027 (.104)	.541 (.256)**	.027 (.104)	.027 (.104)
Value of the marketing function	.184 (.092)**	.171 (.087)**	.223 (.097)**	.243 (.096)**	.248 (.105)**	.255 (.107)**	.248 (.105)**	.255 (.107)**	.255 (.107)**
Degrees of freedom	7,112	7,111	7,112	7,110	7,109	7,107	7,109	7,107	7,107
F-statistic	3.073 (p = .005)	5.546 (p = .000)	2.076 (p = .052)	2.340 (p = .029)	3.873 (p = .001)	3.932 (p = .001)	3.873 (p = .001)	3.932 (p = .001)	3.932 (p = .001)
Adjusted R <sup>2</sup>	.114	.224	.063	.078	.156	.161	.156	.161	.161

<sup>a</sup>In Jaworski and Kohli (1993), the first dimension is organizationwide market information acquisition, and in Narver and Slater (1990), it is customer orientation.  
<sup>b</sup>In Jaworski and Kohli, the second dimension is organizationwide market information dissemination, and in Narver and Slater, it is cross-functional information sharing.  
<sup>c</sup>In Jaworski and Kohli, the third dimension is organizationwide market responsiveness, and in Narver and Slater, it is competitor orientation.  
<sup>d</sup>Standardized coefficients are used in this table and throughout the remainder of the article.  
<sup>e</sup>These refers to the standard error of the estimated coefficients.

\* p < .01.  
 \*\* p < .05.  
 \*\*\* p < .10.

connection and firm nature will be positive and significant. Table 4 contains the overall results and the results by function.

Results indicate that the overall model is significant (adjusted  $R^2 = .242$ ,  $F_{(5,319)} = 21.35$ ,  $p < .000$ ), and parameter estimates indicate support for the hypothesized relationships. Specifically, there is a positive and significant relationship between marketing's customer-product connection knowledge and skills and the value of marketing within the firm ( $b = .281$ ,  $t = 4.844$ ,  $p < .000$ ), in support of  $H_2$ . Likewise, there is a positive and significant relationship between marketing's customer-financial accountability connection knowledge and skills and the value of marketing within the firm ( $b = .193$ ,  $t = 3.172$ ,  $p < .001$ ), in support of  $H_3$ . Finally, though the main effect of marketing's customer-service delivery connection knowledge and skills was not a significant predictor of marketing's value within the firm, the interaction of this connection and the nature of the firm is a marginally significant and positive predictor ( $b = .044$ ,  $t = 1.869$ ,  $p < .06$ ). This indicates that marketing's customer-service delivery connection knowledge and skills have an impact on the value of marketing within the firm when the firm is more a service provider than a goods producer. This result provides conditional support for  $H_4$ .

#### ***How the Marketing Function's Customer Connections Contribute Beyond the Contribution of a Market Orientation***

In this section, we extend our analysis by examining the effect of specific marketing function knowledge and skills on firm performance. In particular, we test the proposition that the more the marketing function develops knowledge and skills related to managing the three customer connections, the more it will contribute to firm performance beyond the contribution of an organizationwide market orientation.

This extends  $H_1$ , which focused on the more general point that a valued marketing function contributes beyond an organizationwide market orientation. To test this prediction, we used the same procedure to test  $H_1$ . Specifically, a hierarchical regression model was examined in which the three control variables (step 1), organizationwide market orientation (step 2), and marketing's knowledge and skills related to the three connections (step 3) were entered into the model. Because we were interested in the overall impact of marketing function knowledge and skills, not a specific set of knowledge or skills, we created a new variable that reflected the summation of the marketing function's three customer connection knowledge and skills. This multidimensional variable was entered in the third step. The changes in  $R^2$  and the F-statistic associated with this step then were examined as a test of  $H_5$ .

As with  $H_1$ , the effect of the marketing function's customer connection knowledge and skills was found to explain a significant level of variance in perceived firm performance beyond the variance explained by an organizationwide market orientation for all six models, in support of  $H_5$  (see Table 5). An examination of Tables 3 and 5 also suggests that the marketing function customer connections contribute more to firm performance than the more general construct of the value of the marketing function.

## **The Future of Marketing in Organizations**

The preceding empirical findings support the contention that, though market orientation is undeniably important, the marketing function continues to have an important role to play. In this section, we explore the theoretical and substantive issues raised by our findings. Our ideas focus on providing the field of marketing with a stronger basis for building critical connections in firms and developing a sustainable knowledge base that can drive marketing education and practice in the twenty-first century.

#### ***Organizing a Strong Marketing Function into a Market-Oriented Firm***

There are various organizational structures that allow for the integration of strong functions in a process structure such as market orientation. The appropriateness of any structure for the marketing function depends on several contingencies in both the environment and the organization (Workman, Homberg, and Gruner 1998), as we highlight subsequently.

One approach has been referred to as a "hybrid organization" (Day 1997) or "matrix management" (Davis and Lawrence 1977\*). However, as opposed to traditional matrix management, which involves a temporary overlay of project groups on a functional design, the organizational scheme we suggest overlays the customer connections on the functional design in a more permanent way. This could be implemented by functions having subgroups that reflect the connections they help manage. Therefore, the marketing function might have three subgroups related to product, service delivery, and financial accountability. Likewise, operations would have product and service delivery subgroups. Managers in these subgroups then would be members of horizontal, cross-functional teams and activities.

If the marketing function were organized into a subgroup for each connection, it probably would appear as follows: The customer-product subgroup would be similar to the existing marketing group in many companies. This group would manage products and brands and be responsible for product-related decisions, such as price, promotion, and product design and redesign. The customer-service delivery subgroup would be similar to a typical customer satisfaction/retention group. Its responsibilities would include measuring, monitoring, and improving customer satisfaction and service delivery and managing the organization's loyalty and retention programs. The customer-financial accountability subgroup would be similar to the customer information system and database management group at a modern financial services company. This group's responsibilities would include collecting and storing information related to customer profitability and the effect of the firm's product and service delivery initiatives on that profitability. The current attention to "data mining" to determine profitable customer initiatives is typical of the activities appropriate for this subgroup.

Another organizational approach that is less a formal structure and more a reflection of information flows is what Day (1997, p. 91) refers to as the establishment of a central guidance marketing function that would facilitate the "artic-

**TABLE 4**  
**The Impact of the Marketing Function's Customer Connections on the Value of the Marketing Function**

Dependent Variable: Value of the Marketing Function	Research and Development													
	Total		Marketing		Development		Operations		Accounting		Finance		Human Resources	
	b <sup>b</sup>	(se) <sup>c</sup>	b	(se)	b	(se)	b	(se)	b	(se)	b	(se)	b	(se)
Marketing function's customer-product connection knowledge and skills	.281*	(.057)	.359*	(.147)	.131	(.161)	-.076	(.180)	.404*	(.136)	.450*	(.127)	.293***	(.150)
Marketing function's customer-financial accountability connection knowledge and skills	.193*	(.060)	.155	(.161)	.386**	(.175)	.338	(.243)	.259***	(.131)	.156	(.120)	.279	(.172)
Marketing function's customer-service quality connection knowledge and skills	.042	(.024)	.112	(.138)	-.076	(.125)	.163	(.139)	-.054	(.122)	-.007	(.106)	-.037	(.121)
Service nature of the firm <sup>a</sup>	-.066***	(.037)	-.056	(.111)	-.153	(.136)	.238	(.184)	.098	(.084)	-.172**	(.081)	-.092	(.122)
Marketing function's customer-service quality connection knowledge and skills × service	.044***	(.023)	.029	(.066)	-.023	(.084)	.001	(.107)	.062	(.063)	.085	(.064)	.062	(.070)
Degrees of freedom	(5,319)		(5,58)		(5,46)		(5,52)		(5,57)		(5,57)		(5,44)	
F-statistic	21.35*		3.301*		4.533*		2.024***		6.265*		6.950*		4.865*	
Adjusted R <sup>2</sup>	.242		.165		.277		.090		.316		.343		.305	

<sup>a</sup>Higher number signifies a service provider.

<sup>b</sup>Standardized coefficients are used throughout.

<sup>c</sup>se refers to the standard error of the estimated coefficients.

\* $p < .01$ .

\*\* $p < .05$ .

\*\*\* $p < .10$ .

**TABLE 5**  
**The Marketing Function's Role in Customer Connections and Firm Performance**

	Firm Financial Performance			Customer Relationship Performance			New Product Performance		
	Jaworski and Kohli	Narver and Slater	Jaworski and Kohli	Narver and Slater	Jaworski and Kohli	Narver and Slater	Jaworski and Kohli	Narver and Slater	Jaworski and Kohli
<b>Step 1: Control Variables</b>									
Change in R <sup>2</sup>	R <sup>2</sup> = .065	R <sup>2</sup> = .058	R <sup>2</sup> = .031	R <sup>2</sup> = .037	R <sup>2</sup> = .059	R <sup>2</sup> = .056			
Change in F	F = 2.510	F = 2.176	F = 1.163	F = 1.355	F = 2.205	F = 2.045			
Significance of change	p = .063	p = .095	p = .327	p = .261	p = .092	p = .112			
<b>Step 2: Market Orientation</b>									
Change in R <sup>2</sup>	R <sup>2</sup> = .074	R <sup>2</sup> = .190	R <sup>2</sup> = .047	R <sup>2</sup> = .047	R <sup>2</sup> = .113	R <sup>2</sup> = .122			
Change in F	F = 2.998	F = 8.679	F = 1.795	F = 1.774	F = 4.655	F = 4.971			
Significance of change	p = .034	p = .000	p = .153	p = .157	p = .004	p = .003			
<b>Step 3: Marketing Function's Customer Connection Knowledge and Skills</b>									
Change in R <sup>2</sup>	R <sup>2</sup> = .032	R <sup>2</sup> = .030	R <sup>2</sup> = .105	R <sup>2</sup> = .112	R <sup>2</sup> = .086	R <sup>2</sup> = .095			
Change in F	F = 4.074	F = 4.265	F = 13.442	F = 14.162	F = 11.729	F = 12.889			
Significance of change	p = .046	p = .041	p = .000	p = .000	p = .001	p = .000			
<b>Overall Model</b>	<b>b<sup>d</sup> (se)<sup>e</sup></b>	<b>b (se)</b>	<b>b (se)</b>	<b>b (se)</b>	<b>b (se)</b>	<b>b (se)</b>			
Whether firm is in a consumer industry	.173 (.234)	.133 (.221)	.002 (.237)	.027 (.234)	-.200 (.261)	-.287 (.263)			
Stage in product life cycle	-.179 (.068)*	-.174 (.062)*	-.149 (.068)**	-.138 (.066)**	-.194 (.077)**	-.206 (.076)*			
Firm size	.066 (.069)	-.009 (.062)	.030 (.070)	.007 (.066)	.058 (.077)	.044 (.073)			
Market orientation 1 <sup>a</sup>	-.149 (.212)	.492 (.117)*	-.130 (.215)	.141 (.124)	.131 (.228)	.426 (.141)*			
Market orientation 2 <sup>b</sup>	.022 (.171)	.007 (.111)	-.260 (.173)	.135 (.118)	-.253 (.184)	.007 (.129)			
Market orientation 3 <sup>c</sup>	.529 (.225)**	-.008 (.085)	.546 (.227)**	-.178 (.090)	.665 (.242)*	.014 (.098)			
Marketing function's customer connection knowledge and skills	.062 (.030)**	.058 (.028)**	.114 (.031)*	.113 (.030)*	.114 (.033)*	.118 (.033)*			
Degrees of freedom	7,111	7,109	7,111	7,109	7,108	7,106			
F-statistic	3.073 (p = .005)	5.618 (p = .000)	3.350 (p = .003)	3.550 (p = .002)	5.034 (p = .000)	5.319 (p = .000)			
Adjusted R <sup>2</sup>	.116	.229	.129	.141	.207	.222			

<sup>a</sup>In Jaworski and Kohli (1993), the first dimension is market information acquisition, and in Narver and Slater (1990), it is customer orientation.

<sup>b</sup>In Jaworski and Kohli, the second dimension is market information dissemination, and in Narver and Slater, it is cross-functional information sharing.

<sup>c</sup>In Jaworski and Kohli, the third dimension is market responsiveness, and in Narver and Slater, it is competitor orientation.

<sup>d</sup>Standardized coefficients are used throughout.

<sup>e</sup>se refers to the standard error of the estimated coefficients.

\*p < .01.

\*\*p < .05.

ulation, navigation, and orchestration” of customer connections. Therefore, the marketing function’s chief responsibility would be to provide information about various connections in the framework. The key to this organizational approach is an extremely effective, highly used formal and informal marketing information system. This information optimally would be housed in corporate intranets and embedded in cultural systems within the organization to improve its value and ease of use. Systems would need to be constructed in such way to capture experience, knowledge, and insight related to critical customer connections.

Operationalizing such an information system might involve a database of the firm’s customers, complete with historical and/or expected purchase volume, customer satisfaction and repurchase intention, measures of brand equity, advertising and promotion exposure, and information about customer switching costs. Such a system would provide diagnostic information about both the customer–product (brand equity, advertising exposure) and the customer–service delivery (relationship strength, customer satisfaction, repurchase intention) connections, with financial accountability as the lingua franca that ties the system together. That is, all efforts, whether related to product or service delivery, would be evaluated in terms of their ability to increase the financial lifetime value of the firm’s customers.

### ***Implications for Teaching***

Our results suggest that the field’s current emphasis on the customer–product connection is partially justified. It explains the highest level of variance in our model that predicts the value of the marketing function in organizations. It is not clear, however, whether this explanatory power is due to the inherent value of the connection or to how well-developed the methodologies are for facilitating this linkage. We think it is likely the latter.

The customer–financial accountability linkage is also important in our model. A review of most marketing management textbooks reveals that marketing’s role in this linkage is not well understood or built into the pedagogy in a systematic way. For example, many textbooks introduce financial assessments in a single chapter (e.g., Lehmann and Winer 1994\*) but fail to teach systematically the detailed ways in which marketing should manage financial accountability. Other approaches focus only on financial considerations as a barrier or constraint to marketing decision making (Rossiter and Percy 1987\*, p. 75). If marketing managers are going to be able to conceptualize linkages between the customer and financial accountability, curricula must be expanded to account for profitability considerations in attracting and retaining customers (e.g., Kaplan and Norton 1996\*).

Although significantly important only in service environments, we expect that the high (and steadily increasing) percentage of every developed economy that is service-oriented would suggest that the customer–service delivery connection also must receive greater emphasis in core marketing courses. Currently, issues of service delivery, service quality, and customer satisfaction tend to be relegated largely to one course in service marketing. Our results suggest that managing the interface of the customer and frontline

employees that deliver ancillary services to end and intermediate consumers contributes to marketing’s value and firm performance. We predict that this connection also will increase in importance as tools for enacting it improve.

An increased emphasis on the customer–service delivery connection also would seem to have implications for the time focus of marketing. Whereas the customer–product connection involves activities (e.g., pricing, advertising, product design) related to attracting customers and concluding a transaction, the customer–service delivery connection tends to involve functions (e.g., relationship management, customer service) related to satisfying and retaining customers in an ongoing relationship. We suspect that this will imply a shift in emphasis from more short-term, transactional marketing to more long-term, relational marketing. In other words, less attention in the marketing curriculum might be paid to decisions that promote one-time, immediate product sales, and more attention might be paid to continuing efforts to build customer relationships. Likewise, relatively less attention might be paid to current-period product profitability, and more attention paid to long-term customer profitability.

Finally, the recent trend toward team teaching and cross-disciplinary classes is consistent with our framework. Just as organizations may be managed both horizontally and vertically, business curricula may be taught both horizontally and vertically. Functional identity is important to establish depth of knowledge; interdisciplinary study is important to explore the deep relationships between the internal and external focus in the customer connections.

### ***Research Agenda***

The research agendas that arise from this study may be both descriptive (understanding how marketing operates in organizations) and normative (developing models and systems to implement marketing’s expanded role). In both cases, we believe it is fair to say that marketing scholarship accepts a schism between consumer research and marketing organization or strategy research. Separate scholars, separate theories, and distinct values tend to guide research in these areas. We recommend that scholars reconsider the interface of consumer behavior and marketing strategy or organization as a fundamentally important area for research. Therefore, we ask marketing academics to do what our framework suggests marketing practitioners should do—link key content areas of the firm (e.g., product, service delivery) with customers. These activities must go beyond tactical-level examinations of the impact of a marketing strategy on customers and the impact of customers on marketing strategies. Instead, we encourage research to develop strategic-level approaches that integrate custom- and firm-level theories (e.g., Howard 1983).<sup>7</sup>

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<sup>7</sup>Howard’s (1983) “marketing theory of the firm” is a good example of a strategic-level integrative approach. It suggests that marketing organization and strategy design should accept the customer as the source of the product life cycle (through customer response patterns), competitive structure (through customer product hierarchy beliefs), and power shifts in marketing relationships (through factors influencing customer decision making).

*Descriptive organizational research.* Studying the integrative and specialized role of marketing in organizations points to several important research issues. First, a common approach taken in the literature is a contingency approach, in which the structure of an organization depends on factors in the environment. Early conceptual work by Nonaka and Nicosia (1979\*) and Weitz and Anderson (1981), followed by empirical efforts by Ruekert, Walker, and Roering (1985\*) and Ruekert and Walker (1987), points to dynamics in the environment that influence organizational design decisions. A more complex and turbulent environment usually means more integrative structures (and corresponding knowledge and skills). There is, however, evidence suggesting that turbulence may indicate the need for specialized resources, especially if innovation is a desired outcome (Bantel and Jackson 1989\*; Moorman and Miner 1997). However, specialized functional resources also have been found to slow down firm activities (Hambrick, Cho, and Chen 1996\*; Smith et al. 1991\*). We need more research on the value of different levels of integration and specialization in different contexts.

Second, research could examine further the types of organizational factors that influence the role that marketing is assigned. Workman, Homburg, and Gruner (1998) provide an interesting set of propositions that attempts to predict whether marketing activities are dispersed or held within a function. They predict that a consumer industry context, a differentiation strategic orientation, a high degree of relation between marketing and sales tasks across business units, and a lack of customer concentration will increase the cross-functional power of marketing. To these, we might add whether the functional background of senior management in the firm is marketing, the degree of formalization, the degree to which the firm culture is a market, and the perceived importance of marketing in firm success.

Third, this framework raises the issue of the impact of building a marketing function internally or contracting with another organization to provide marketing function knowledge and skills. The value of an external organization is the increase in specialization, including new insights, it affords the contracting organization. The cost may be that an external organization's expertise is not integrated into the contracting organization's repertoire of knowledge and skills, thereby leaving the organization without the value of experience. This lack of knowledge and skills, in turn, may affect the ability to learn in the future (Cohen and Levinthal 1990\*). We expect that contracting with an external organization also will bring increased coordination and monitoring costs that are likely to reduce information flows across the different connections. It may be, however, that a single connection could be outsourced with fewer costs and losses.

Fourth, the nature of the knowledge systems that enable strong functions to feed and not deter from vibrant cross-functional processes should be investigated. Research has not provided much empirical insight into the content and structure of the explicit and tacit knowledge systems that may underlie hybrid organizations. Research has found that firms that use knowledge about the market are better performers across several important indicators. However, we have little insight into how to design knowl-

edge systems, both formal and informal, so that knowledge facilitates superior functional *and* cross-functional activities.

Fifth, research could examine the separate effects and the interface of individual, organizational, and technical aspects of how market knowledge systems work and work best. What skill sets equip managers to be experts and collaborators? What organizational characteristics, such as culture, structure, and routines, facilitate the interaction of functional and cross-functional activities? How can technologies be designed to help managers and organizations do a better job of balancing the integration task? How do these individual, organizational, and technical factors work in a complementary fashion? We believe it may be fruitful to perform several depth studies of how organizations achieve success in managing the tensions inherent in the strong functional/strong cross-functional view we are proposing. A depth approach would allow, in particular, for insight into the belief systems of the managers and organizations that have found ways to negotiate this world.

Sixth, other research might perform studies on the generalizability of our framework as it relates to other functions. It may be that the lack of a unifying node—such as the “customer” in marketing—makes negotiating the functional/cross-functional balance more difficult as, for example, operations managers are pulled among product, service delivery, and customer constraints.

*Normative research.* In addition to providing better understanding of the organizational environment, research can contribute to the implementation of that understanding by developing models and practices that bridge the gap between academic understanding and management practice. For example, our framework implies that customer profitability should be addressed in an integrated way, cutting across both customer–product (e.g., product, advertising, price) and customer–service delivery (e.g., service improvement efforts, relationship management) activities. This perspective implies the usefulness of broad models of customer lifetime value that are capable of addressing the impact of marketing decisions—not just the traditional 4Ps, but the integration of the impact of service delivery into the same framework. Such work heretofore has been localized in either customer attraction or retention, but our extended framework demands greater integration of models of financial accountability, probably based on the unifying concept of customer equity (Blattberg and Deighton 1996).

## Conclusions

On the basis of an extensive study of managers across a wide range of business types and six different functional affiliations, we draw the following conclusions:

1. Marketing is best viewed as the function that manages connections between the organization and the customer. The primary connections may be viewed as the customer–product, the customer–service delivery, and the customer–financial accountability connections.
2. The extent to which the marketing function manages these connections contributes to financial performance, customer relationship performance, and new product perfor-



mance, beyond the impact of an organizationwide marketing orientation.

3. The marketing function can improve its contribution to the firm by expanding its scope beyond the traditional customer-product connection to include more emphasis on service delivery and financial accountability. Marketing education also should be expanded to include this new focus.

## Appendix

### Study Measures

*The Marketing Function's Customer-Product Connection Knowledge and Skills* *New Scale*  
(7-point scale where 1 = strongly disagree and 7 = strongly agree)

- Marketing is effective at translating customer needs into technical specifications for new products/services.
- I would be willing to rely on marketing to translate customer needs into technical specifications for new products/services.
- My firm's (division's) ability to translate customer needs into technical specifications for new products/services resides in marketing.
- Marketing has the knowledge and skills to translate customer needs into technical specifications.

*The Marketing Function's Customer-Financial Accountability Connection Knowledge and Skills* *New Scale*  
(7-point scale where 1 = strongly disagree and 7 = strongly agree)

- Marketing is effective at linking customer satisfaction/retention to financial outcomes.
- I would be willing to rely on marketing to link customer satisfaction/retention to financial outcomes.
- My firm's (division's) ability to link customer satisfaction/retention to financial outcomes resides in marketing.
- Marketing has the knowledge and skills to link customer satisfaction/retention to financial outcomes.

*The Marketing Function's Customer-Service Quality Connection Knowledge and Skills* *New Scale*  
(7-point scale where 1 = strongly disagree and 7 = strongly agree)

- Marketing is effective at linking customer needs to the operations of frontline employees.
- I would be willing to rely on marketing to link customer needs to the operations of frontline employees.
- My firm's (division's) ability to link customer needs to the operations of frontline employees resides in marketing.
- Marketing has the knowledge and skills to link customer needs to the operations of frontline employees.

*The Value of Marketing Function Within the Firm*  
*Several items adapted from Kohli and Zaltman (1988)*  
(7-point scale where 1 = strongly disagree and 7 = strongly agree)

- The functions performed by marketing are generally considered to be more critical than other functions.
- Top management considers marketing to be more important than other functions.
- Marketing tends to dominate other functions in the affairs of the organization.
- Marketing is generally regarded as being more influential than other functions.
- In general, how much weight does the firm (division) give to marketers' opinions?
- To what extent do decisions generally reflect the views of marketing?

Relative to other functions within your firm (division), marketing is:

- Valued.
- Considered important to the success of the firm (division).
- Respected.
- Viewed as a benefit to the firm (division).

*Financial Performance*  
*Adapted in part from Moorman (1995) and Griffin and Page (1993)*  
(7-point scale where 1 = worse, 4 = on par, and 7 = better)

Relative to your firm's (division's) stated objectives, how is your firm (division) performing on:

- Costs.
- Sales.
- Profitability.
- Market share.

*Customer Relationship Performance*  
*Adapted in part from Griffin and Page (1993)*

Relative to your firm's (division's) stated objectives, how is your firm (division) performing on:

- Customer satisfaction.
- Customer retention.
- Product/service quality.

*New Product Performance*  
*Adapted in part from Moorman (1995) and Griffin and Page (1993)*

Relative to your firm's (division's) stated objectives, how is your firm (division) performing on:

- Financial performance of new product/service development.
- Speed of new product/service development.
- Creativity of new product/service development.

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