Marketing Organization: An Integrative Framework of Dimensions and Determinants

Although there is increasing interest in topics related to the organization of the marketing function, there is relatively little research that relates marketing organization to a business unit’s environment. This article, based on interviews in U.S. and German firms, explores how the organization and role of marketing vary across business contexts. After reviewing prior research and describing their methodology, the authors present a conceptual framework that relates aspects of marketing organization to the business environment. The authors then draw on field observations and prior research to describe variations and develop illustrative propositions for three organizational dimensions: (1) the structural location of marketing and sales groups, (2) the cross-functional dispersion of marketing activities, and (3) the relative power of the marketing subunit. The authors conclude with theoretical and managerial implications.

During the past few years, there has been growing interest in marketing’s cross-functional relationships with other departments as well as in issues of how to reengineer organizations around key business processes to deliver better products and services to customers. Topics that touch on these organizational issues include the effects of a market orientation on business performance (Jaworski and Kohli 1993; Slater and Narver 1994), the creation of learning organizations (Sinkula 1994; Slater and Narver 1995), the identification of core capabilities of market-driven firms (Day 1994), and the importance of managing networks of relationships with key suppliers and customers (Achrol 1991; Webster 1992).

Although individual studies have focused on selected dimensions of marketing organization, they have not been integrated. Our study aims to provide an integrative framework that encompasses both structural and nonstructural aspects of marketing organization. This framework also makes explicit the link between environmental and marketing organizational dimensions.

The topic of marketing organization fundamentally addresses the allocation of activities to groups. Therefore, we believe that any discussion of marketing organization must acknowledge two different perspectives: marketing as a functional group within the organization and marketing as a set of activities (e.g., advertising, product management, market research, sales, customer service) whose placement varies across organizations (Glazer 1991; Piercy 1985; Varadarajan 1992; Webster 1992). The first, which we label the functional group perspective, focuses on marketing as a distinct organizational entity, whereas the second, which we label the activity-based perspective, emphasizes activities traditionally considered marketing and sales activities. Most definitions of marketing and debates about its domain use an activity-based perspective (e.g., Bagozzi 1975; Enis 1973; Hunt 1976; Kotler and Levy 1969). For example, the current American Marketing Association (AMA) definition of marketing is as follows: “Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives” (Marketing News 1985). Conversely, a significant portion of the research on marketing organization has adopted a functional group perspective (e.g., Anderson 1982; Walker and Ruekert 1987; Weitz and Anderson 1981). Our research is integrative, in that we draw on both functional group and activity-based perspectives of marketing. These perspectives are neither mutually exclusive nor opposite ends of a continuum, but rather are akin to looking at the world through glasses with different colored lenses.

Our research has important implications for both research and practice. As Day (1997, p. 67) notes, “organizational issues are rising to the top of the agenda on the future of marketing.” However, much of the research on marketing organization has been done on isolated organizational as-

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In an activity-based perspective, sales activities are included in marketing because process definitions (such as the AMA’s) include sales as a key marketing activity. However, when addressing a functional group perspective of marketing, most authors (with the notable exception of Anderson 1982) focus on the group within the firm that is labeled “marketing” and therefore do not include sales with marketing.
pects, without an integrative framework in which to consider these decisions or acknowledgment of environmental factors that might lead to different organizational forms. By developing an holistic framework, we not only provide a synthesis of prior research but also identify avenues for future empirical work. For a managerial audience, we identify marketing organization and environmental parameters to be considered. Rather than implying that some new form is the wave of the future, we provide a more complex and balanced view that emphasizes the range of decisions and types of situations in which one form or another may arise. We begin by reviewing prior theoretical and empirical research related to marketing organization, as well as marketing’s relationship with other functional groups in the firm.

**Literature Review and Theoretical Background**

**Theoretical and Conceptual Research Related to the Organization of Marketing**

In the 1980s, several conceptual and theoretical papers (see Table 1) focused on the factors affecting marketing’s interaction with other functional groups (Gupta, Raj, and Wilemon 1986; Wind 1981) as well as those affecting its role in specific contexts, such as strategic planning (Anderson 1982; Hutt and Sphet 1984). In column 3 of Table 1, we indicate whether each study uses the functional group perspective of marketing, the activity-based perspective of marketing, or is integrative, addressing both issues. Perhaps the most widely cited article on marketing’s role is Anderson’s (1982). In this article, Anderson draws on Pfeffer and Salancik’s (1978) resource dependence theory and argues for a “constituency-based theory of the firm” in which the relative influence of marketing in strategic planning is based on the importance of the resources it contributes. Anderson argues that “the chief responsibility of the marketing area is to satisfy the long-term needs of its customer coalition” (p. 22) and states that “marketing’s role in strategic planning must be that of a strong advocate for the marketing concept” (p. 24). Although Anderson’s article has had a significant theoretical impact in marketing, there has been little effort to develop measures of marketing’s power on various issues in organizations. In addition, Anderson makes no distinction between marketing and sales.

More recently, conceptual work has shifted from marketing’s role in a firm to its role in managing relationships with external partners. Achrol (1991) focuses on two specific organizational forms he labels “marketing exchange company” and “marketing coalition company” and argues that these forms are more appropriate for turbulent environments in which knowledge is dispersed across firms. Webster (1992) emphasizes the role of marketing in managing strategic partnerships, which allows for more flexibility and less bureaucracy in the value chain from suppliers to customers. Day (1994) also studies the value chain and focuses primarily on the capabilities, rather than specific organizational forms, of “market-driven firms.” This shift from the study of marketing in the firm to the study of marketing’s role in helping span the boundary between firms is partly the result of the growing awareness of the importance of interfirm alliances and the rationalization of activities throughout the value chain.

In reviewing the conceptual work on marketing organization, we find a great variety in the dependent variables (see Table 1). This is partly due to the complexity of the phenomena; marketing organization encompasses many dimensions, including structure (Weitz and Anderson 1981), power (Hinings et al. 1974; Pfeffer 1981), interactions with other groups (Walker and Ruekert 1987; Wind 1981), and bureaucratic dimensions, such as formality, centralization, and standardization (Ruekert, Walker, and Roering 1985). In addition, when companies design their marketing organization, they must determine whether a marketing group should exist (Piercey 1985), the assignment of activities to functional groups (Hutt and Sphet 1984), the “locus of decision making” (corporate versus divisional) for various decisions (Varadarajan and Clark 1994), and which activities to perform internally versus externally (Achrol 1991; Day 1994; Doyle 1995; Ruekert, Walker, and Roering 1985; Webster 1992). What has been missing from this conceptual work is empirical support for the claims.

**Field and Survey-Based Research on the Organization and Role of Marketing**

In Table 2, we summarize key field studies that focus on some dimension of marketing organization. Early researchers on this topic typically conducted interviews with sales, marketing, and general managers and described the variations in how the marketing function was organized (e.g., Bund and Carroll 1957; Carson 1968; Lazo and Corbin 1968). Although this field research provides insight into managerial practice, it has two key limitations. First, much of the research is limited to large U.S. consumer goods firms. Second, the research is primarily descriptive, with little effort to link field observations to prior research or systematically relate organizational forms to contingency variables. Thus, many of these studies have had limited theoretical impact because of their overemphasis on descriptions of managerial practice and lack of systematic theory development.

The most common empirical approach in the study of marketing organization has been to use a mail survey to test a contingency theory of how a given organizational dimension will vary across a set of conditions. In Table 3, we present summaries of studies that use this approach. Three of these studies focus on nonstructural dimensions, such as interactions (Ruekert and Walker 1987), distinctive competencies in marketing (Conant, Mokwa, and Varadarajan 1990), and power of brand managers (Starr and Bloom 1994), whereas three focus on structural dimensions (Dastmalchian and Boag 1990; Piercey 1986; Tull et al. 1991).

In relating dimensions of marketing organization to situational or environmental variables, we find substantial variety among the studies in which independent variables are related to which dependent variables. Two studies do not test for any such associations beyond size (Piercey 1986; Tull et al. 1991), and one focuses on the single contextual variable of strategy (Conant, Mokwa, and Varadarajan 1990). Summarizing the empirical work on marketing organization, we find the same limitations we found in the conceptual
<table>
<thead>
<tr>
<th>Author</th>
<th>Primary Focus</th>
<th>Perspective of Marketing</th>
<th>Dependent Variables</th>
<th>Independent Variables</th>
<th>Summary Comments</th>
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<tr>
<td>Pfeffer (1981)</td>
<td>Development of a framework for studying power of subunits in an organization</td>
<td>Functional group</td>
<td>Power of organizational subunits</td>
<td>Criticality and importance of tasks, personal skills of managers</td>
<td>Argues that power is a structural phenomenon and research is needed to examine empirically factors leading to power of subunits.</td>
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<tr>
<td>Wind (1981)</td>
<td>Identity major dependencies between marketing and other departments</td>
<td>Functional group</td>
<td>Types of interactions and exchanges between marketing and other departments</td>
<td>(not discussed)</td>
<td>Effective marketers need to coordinate with these other groups. Considers how reward systems can improve interactions.</td>
</tr>
<tr>
<td>Weitz and Anderson (1981)</td>
<td>Contingency theory of marketing organization</td>
<td>Functional group</td>
<td>Effectiveness of a marketing organization</td>
<td>Fit of organization to environmental conditions.</td>
<td>Environmental dimensions are (1) unpredictability and interconnectedness (2) complexity.</td>
</tr>
<tr>
<td>Anderson (1982)</td>
<td>Theory to explain marketing's role in strategic planning</td>
<td>Functional group</td>
<td>Role of marketing in strategy formulation process</td>
<td>Resources controlled by each functional unit</td>
<td>The organization is viewed as a coalition of competing interests. Marketing's power depends on the resources it contributes.</td>
</tr>
<tr>
<td>Hutt and Speh (1984)</td>
<td>Concept of marketing strategy center</td>
<td>Integrative</td>
<td>Industrial marketing decision-making process</td>
<td>Tasks, functional groups, charting of responsibilities</td>
<td>The &quot;marketing strategy center&quot; is presented as a diagnostic tool to chart functional responsibilities.</td>
</tr>
<tr>
<td>Ruekert, Walker, and Roering (1985)</td>
<td>Contingency theory of performance of different marketing organizational structures</td>
<td>Integrative</td>
<td>Performance (effectiveness, efficiency, adaptiveness) of a given marketing organization form</td>
<td>Internal/external allocation of tasks, structured versus unstructured organizational form</td>
<td>Develop 2 x 2 model of internal/external versus structured versus unstructured and discuss properties of four archetypal organizational forms they label bureaucratic, organic, transactional, and relationship.</td>
</tr>
<tr>
<td>Percy (1985)</td>
<td>General theory of marketing organization</td>
<td>Integrative</td>
<td>Aspects of marketing organization including departmentalization, centralization, and structure</td>
<td>Information processing requirements, power of groups, political behavior</td>
<td>Complex theory relating the marketing organizational form, power, and politics to the information processing requirements.</td>
</tr>
<tr>
<td>Walker and Ruekert (1987)</td>
<td>Contingency theory of marketing's role in strategy implementation</td>
<td>Functional group</td>
<td>Performance (effectiveness, efficiency, adaptiveness) in implementing strategy</td>
<td>Type of business strategy, marketing structures, policies, procedures, programs</td>
<td>Develop a typology of three general strategies and propositions regarding marketing's role in implementing each strategy.</td>
</tr>
<tr>
<td>Achrol (1991)</td>
<td>Introduction of alternate ways of organizing the marketing function</td>
<td>Activity-based</td>
<td>New organization forms</td>
<td>Environmental turbulence, diversity, knowledge intensity</td>
<td>Discusses &quot;marketing exchange company&quot; and &quot;marketing coalition company&quot; and which are more suitable for dynamic environments.</td>
</tr>
<tr>
<td>Webster (1992)</td>
<td>Changing role of marketing to managing partnerships</td>
<td>Activity-based</td>
<td>Flexible organization forms such as partnerships, alliances, and networks</td>
<td>(not discussed)</td>
<td>New conceptualization of marketing as more flexible in managing entire value chain.</td>
</tr>
<tr>
<td>Varadarajan and Clark (1994)</td>
<td>Locus of decision making for strategic marketing issues</td>
<td>Activity-based</td>
<td>Divergence between presumes and actual level at which marketing decisions are made</td>
<td>Variables such as resources, risk, centralization, complexity</td>
<td>Develop nine propositions to explain level at which various decisions are made and divergence between presumed and actual level of decision.</td>
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<tr>
<td><strong>Primary Focus</strong></td>
<td><strong>Perspective of Marketing</strong></td>
<td><strong>Number and type of firms</strong></td>
<td><strong>People interviewed</strong></td>
<td><strong>Organization Dimensions considered</strong></td>
<td><strong>Empirical Results</strong></td>
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<tr>
<td>Bund and Carroll (1957)</td>
<td>Develop guidelines to organize marketing</td>
<td>Integrative</td>
<td>Not clear: at least 30 corporations in New York area</td>
<td>Unspecified number of marketing and sales managers</td>
<td>Broad range of issues addressed in 55-page JM article</td>
</tr>
<tr>
<td>Lazo and Corbin (1968)</td>
<td>Identify types of placement of marketing in the firm</td>
<td>Functional group</td>
<td>8 major U.S. firms</td>
<td>None</td>
<td>Structural location of marketing in relation to other functions in the firm</td>
</tr>
<tr>
<td>Carson (1968)</td>
<td>Explore degree to which U.K. firms adopted marketing concept</td>
<td>Integrative</td>
<td>14 large firms, 29 mid-sized firms, and 11 small firms, all in the United Kingdom</td>
<td>One day at each firm interviewing marketing and other managers</td>
<td>Compares U.K. firms to U.S. firms on dimensions of marketing activities and reporting positions</td>
</tr>
<tr>
<td>Buell (1975)</td>
<td>Changes in the role of consumer product managers</td>
<td>Not applicable</td>
<td>16 consumer goods, 4 consumer durable firms, 10 advertising agencies</td>
<td>31 corporate managers, 32 divisional managers, 23 advertising agency managers</td>
<td>Changes in role of product manager in consumer firms</td>
</tr>
<tr>
<td>Nonaka and Nicosia (1979)</td>
<td>Optimal organizational structure for marketing</td>
<td>Functional group</td>
<td>4 firms; 1 one firm in each cell of high-low uncertainty and high-low heterogeneity</td>
<td>Not discussed</td>
<td>Horizontal decentralization (number of divisions, groups, product managers) and vertical decentralization (decision-making level)</td>
</tr>
<tr>
<td>Webster (1981)</td>
<td>Perceptions of key marketing issues in the 1980s by top managers</td>
<td>Activity-based</td>
<td>30 large firms</td>
<td>Interviews lasting 1–3 hours with CEO or COO in each of 30 firms</td>
<td>Marketing productivity, perceptions of product management system, barriers to implementing marketing viewpoint in the organization</td>
</tr>
<tr>
<td>Buell (1982)</td>
<td>Organization of marketing and advertising activities</td>
<td>Integrative</td>
<td>20 manufacturers (14 consumer, 3 industrial, 3 service), 5 advertising agencies</td>
<td>107 executives in manufacturing firms and advertising agencies</td>
<td>Wide range of dimensions, focus was on how the advertising effort was organized and where in the firm</td>
</tr>
<tr>
<td>Bart (1986)</td>
<td>Relation between strategy and structure at product level</td>
<td>Functional group</td>
<td>5 consumer packaged-goods firms</td>
<td>68 interviews</td>
<td>&quot;Structural&quot; dimensions such as job descriptions and systems for planning, and job assignments</td>
</tr>
<tr>
<td>Cespedes (1994)</td>
<td>Interactions among product management, sales, and service people</td>
<td>Functional group</td>
<td>6 industrial firms</td>
<td>125 interviews with managers in sales, service, and product management</td>
<td>(1) Factors affecting interaction among marketing and sales people, (2) devices to improve coordination</td>
</tr>
<tr>
<td>Author</td>
<td>Primary Focus</td>
<td>Perspective of Marketing</td>
<td>Dependent Variables</td>
<td>Independent Variables</td>
<td>Empirical Data</td>
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<tr>
<td>Ruekert and Walker (1987)</td>
<td>Framework for understanding marketing relationships with other groups</td>
<td>Functional group</td>
<td>Structural and process dimensions of interactions such as transactions, communication flows, and coordination</td>
<td>Situational dimensions such as resource dependence, domain similarity, complexity, and turbulence</td>
<td>Surveys answered by 151 managers in 3 divisions of one firm</td>
</tr>
<tr>
<td>Piercy (1986)</td>
<td>Department of marketing and corporate status of the CME</td>
<td>Integrative</td>
<td>Presence of marketing department, integration of activities in marketing department, degree of control over key 19 marketing and sales activities by CME</td>
<td>(Not discussed)</td>
<td>Surveys returned by 330 marketing managers in UK firms</td>
</tr>
<tr>
<td>Dasimalchian and Boeg (1990)</td>
<td>Relation between market and customer dependence and structure of the marketing department</td>
<td>Functional group</td>
<td>Structural dimensions of the marketing department such as functional specialization, formalization, centralization, and integration with other groups</td>
<td>Degree of interdependence with key customers, degree of dependence on specific markets</td>
<td>Surveys returned by 44 small high-tech manufacturing firms in Canada (half had fewer than 90 employees)</td>
</tr>
<tr>
<td>Conant, Mokwa, and Varadarajan (1990)</td>
<td>Relationship between strategic type, marketing competencies, and performance</td>
<td>Activity-based</td>
<td>Rating on 20 marketing competencies on a 1 to 7 scale</td>
<td>Aggressiveness of strategy using an ordering of Miles and Snow strategic types</td>
<td>150 surveys returned by marketing managers in HMOs</td>
</tr>
<tr>
<td>Tull et al. (1991)</td>
<td>Organization of marketing activities across a sample of firms</td>
<td>Integrative</td>
<td>Assignment of activities, integrated versus dispersed marketing, type of organization, frequency of reorganization</td>
<td>Consumer/Industrial, environmental complexity and unpredictability, boundary spanning activity</td>
<td>668 surveys from marketing executives</td>
</tr>
<tr>
<td>Starr and Bloom (1994)</td>
<td>Power of brand manager over other groups</td>
<td>Functional group</td>
<td>Power of brand manager compared with three other groups within the firm</td>
<td>Strategic contingencies (e.g., centrality, substitutability, coping with uncertainty)</td>
<td>153 surveys from brand managers (67 consumer, 86 industrial firms)</td>
</tr>
</tbody>
</table>
work, that is, a wide variety of dependent variables and few systematic attempts to relate the dimensions of organization to more than one determinant.

**Summary and Objectives**

In reviewing prior research on marketing organization, we observe four key limitations. First, though there are several well-cited articles on specific dimensions that are related to marketing organization (e.g., Anderson 1982; Ruekert and Walker 1987; Walker and Ruekert 1987), there is no integrative framework for relating organizational dimensions to environmental dimensions. Much of the research on marketing organization focuses on specific dimensions, such as structure, interactions, or power, and does not present a more general framework for considering how marketing is organized across different firms.

Second, prior researchers using field interviews have not related their observations to the existing research systematically, and thus, there is a gap between theoretical literature on marketing organization and descriptive accounts of how firms organize their marketing efforts. Although we wanted to understand managerial perspectives, using field research, we also wanted to avoid an overreliance on descriptive data. Therefore, one of our goals was the development of a theoretically based conceptual framework that identifies key dependent and independent variables whose relationships can be tested empirically.

Third, there has been an overreliance on the bureaucratic dimensions, such as formalization, centralization, specialization, and standardization, originally articulated by Weber (1947). In contrast, we are interested particularly in how current issues, such as the increasing interest in relationships and use of cross-functional teams, affect the way firms organize their marketing activities.

Fourth, there has been little field research to date that has compared marketing organizations cross-culturally. Several of the empirical studies shown in Tables 2 and 3 were conducted outside the United States (Bart 1986; Dastmalchian and Boag 1990; Piercy 1986), but none of the studies collected data from more than one country. Because of the growing interest in understanding key differences in cross-national business, we wanted to explore marketing organizational arrangements in more than one country.

Considering these limitations, we designed a field research project to explore dimensions of marketing organization, as well as environmental aspects that might affect marketing organization. Our goal was to develop an integrative framework, based on both theoretical literature and cross-cultural field research, that explores both structural and nonstructural organizational dimensions. As we indicate in the third column of Tables 1 through 3, a significant portion of previous research has adopted one of the two main perspectives (functional group or activity-based). In addition, there are some studies that, more or less explicitly, have incorporated both perspectives. We refer to these as integrative studies. Because of our goal of developing an integrative framework, we incorporate both the functional group and activity-based perspectives of marketing.

**Methodology**

Many marketing researchers have noted that the problems of marketing organization and interaction with other groups require better conceptual development. For example, in his article advocating the use of inductive case research, Bonoma (1985, p. 202) notes that “the coordination of marketing activities with other business functions are currently non-quantifiable phenomena; they are so complex it is impossible at this early stage of theory development to know what to count.” At such a stage of knowledge development, field research is appropriate for the development of concepts, frameworks, and theories (Bonoma 1985; Eisenhardt 1989; Hirschman 1986; Zaltman, LeMasters, and Hefring 1982).

There are various purposes and methods for the conduct of field research. One of the most general distinctions is between interpretive or symbolic studies, which are inductive and emphasize native perspectives and meanings, and positivistic studies, which do not emphasize native meanings to the same extent. Research drawing on interpretive or symbolic perspectives typically has involved studying narrower topics in greater depth, relying primarily on field data in the development of its concepts, and often has been predisposed theoretically against positivist or contingency approaches (cf. Hirschman 1986; Hudson and Ozanne 1988; Sherry 1991). In contrast, the field interviews in positivistic studies are typically the first stage leading to a quantitative phase (e.g., Kohli and Jaworski 1990, followed by Jaworski and Kohli 1993) or a catalyst for the development or refinement of a positivistic model or framework (e.g., Burgelman 1983; Miles and Snow 1978; Robinson, Faris, and Wind 1967).

Given our goals, we follow the positivistic approach to field research rather than the interpretive approach. We sought to develop a holistic framework that integrates insights from our fieldwork with existing literature. Thus, in contrast to most conceptual frameworks, which have been derived solely from a literature review, our framework is derived from both prior literature and field observations, with the field observations serving as a catalyst for a deeper examination of existing literature to account for our observations. Compared with inductive field studies, which primarily draw on field observations to develop “grounded theory” (Glaser and Strauss 1967), our approach uses a dialectic interaction between field observations and existing theory to “reconstruct” theory (Burawoy 1991).

Several key decisions on sample selection and the focus of our inquiry helped bound our field research. First, because prior research has shown that most marketing activities are performed at the strategic business unit (SBU) or divisional level (Buell 1982; Piercy 1985), our primary unit of analysis is the organization of marketing in a business unit rather than at the corporate level. Therefore, we included divisions of large corporations, subsidiaries of foreign-based corporations, and smaller firms that consisted of a single SBU. Second, we limited our sample to manufacturing firms and did not include retailers, wholesalers, or ser-
In service firms, there are more points of contact between customers and employees, and the nature of these interactions is a key aspect of the customer's evaluation of the service. This aspect leads to different activities, organization, and roles for marketing in these contexts (cf. Grönroos 1990; Tull et al. 1991).

A list of the job titles and reporting relationships of the managers interviewed is available from the first author.

The interviews started by asking the informant to provide an overview of the business in terms of customers and market segments served. We then asked the informant to “describe the organization of the marketing and sales groups. Where does each report in the organization?” Probes clarified which groups performed key marketing tasks if no marketing group existed and clarified reporting relationships of other functional groups and major groups in marketing and sales. Following the questions about their perceptions of the internal and external environments, we asked the informants, “What do you see as the key activities necessary to successfully market your products?” and explored the degree of involvement of various functional groups in these activities. Therefore, whereas the interview started with a functional group perspective, the latter part focused on an activity-based perspective.

were taped and transcribed in 24 of the 27 U.S. firms; however, none of the German interviews were taped because of different business customs in Germany. Field notes on the German interviews were typed based on notes taken during the interview and discussion between the two researchers and were completed within 24 hours of the interview.

Upon completion of the field research, the first author, who was present for all the interviews, did a systematic review of (1) more than 500 pages of typed transcripts of the U.S. interviews, (2) several hundred pages of handwritten and typed field notes, and (3) material received from the companies, such as annual reports, advertisements, and product brochures. We organized the information for discussion in three ways. First, excerpts from the transcripts and typed field notes were organized by topical area. Second, organization charts were drawn that showed the organization of marketing and sales in relation to the other functional groups in each firm. Third, a table was developed that enabled comparison across the firms. We had extensive discussions following the field research, exchanged drafts of documents on key organizational themes, and compared the insights we derived from the field research with prior research on the topic. Having described our methodology, we now present an integrative framework for linking dimensions and determinants of marketing organization.

**Overview of Conceptual Framework**

In this section, we introduce a conceptual framework that links selected dimensions of marketing organization to situational and contextual factors (see Figure 1). We develop such a framework in order to review and integrate prior literature, provide a perspective on the topic under consideration, and identify the types of factors that may be relevant. The framework helps structure any future inquiry into the topic. To reduce complexity and be parsimonious, we cannot provide a comprehensive list of every construct that may be relevant in a specific context. Rather, the framework should be regarded as delineating the most important categories of constructs and then identifying the more important constructs in each category. We briefly provide an overview of this framework and then go into depth to develop illustrative propositions for four parts of the framework.

Organizational dimensions are categorized into structural and nonstructural. Structural dimensions deal with aspects of organizational structuring, such as reporting relationships, and bureaucratic dimensions, such as centralization, formalization, and standardization (cf. Pfeffer 1982; Pugh et al. 1968). Nonstructural dimensions have received increasing attention in marketing literature because there has been greater managerial focus on the use of cross-functional teams and organizational forms that are more adapted to rapidly changing environments (Achrol 1991; Day 1997; Germain, Dröge, and Daugherty 1994; Olson, Walker, and Ruekert 1995; Workman 1993). We focus specifically on the nonstructural dimensions of cross-functional dispersion of marketing activities, the power of marketing, and cross-functional interactions.

In describing the environment, we make a distinction between an external business environment (beyond the bound-
FIGURE 1

Conceptual Framework Linking the Environment with Dimensions of Marketing Organization

Environmental Dimensions

Factors Outside the Firm
- Market uncertainty
- Technology uncertainty
- Industry sector
- Societal context

Firm-Specific Factors
- Size of the firm
- Relatedness of marketing and sales tasks across business units

SBU-Specific Factors
- Strategic orientation
- Market orientation
- Customer concentration
- Global orientation

Dimensions of Marketing Organization

Structural Dimensions
- Structure within marketing and sales departments
- Formalization and centralization
- Structural location of marketing and sales

Nonstructural Dimensions
- Cross-functional dispersion of marketing activities
- Power of marketing subunit
- Cross-functional interactions

ary of the firm and thus outside direct managerial control) and an internal corporate environment, a distinction that has been made by Duncan (1972) and used in marketing contexts by researchers such as Germain, Dröge, and Daugherty (1994). We further break down the internal factors into factors unique to an SBU and those common to all SBUs in the firm. Rather than provide a comprehensive review of constructs for characterizing the environment (for such a review, see Achrol 1992), we identify those dimensions we believe are the most important in their effect on marketing organization. In Table 4, we provide definitions of our environmental constructs.

In the sections that follow, we describe in greater detail three of the dimensions of marketing organization and develop illustrative propositions linking environmental dimensions to each. We also consider the effects of the U.S. and German societal contexts on selected variables in our conceptual framework. We emphasize that we develop illustrative propositions. (Researchers who desire to test these propositions would have to do additional work to develop operational measures of key constructs.) We first consider a structural dimension: the location of marketing and sales groups in relation to the business unit. We then consider two nonstructural dimensions: cross-functional dispersion of marketing activities and power of the marketing subunit. We have selected these three dimensions, plus the U.S. versus German societal context, for further development because they have not been discussed as much in marketing literature as have more traditional aspects, such as the role of product managers (e.g., Buell 1975; Hise and Kelly 1978) or interactions between marketing and other groups (e.g., Cespedes 1995; Griffin and Hauser 1996; Gupta, Raj, and Wilemon 1986; Hutt and Speh 1984; Ruekert and Walker 1987; Walker and Ruekert 1987). Many researchers, such as Bawowy (1991), Davis (1971), and Zaltman, LeMasters, and Heffring (1982), have argued that qualitative researchers should focus on “interesting” concepts that diverge from existing theoretical explanations.

Elaboration of Selected Aspects of the Framework

A Typology of the Structural Location of Marketing and Sales

In this section, we organize our field observations around a typology of organizational forms. Our motivation for developing this typology is to show systematic structural variations in the locations of marketing and sales and to highlight differences in the role of marketing based on variations in the relationship among marketing, sales, and other function-
al groups. Using this typology, we adopt a functional group perspective of marketing and seek to identify a limited number of ideal types that capture the essential features of the 47 firms we observed.

Marketing and sales in a functionally organized autonomous business unit. In this organizational form, there is a relatively simple organization in which each of the major functions reports to the general manager, president, or chief executive officer (CEO) of the company. The three most common positions of marketing and sales are (1) a nonexistent marketing group, with the marketing tasks being handled in either sales or a business development group, (2) marketing and sales, with each reporting to the business unit manager, or (3) marketing and sales, with both reporting to a manager with a title such as Vice President of Sales and Marketing.

Marketing and sales in a functionally organized business unit with a corporate marketing group. The key difference between firms in this category and the previous is the presence of a centralized marketing group. At least some (if not all) of the business units are functionally organized with control over their own design, production, marketing, and sales. By definition, the business units in this category have retained separate marketing and sales groups for each unit, though they have created a centralized marketing group. The most common tasks of these corporate marketing groups seem to be coordination of marketing and strategy planning across decentralized SBUs and development of specialized expertise that cannot be justified within each unit (e.g., market research, media buying).

Marketing in a business unit that shares a sales force with other business units. We now consider organizations that have created a separate sales organization to handle products from multiple business units. The primary reason given for a shared sales force is to save on sales and distribution costs for related products. In diversification terms, the multiple business units are typically in related versus unrelated product lines (Ilinitch and Zeithaml 1995; Palepu

<table>
<thead>
<tr>
<th>Construct</th>
<th>Definition of the Construct</th>
<th>Selected References</th>
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<tbody>
<tr>
<td>Market uncertainty</td>
<td>Magnitude, frequency, and unpredictability of major changes in important market aspects (e.g., changes in customer preferences, competitors’ actions, distribution alternatives).</td>
<td>Achrol (1992); Duncan (1972)</td>
</tr>
<tr>
<td>Technology uncertainty</td>
<td>Magnitude, frequency, and unpredictability of major changes in the technology either embedded in products or employed in production processes.</td>
<td>Glazer (1991); Jaworski and Kohli (1993); Moriarty and Kosnik (1989)</td>
</tr>
<tr>
<td>Industry sector</td>
<td>Variable to adjust for systematic variations across industry sectors.</td>
<td>Powell and DiMaggio (1991); Scott and Meyer (1994)</td>
</tr>
<tr>
<td>Societal context</td>
<td>Variable to adjust for systematic variations across societies. Primarily makes sense in terms of cross-cultural comparisons of countries or groups of countries.</td>
<td>Clark (1990); Nakata and Sivakumar (1996); Tse et al. (1988)</td>
</tr>
<tr>
<td>Size of firm</td>
<td>Number of employees in the firm in which a specific SBU is located.</td>
<td>Inkson, Pugh, and Hickson (1970); Kimberly (1976); Pugh et al. (1968)</td>
</tr>
<tr>
<td>Relatedness of marketing and sales tasks</td>
<td>Similarity of products, distribution, and marketing and sales tasks across the business units in the firm.</td>
<td>Hill, Hitt, and Hoskinsson (1992); Ilinitch and Zeithaml (1995); Palepu (1965)</td>
</tr>
<tr>
<td>Strategic orientation</td>
<td>Two-dimensional measure drawing on Porter’s (1980) strategic typology consisting of emphasis placed on (a) differentiation and (b) low costs.</td>
<td>Dess and Davis (1984); Kim and Lim (1988)</td>
</tr>
<tr>
<td>Customer concentration</td>
<td>Percentage of revenues coming from largest direct customer accounts. By direct customer, we refer to the next firm in the channel of distribution.</td>
<td>Achrol (1992); Aldrich (1979); Pfeffer and Salancik (1978)</td>
</tr>
<tr>
<td>Global orientation</td>
<td>Orientation to concerns of markets outside of the country of the SBU’s headquarters.</td>
<td>Farley (1997); Levitt (1983)</td>
</tr>
</tbody>
</table>
1985; Rumelt 1974); therefore, synergy can be achieved by using a single sales force. Additional reasons for using a single sales force are an increased emphasis on long-term relationships with customers and the need to coordinate sales across divisions to major corporate accounts.

The challenge for the companies with this type of organization is having autonomous divisions with profit and loss responsibility but without direct control over the activities of the sales force. Many packaged-goods companies face this challenge, with brand managers, who have no control over the sales force, responsible for the performance of a product (cf. Webster 1997, p. 43). Product managers in industrial firms often face a similar challenge in getting the attention of the sales force. There are a variety of ways to handle these integration issues, such as designating a person to serve as a liaison to the sales organization, negotiating charge-backs from the sales force to each of the product divisions, and/or setting quotas for the sales force to achieve for each of the divisions’ products (see Cespedes 1995).

**Marketing and sales in a distribution business unit with few R&D or production capabilities.** We use the term *distribution business unit* to refer to those units that primarily are involved in sales, marketing, and customer service for a specified group of customers (usually geographically based) but that do not have significant R&D or manufacturing capabilities. In these cases, the general manager is responsible for the performance of the business unit but lacks full control of the design and production of the products being sold. There may be limited R&D and/or production capabilities for adaptations and modifications of the products for local customers, but these capabilities are relatively minor compared with the primary R&D and production groups in the parent firm.

**Marketing and sales in corporate groups shared by multiple business units.** A final type we introduce are companies in which multiple business units, divisions, or profit centers have been established, but marketing and sales have been centralized. In these cases, there is enough commonality among the output of these profit centers that centralized marketing and sales groups are used. Although the intent of our fieldwork was to focus on marketing within the business unit, for firms of this type, there are no marketing groups in the business units. This is an important concept because it commonly is assumed that SBU managers have control over marketing and sales. In some cases, such as those in which products from multiple divisions share distribution, all marketing activities may be done at the corporate level.

**Hybrids.** Beyond the types identified, there may be additional cases in which firms use hybrid or mixed types. For example, a multinational corporation may have marketing organized as part of a distribution business unit in most of its geographic markets but use a functional structure in its domestic market. Typologies, by their very nature, are abstractions (Weber 1947), capturing essential features and reducing complexity (Miller 1996).

**Effects of Environmental Factors on the Structural Location of Marketing and Sales**

Comparing across the five types of organizations we identified, we find that the central issue appears to be which functional groups are *shared* across business units. In some cases, there is enough similarity of marketing tasks that some or all of the marketing is centralized. In other cases, functions such as sales, R&D, or manufacturing are shared, whereas marketing is left in each business unit. In Table 5, we relate four environmental dimensions to the five types of organizational structures discussed previously. It is difficult to develop propositional statements for a typology because the five ideal types do not lie along a single dimension. Thus, there is not a continuous relationship between independent variables and the dependent variable, as is the case with the other dimensions of marketing organization in Fig-

<table>
<thead>
<tr>
<th>Environmental Dimensions</th>
<th>Relatedness of Marketing and Sales Tasks Across Business Units ($P_1$)</th>
<th>Size of Company ($P_2$)</th>
<th>Global Orientation ($P_3$)</th>
<th>Market Orientation ($P_4$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing and sales in autonomous SBU</td>
<td>Low</td>
<td>Small</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Marketing and sales in SBU with central marketing</td>
<td>Moderate</td>
<td>Medium</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td>Marketing in SBU with shared sales force</td>
<td>Moderate</td>
<td>Large</td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td>Marketing and sales in distribution business unit</td>
<td>Large</td>
<td>High</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Staff marketing and sales</td>
<td>High</td>
<td></td>
<td></td>
<td>Low</td>
</tr>
</tbody>
</table>

Note: We do not fill in all the cells of this table because some of the ideal types may not have a systematic variation for a given independent variable. For example, we postulate no systematic relationship between size of the company and the use of the staff marketing and sales ideal type. In addition, the construct "Relatedness of marketing and sales tasks across business units" is not relevant for the special case in which the firm consists of a single SBU.

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In Table 5, we provide relationships for four of the independent variables because these are the only ones that appeared to account for the variations we observed and for which we found theoretical support.

The most theoretically appealing independent variables regarding the location of the marketing and sales groups are the relatedness of the marketing and sales tasks across business units in the firm and the size of the firm. Research on diversification and relatedness (e.g., Hill, Hitt, and Hoskisson 1992; Illmitz and Zeitaml 1995; Palepu 1985; Rumelt 1974) emphasizes the importance of identifying the types of synergy that can be obtained through acquisitions and mergers. When there is high relatedness of the marketing and sales tasks, firms are more likely to use the staff marketing and sales organizational form (P1). Conversely, when there are relatively low levels of relatedness of the marketing and sales tasks, firms are likely to have decentralized, autonomous business units. In regard to firm size, small firms are more likely to have autonomous SBU's, whereas large firms are more likely either to share a sales force across business units or to establish distribution business units for various geography or industry segments (P2) (Kimberly 1976; Pugh et al. 1968).

In regard to global orientation, firms high on this dimension are less likely to establish distribution business units for each major market and systematically consider worldwide allocation of functional responsibilities, whereas firms low on this dimension are more likely to have autonomous SBU's in each of the countries in which they operate (P3). Market orientation has been conceptualized as referring to such aspects as the generation and dissemination of marketing intelligence throughout the business unit (Jaworski and Kohli 1993), a sensitivity to customer needs, and an understanding of the actions of competitors (Slater and Narver 1994). We postulate that when business units are high on the market orientation dimension, they are more likely to have decentralized autonomous units with relatively few centralized marketing functions, whereas firms low in market orientation are more likely to have marketing and sales groups organizationally separate from the design and manufacturing parts of the business unit (P4).

**Cross-Functional Dispersion of Marketing Activities**

In this section, we move from a functional group perspective of marketing to an activity-based perspective. In our interviews, we encountered significant variations across the firms in the activities that were the responsibility of the marketing department and where traditional marketing activities, such as product management, pricing, market research, sales management, service and support, and advertising, were located. For example, a manager of a U.S. electronics firm explained the absence of the marketing department on an organizational chart:

> The marketing tasks are distributed among groups—there is no marketing department or head of marketing. There are roughly ten people across these groups doing tasks such as advertising, documentation, applications support, and technical support.

In another case, a corporate marketing manager in a German chemical firm argued that the creation of a functional group named “marketing” might be detrimental:

> The creation of a functional marketing department leads to other groups thinking they do not have to do anything with customers. Our biggest mistake was we made marketing into a function. I was recently on a panel at [a university in Germany] titled “The End of Marketing?” where I argued for this process view of marketing as opposed to a functional group orientation.

In another German chemical firm, there was discussion of how developing long-term relationships with major customers was leading to thinking more in process than functional terms:

> We are moving to being more process-oriented and establishing long-run relationships with customers, living with each other, and not having too many structural breakups between companies. We need to think in terms of processes instead of functions. Some of the typical processes we think of are orders, production planning, sale forecasts, the innovation process. No one group is responsible for these processes.

With all the discussion in the popular press about “business process reengineering,” we often heard comments about movement toward organizational structures that get away from “functional silos” and lead to thinking in terms of key processes. In one case, a marketing manager of a U.S. automotive firm spoke of a recent reorganization:

> One of the goals of the reorganizations was to be easier to do business with. We had too much of one function doing something with an issue and tossing it over the wall and it’s no longer my issue. Meanwhile, the customer is calling in here saying, “Hey, what happened to my request?”

In many cases, we heard stories of how key customers interacted with groups other than the sales and marketing groups. Particularly in high-tech industries, in which the technology is changing rapidly, it is often desirable to have technical personnel from customer organizations interact directly with R&D personnel. In some cases, the primary purpose of this information is to obtain market research and understand customer needs or how a proposed project must be adapted for a given customer application. However, in other cases, customers are making substantial long-term investments in technologies and desire this interaction with technical personnel to understand the developmental path of the technology.

In our review of the literature, we found indirect discussion of where marketing tasks might be assigned in discussions of topics such as total quality management, business process reengineering, and value chain analysis (e.g., Achrol 1991; Cespedes 1995; Day 1994, 1997; Ruckert, Walker, and Roering 1985; Webster 1992, 1997). However, most of the research on networks and relationships has focused on the allocation of marketing activities and responsibilities across organizational boundaries rather than withing the firm. One exception is Piercy (1986), who surveyed firms in the United Kingdom and asked which marketing functions were organized as part of the marketing department. He also asked about responsibility of the chief marketing executive.
(CME) for 21 activities. He finds wide variations across the
firms, with marketing having the greatest responsibility for
marketing research and advertising and the least respon-
sibility for warehousing and transport. One of his conclusions
is that "the degree to which the fully integrated marketing
department is actually found in British industry may have
been exaggerated in the literature and teaching of market-
ing" (p. 288).

Tull and colleagues (1991) also use a survey of CMEs
and explore the assignment of 16 tasks to the marketing unit.
They find that 33% of their sample had integrated marketing
departments and 67% had dispersed organizations. How-
ever, their study is limited because they define dispersion in
a dichotomous rather than a continuous manner; that is, a firm
was defined as dispersed regardless of whether 1 or all 16 of
their marketing functions were done outside of marketing.

To further empirical research in this area, we define the
construct cross-functional dispersion of marketing activities
as the extent to which functional groups, other than
marketing, are involved in traditional marketing activities.
We do not identify specific marketing activities in this def-
ition; those desiring to operationalize this construct
should consult Piercy (1986), Tull and colleagues (1991),
Varadarajan (1992), or Webster (1997) for lists of typical
marketing activities.

Effects of Environmental Factors on Cross-
Functional Dispersion of Marketing Activities

In Table 6, we present propositions of the effect of selected
environmental dimensions on our dispersion construct. We
propose that both dimensions of uncertainty (market and
technology) will lead to more cross-functional dispersion of
marketing activities (P5, P6). In situations of high uncer-
tainty, the allocation of tasks to organizational units is less es-
established, and firms are more likely to try a variety of
organizational arrangements to bring together an under-
standing of the market and technical capabilities (Achrol

For example, in many of the small start-up high-tech firms,
marketing groups did not yet exist. Product-related market-
ing activities were done by product (or project) managers in
R&D, and communications, public relations, customer in-
teraction, and service activities were completed in sales or
business development groups. We also propose that cross-
functional dispersion of marketing activities will be higher
in firms selling to industrial customers (P7). Many of the
ideas on networks of internal and external alliances have
come from European researchers studying business markets
cf. Ford 1990; Möller and Wilson 1995), and they empha-
size that industrial firms typically have more fluid and
changing network organizational structures than consumer
firms, due to the nature of their customers. We also propose
that cross-functional dispersion of marketing activities is
lower in the United States than Germany (P8). The logic for
this proposition is discussed subsequently in the section on
societal context.

In regard to firm and SBU level factors, we propose that
cross-functional dispersion of marketing activities will de-
crease as the size of the firm increases (P9). This is because
in small firms it is common to lack a marketing department,
have less specialization, and have fewer clear-cut lines of
authority (Dastmalchian and Boag 1990; Piercy 1986; Tull
et al. 1991; Workman 1998). In smaller firms, it is relatively
more common that marketing activities are dispersed to
other groups than when the firm is larger. Furthermore,
research in the strategy area (Burns and Stalker 1961; Miller
1987) typically has found more diffuse structures for firms
pursuing innovation- or differentiation-based strategies
(and, thereby, higher levels of marketing dispersion) com-
pared with firms following low-cost strategies. It is there-
fore proposed that cross-functional dispersion of marketing
activities will be higher for firms emphasizing differentia-
tion-based strategies (P10) and lower for those emphasizing
cost-based strategies (P11).

We propose that market orientation serves to increase
cross-functional dispersion of marketing activities (P12).

| TABLE 6 |
| Effects of Independent Variables on Cross-Functional Dispersion of Marketing Activities and the Power of the Marketing Subunit |

<table>
<thead>
<tr>
<th>Factors Outside the Firm</th>
<th>Dispersion of Marketing Activities</th>
<th>Cross-Functional Power of Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market uncertainty</td>
<td>+ (P5)</td>
<td>+ (P14)</td>
</tr>
<tr>
<td>Technology uncertainty</td>
<td>+ (P6)</td>
<td>- (P15)</td>
</tr>
<tr>
<td>Industry sector (industrial versus consumer products)</td>
<td>+ (P7)</td>
<td>- (P16)</td>
</tr>
<tr>
<td>Societal context (United States versus Germany)</td>
<td>- (P8)</td>
<td>+ (P17)</td>
</tr>
</tbody>
</table>

| Firm-Specific Factors | | |
|-----------------------| | |
| Size of the firm      | - (P9) | n/a |
| Relatedness of marketing and sales tasks across business units | n/a | + (P18) |

| SBU-Specific Factors | | |
|----------------------| | |
| Strategic orientation—emphasis placed on differentiation | + (P10) | + (P19) |
| Strategic orientation—emphasis placed on low costs | - (P11) | - (P20) |
| Market orientation   | + (P12) | - (P21) |
| Customer concentration | + (P13) | - (P22) |
| Global orientation   | n/a | n/a |

definition, market orientation emphasizes, among other things, the dissemination of market information across cross-functional boundaries (see Table 4). As information on customer- and market-related issues is disseminated across functional boundaries, other functions will be involved in a greater extent in the resulting activities. When customer concentration is higher, it is more common for nonmarketing units to interact with key accounts and for some of the marketing activities to be dispersed across organizational units (P13).

**Relative Power of Marketing in the Business Unit**

An additional dimension we explored in the interviews was the relative influence of functional groups in the business unit, thus adopting a functional group perspective of marketing. Similar to Salancik and Pfeffer's (1977) findings, we find that the power of functional groups was an organizational factor that the managers were able to understand without difficulty. We find significant variations in the power of marketing in relation to the other functional groups selected by the respondents. For example, in one U.S. software firm, the business unit manager noted, “Marketing has had a relatively limited role in the past; technology is what has driven this company. We’re a technology-oriented firm.” In contrast, in a U.S. packaged-goods firm, a marketing manager said,

R&D. God bless them, has absolutely no sense of the consumer. They’re a bunch of tech jocks ... they call themselves meathooks. These are guys with animal science degrees and the whole bit and they can do things with meat that’s amazing, but they need focus.

In this same firm, the R&D manager supported the marketing manager’s claim that marketing had more power than R&D by noting that “we are a service group arm of the company, just like computers probably would be a service arm for a telecommunications company.”

In considering the power of marketing, we focus on lateral versus vertical relationships in a firm and conceptualize power as primarily a function of the department rather than individual managers. In a similar way, Ronchetto, Hutt, and Reingen (1989) focus on the power of managers on organizational buying decisions, which is based on their structural position in the overall buying system rather than on individual bases of power. We heard many comments about one of the functional groups tending to be the most powerful. For example, at one well-known packaged-goods firm, a category marketing manager for Germany noted.

Marketing is the core of this company; from that, everything else is derived. General managers spend 80% of their time on marketing. Everyone looks to marketing for direction. General managers that are not from marketing tend not to be very successful. A finance manager may go two levels down to work as a brand manager. He needs that experience.

In contrast, in a more technically oriented German chemical firm, a marketing manager noted, “There’s been an historical emphasis on innovation by technical people, and that created a culture that didn’t look for marketing input. There’s a saying around here that engineers are kings and people in marketing are their slaves.”

Informants in our interviews often used phrases such as “technology-driven,” “market-oriented,” “sales-driven,” and “operations-driven” when asked to characterize the relative influence of groups in the firm. For example, one marketing manager at a U.S. food products company, which was positioned as a provider of private-label and low-cost branded food products, commented on his lack of influence:

I’ve got two direct reports who are set up on channel responsibilities. We’re still a sales-driven company, so their job is to support the sales organizations with channel knowledge, sales trends, ways to sell, and pick up both ideas for new products and to champion new products in their channels. This is a company that has never spent a nickel against the consumer. We never advertise and only two years ago did the first consumer promotion.

In this case, the manager left the company in the year following the interview. In other cases, marketing managers in high-tech firms were content serving a supporting role to R&D and emphasized that their firm’s competitive advantage was its technology leadership.

In developing our propositions, we draw on research on subunit power from organizational theory (e.g., Enz 1986; Hinings et al. 1974; Pfeffer 1981; Salancik and Pfeffer 1977). We define the power of a functional group as the relative amount of influence exercised over strategic issues in a business unit during a specified time horizon.

**Effects of Environmental Factors on the Relative Power of Marketing**

In Table 6, we indicate directional propositions regarding the effect of key environmental variables on the power of marketing. We propose that the two uncertainty variables have differential effects, depending on whether the source of uncertainty originates on the market side (P14), thus increasing marketing’s power, or on the technology side (P15), thus decreasing marketing’s relative power. This theory is based on the importance of coping with key uncertainties as determinants of functional group power, as was developed by Hickson and colleagues (1971).

We also observe a systematic difference in the relative influence of marketing between consumer and industrial firms. Managers in industrial companies commonly stated that they were relatively less powerful than R&D, operations, or sales groups. For example, in one telecommunications equipment company, the marketing manager stated, “We’re an R&D company, a technology company, but not a marketing-oriented company.” Similarly, the CEO of a large German machinery manufacturer said, “It is the goal of engineers to make the best technical product. They had too much pride and too much power in past.” We thus propose that marketing is more powerful in consumer than industrial firms (P16), due to an historically greater emphasis on marketing concepts in consumer firms than in industrial firms (Hutt and Speh 1995).

Comparing societal contexts, we observe that, on the whole, marketing appears to be less powerful in Germany than in the United States (P17). The support for this proposition is discussed subsequently in the section on the effects of societal context.
Within the firm, we propose that marketing is more powerful when marketing and sales tasks across business units are related more closely (P18), because marketing and sales synergies play an important strategic role. In terms of strategic orientation, we propose that marketing will have more power when an emphasis is placed on differentiation (P19) and less power when an emphasis is placed on low costs (P20) (Conant, Mokwa, and Varadarajan 1990; Walker and Ruekert 1987). For example, the prior quote from the marketing manager in a packaged-goods firm, which was positioned as a provider of private-label and low-cost branded food products, indicates that sales and operations tended to be more influential than marketing. We propose that a higher level of market orientation has a paradoxical effect, in that, as more groups become involved in interpreting the market and dealing with customers, the power of the marketing functional unit will decrease (P21). This paradox has been noted by Day (1996). Finally, we propose that, as customer concentration increases, marketing will be less powerful (P22), in that it loses its key boundary-spanning role of interpreting the market when there are a limited number of customers. For example, one marketing director at a packaged-goods firm noted that “only 20 decision makers are most of market” and indicated that the sales organization tended to be most influential because it was the gatekeeper to these powerful middlemen.

Effect of Societal Context on Marketing Organizational Dimensions

Finally, we consider the effect of the societal context on marketing organizational dimensions. Our framework identifies societal context as a determinant, but operationalization of this construct requires comparisons between specific societal contexts. This could be comparisons between regions of countries (northern versus southern Italy), countries (United States versus Germany), trading blocs (European Union [EU] versus North American Free Trade Agreement countries), or groups of countries at different levels of economic development (Western versus emerging markets). In the remainder of this article, we focus on propositions of how variations in the U.S. versus German societal context may affect marketing organization. We initially discuss the direct effects of societal context on dimensions of marketing organization and then consider indirect effects, for which the societal context affects other variables, which in turn affect dimensions of the marketing organization.6

Direct societal effects. The percentage of the gross domestic product (GDP) going to governmental spending is roughly 15 percentage points higher in Germany than in the United States,7 and in general, U.S. markets are not as regulated. A few visible examples are the relatively more rapid changes and dynamics in the United States for industries such as telecommunications, airlines, banking, and insurance. One result, from a marketing organization viewpoint, is that these regulations may lead to more complex organizational forms, which our informants attributed to trade unions and differing tax laws. Several German firms had their service organizations set up as separate companies, even though there was relatively close coordination between them and the host company that had the sales, marketing, R&D, and manufacturing operations. In another case, the manager we interviewed held two positions: one as vice president of the northern European region for a U.S.-based company and one as president of another corporate entity that handled design and manufacturing of the products for all of Europe. He explained that the separation into two separate companies (essentially a design/manufacturing company and a distribution business unit) was done for tax reasons, and by heading both companies, he could encourage integration between the separate corporate entities. German firms also seem to have more complex organizational structures (e.g., dotted-line reports, managers with dual positions, matrixed organizations, holding companies) than U.S. firms. We attribute some of this complexity to their global operations. On the basis of this evidence, we propose that German firms, compared with U.S. firms, have higher cross-functional dispersion of marketing activities (P8).

In our field interviews, we noted that firms in Germany were more likely than U.S. firms to equate marketing with sales and, when both functions were present, appeared to place more emphasis on sales than on marketing. An explanation might be that many of the key concepts and theories about marketing were developed in the United States and diffused gradually to other countries. For example, the first German-language marketing textbook was not published and the first marketing professorship at a German university was not established until the early 1970s. Moreover, cultural and legal restraints on the use of marketing tools in Germany are reflected in the emphasis on technical selling, political restrictions on comparative advertising, limitations on distribution arrangements and retail store placement, and legal restrictions on retail store hours. In addition, Germany has lagged the United States in deregulation of industries, such as telecommunications, air travel, and energy supply. Altogether, those factors reflect an institutionalized attitude toward marketing that is less positive than in the United States, and thus we propose that German firms, compared with U.S. firms, have lower levels of power for the marketing subunit (P18).

Indirect societal effects. Although there are many educational, cultural, regulatory, and educational differences, we believe that Germany's geographical location in Central Eu-

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6We performed a “member check” by sending the text of this section to six of the German managers we interviewed. They were asked to indicate whether they agreed with each proposition and provide any reactions to the statements. On the whole, they indicated agreement and believed that our comparisons were reasonable, though two of the German managers who did not have multinational experience had no direct insight into U.S. firms. They especially noted that German firms often do not appreciate the distinction between marketing and sales and are not as market oriented as U.S. firms.

7According to the December 1994 OECD Economic Outlook report, Annex Table 27, the 1993 percentage of nominal GDP for governmental outlays was 34.5% for the United States and 49.4% for Germany.
Europe is the single largest determinant of differences between the United States and Germany. Most German firms of any size have a significant portion of their sales coming from outside of Germany, both to EU market countries and non-EU countries. In contrast, U.S. firms commonly focus initially on the North American market with outside-this-region sales either minimal or placed in a separate organization. One symbol of this difference is that it is common for U.S. firms to have a separate international executive who handles sales, marketing, and operations outside the United States; few German firms have international operations separate from the core of the business. In summary, we propose that German firms, in comparison with U.S. firms, have a higher level of global orientation (P23).

One question we asked the managers in our interviews was how they would categorize their business unit’s strategy in terms of Porter’s (1980) strategic typology (i.e., focus, differentiation, or low-cost). Although many U.S. firms said low-cost (producing, for example, unbranded or private-label products), not a single German firm identified this strategy. We attribute this to differences in distribution systems, the nature of the German workforce, and the need for German firms to compete more often on a value-added dimension than the cost structure in Germany. According to a recent U.S. Department of Labor study, the hourly compensation of manufacturing workers in Germany is the highest in the world at $27.37, versus $17.10 for U.S. workers (BusinessWeek 1995). This high cost structure leads to an emphasis in Germany on worker training and using skilled labor to produce value-added products that can be exported. The basis of these factors, we propose that German firms, as compared with U.S. firms, are more likely to use a differentiation strategy (P24).

Finally, there were many indications in our interviews that German firms tend to be less focused on customers than on the technology of their products. Senior managers often come from the technical functions of the company and are more likely to have doctoral degrees. There are also many anecdotes and stories about the lack of good service in Germany. For example, Steinmetz (1995) notes, although Germany’s manufacturing efficiency is deservedly fabled, its delivery of services is notoriously bad and seems immune to competitive forces. Many German restaurants refuse credit cards, air travel is prohibitively expensive, and customers who walk into a store near closing time are often met by a rude stare.

Altogether, these traits reflect a culture that does not place a primary emphasis on market orientation. Thus, we propose that German firms, in comparison with U.S. firms, are less market oriented (P25). As with all of our propositions on societal effects, this proposition applies to SBUs located in Germany but not to U.S.-based divisions of multinational German firms.

Implications

Theoretical Implications

In our literature review, we identify four limitations of prior research on marketing organization: no integrative framework, a gap between theoretical work and descriptive field research, an overreliance on abstract bureaucratic dimensions, and little cross-cultural research on marketing organization. In this article, we have used our review of the literature and our field observations to structure inquiry into how firms organize their marketing efforts. Through our conceptual framework, we present an integrative view of marketing organization, not only bringing together two perspectives of marketing (as activities and as a functional group) but also relating marketing organizational to environmental dimensions. We address the gap between theory and descriptive field research by drawing on both prior research and our field observations in the development of this framework. Regarding marketing organization dimensions, we develop propositions about three dimensions that have not been studied extensively in prior research (structural location of marketing and sales, cross-functional dispersion of marketing activities, and relative power of the marketing subunit). Finally, we address the cross-cultural research gap by introducing the idea that societal context, broadly conceived, can affect marketing organization. Thus, our research addresses the four limitations of prior research on marketing organization.

An additional theoretical implication pertains to whether marketing will continue to exist as a distinct organizational entity. Some of the more recently published conceptual papers on marketing organization (Achrol 1991; Day 1994; Doyle 1995; Webster 1992) focus on topics such as network forms of organization and reengineering around key business processes. Others have raised the issue of whether market-oriented firms even should have marketing departments (Day 1997; Doyle 1995; Greyser 1997; Webster 1997). In our field observations, we did not find much evidence that firms are eliminating marketing departments or abandoning functional organizational forms. Of the 13 firms with no marketing departments, none of them had recently eliminated existing marketing groups. Rather, 10 were firms with revenues less than $40 million and marketing tasks were done primarily in the sales organization; 2 were project-based organizations in which most marketing tasks were done in project groups; and 1 was organized around product divisions in which product managers handled product-related marketing tasks, and separate sales and service groups performed other marketing activities. We found that organizations that emphasize a process orientation tend to overlay business processes on functional organizations. Our position, that marketing will and should continue to exist as a functional group, is consistent with the positions of Webster (1997), Varadarajan (1992), Greyser (1997), and others. For example, Webster (1997, p. 66) claims that "if marketing is everybody’s responsibility, it ends up being nobody’s responsibility and the marketing skills of the organization

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8For example, Simon (1996, p. 70) notes that the annual per capita exports between 1985 and 1994 were more than three times higher in Germany than in the United States ($4,813 versus $1,434).
atrophy. Marketing specialists are needed.” Also, our finding that none of the 47 firms we studied had eliminated functional groups is consistent with a survey by the Boston Consulting Group, which found that none of the 73 companies surveyed had moved to a “true horizontal structure” (Day 1997, p. 72).

Further theoretical insight can be derived from our typology and addresses the relationship between marketing and sales units (see Figure 2). Most of the previous writing on marketing organization emphasizes or implies that sales should be a part of marketing (e.g., Bund and Carroll 1957; Lazo and Corbin 1968; Weitz and Anderson 1981). Accord-

**FIGURE 2**

**Typology of Reporting Relationships of Marketing**

- **Marketing and Sales in a Functionally Organized Autonomous Business Unit**
  - Manager in Charge of SBU
  - Marketing
  - Sales
  - Manufacturing/Operations
  - R&D

- **Marketing in a Business Unit that Shares a Sales Force with Other Business Units**
  - Corporate Headquarters
  - Manager in Charge of SBU
  - Marketing
  - Manufacturing/Operations
  - R&D
  - Sales Force Selling at least 2 SBUs' Products
  - Other Centralized Functional Groups
  - SBU 2

- **Marketing and Sales in a “Distribution Business Unit” with Few R&D or Production Capabilities**
  - Corporate Headquarters
  - Corporate R&D Group
  - Manager in Charge of Distribution Business Unit
  - Corporate Manufacturing Group
  - Sales
  - Marketing
  - R&D or Manufacturing (only in limited amount)
  - Technical Service and Support

- **Marketing and Sales in Corporate Groups Shared by Multiple Business Units**
  - Corporate Headquarters
  - SBU 1
  - Manufacturing/Operations
  - R&D or Other Functions (except Marketing & Sales)
  - SBU 2
  - Corporate Marketing Group
  - Corporate Sales Group
  - Other Centralized Functional Groups

*Note:* Support groups, such as finance, human relations, and legal, are not shown in these charts. This is to allow a focus on the groups responsible for design, manufacturing, sales, and marketing. Solid lines represent central aspects of the typology; dotted lines represent possible locations of groups. Thick solid lines are used to highlight the location of the sales and marketing groups.
ing to past researchers in this area (Carson 1968; Hise 1965), one symbolic action that indicated a firm had “implemented the marketing concept” and progressed to a “market-oriented company” was the establishment of the position of CME, which was responsible for marketing, advertising, sales, and other key marketing activities. Much of the focus of Piercy’s (1985) theoretical book was whether there was such an integration of key marketing activities in the marketing department. However, in the 47 firms we studied, we never observed a sales manager reporting to a marketing manager. Thirteen firms had no distinct marketing group and 30 had marketing and sales managers reporting either to the same executive (typically the president, CEO, or division manager) or through different parts of the organization. We believe it is highly significant that more than 30 years after the call to integrate sales and marketing activities under a CME, we find no firms that had adopted this recommendation. We believe additional research is needed to explore further the relationship between marketing and sales and understand why firms have not adopted the organizational form recommended by many marketing scholars.

As an example of how our framework can help guide additional research, we consider the topic of marketing’s cross-functional interactions with other functional groups. Most research in this area (e.g., Griffin and Hauser 1996; Gupta, Raj, and Wilemon 1986; Moriarty and Kosnik 1989; Ruekert and Walker 1987) has focused on the external business environment (particularly various types of uncertainty) as a determinant of the need for interaction. Our integrative framework points out that firm-specific and SBU-specific factors may be equally important determinants. Further exploration of these types of antecedents may suggest that successfully managing cross-functional interactions is more important when there is high relatedness of marketing and sales tasks across SBUs in the firm for certain types of strategies, concentrated customer bases, and global firms. The key point is that the framework can help guide inquiry into the types of factors that might affect a given marketing organization dimension.

Finally, from a methodological perspective, our research serves as an example of linking prior research with field observations. There unfortunately has been a deep divide in marketing and consumer research between positivists, who typically focus on quantitative theory testing, and interpretivists, who typically focus on qualitative field research. Our field research was guided by existing theoretical literature, and in analyzing our field data, we sought an identification of interesting factors not fully captured in the literature. This study serves as an example of how field research can be integrated with theoretical work to extend our understandings of complex phenomena. This is in line with Sherry’s (1991, p. 569) call for “triangulation across research traditions.”

**Managerial Implications**

Our article is descriptive rather than normative in nature and does not focus on performance implications of a marketing organization. Thus, explicit recommendations on how marketing should be organized in a firm cannot be drawn directly from our research. However, assuming that the relationship between environmental dimensions and components of marketing organization reflect rational adaptation, we at least can make tentative statements of how our observations can guide managerial action.

First, there has been increasing interest in using horizontal organizational forms and emphasizing key business processes, which increases the cross-functional dispersion of marketing activities. Assuming rational adaptation, our observations suggest it is more appropriate to have higher levels of this dispersion in conditions of high market and technology-related uncertainty, industry sectors selling to business customers, smaller firms, firms emphasizing differentiation but not low-cost strategies, market-oriented firms, and firms with greater customer concentration.

Second, our study helps managers identify the broad range of issues to consider in the design of the marketing organization. We find that practitioners, when thinking about organization, tend to think primarily in terms of the structural location of different units in the organization, as might be illustrated in the company’s organization chart. Our framework draws managers’ attention to the many other parameters to consider in designing the marketing organization. A clear implication is that, even in a given organizational structure (which managers may not want to change too frequently), there are significant possibilities for designing the marketing organization. In summary, structure should not be the only organizational concern.

Third, our articulation of the various structural locations for marketing and sales (see Figure 2) provides a basis for useful discussions among marketing and senior managers regarding where synergies exist between business units in the firm and which types of functions and capabilities provide a basis for sustainable competitive advantage (Day 1994). The essential feature highlighted by these organizational charts is variation in functions that are shared across SBUs. One of the central debates in strategy research on diversification revolves around core capabilities shared across business units. Recent strategy research on relatedness among business units indicates that it can encompass similar approaches to marketing, sales, or distribution, even though the products themselves are different (Illicit and Zeithaml 1995). Furthermore, research on the “dominant logic” (Prahalad and Bettis 1986) and the “dominant coalition” (Hambrick and Mason 1984; Pfeffer 1981) indicates that certain functions and tasks often provide the bases for linking parts of the firm. In summary, the decisions pertaining to the structural location of marketing and sales are related to more fundamental strategic decisions regarding the core capabilities of the firm.

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9The way the construct “market orientation” has been conceptualized and measured in the 1990s does not refer to the allocation of tasks or activities to the marketing functional group. In contrast, previous writers on market organization made explicit statements that certain tasks and activities should be under the control of the manager in charge of the marketing effort.
Fourth, our study alerts managers that organizational design decisions must be made in consideration of environmental factors. We have identified specific environmental factors that must be considered when organizational decisions are made. There has recently been great business interest in identifying the best practices for key business processes and then benchmarking a firm’s performance on these processes versus leading firms. Because of the contingency nature of our framework, as is shown in Figure 1, we argue that firms must consider whether the firms against which they benchmark face comparable environmental conditions.

A final managerial implication comes from the international character of our study. Managers with a global responsibility must understand the effects a societal context can have on marketing organization (e.g., Farley 1997). Our study compares two similarly developed Western economies and finds important differences. It is reasonable to assume that in countries with different economic development levels, the differences may be even stronger. Managers in charge of international marketing activities must understand these societal effects. Given the large size of the domestic market, this is an especially critical issue for U.S. managers, who are often less sensitive to differing cultures and ways of organizing work than are managers in Europe and Southeast Asia.

**Future Research Directions**

To develop further the environment-structure contingency framework shown in Figure 1, empirical work is needed to develop operational measures of key constructs and test our illustrative propositions. Similar contingency models have been tested in specific contexts, such as marketing interactions with other functional groups (Ruekert and Walker 1987) and the organization of new product development teams (Olson, Walker, and Ruekert 1995). We believe that these issues of marketing organization are of critical importance to marketing and business unit managers and will prove to be a fruitful field of inquiry for marketing. We also believe additional research on marketing organization should further explore the distinctions and relationships between the activity-based and the functional group perspectives of marketing.

With regard to our societal context construct, we specifically focused on the United States versus Germany comparison. Additional research should elaborate on how societal contexts affect marketing organization. To do this, a conceptualization would need to be developed that investigates which variables affect which aspects of marketing organization. Generalizable dimensions that vary across societies could be identified (e.g., degree of governmental regulation of the economy, extent of global orientation) and then propositions developed that relate these more general dimensions to marketing organizational dimensions. Even in societies at similar levels of economic development, firms may approach consumers in different ways, and differences in marketing’s role may be due to factors such as degree of cultural heterogeneity, distribution of income, and prevailing views of the relationship between society and industry.

An issue that deserves further research attention is whether functional groups in organizations will disappear, as some researchers have claimed. Although our empirical evidence indicates that this is not currently the case and thereby confirms the statements of Varadarajan (1992) and Webster (1997), further large-scale empirical research could help clarify this issue. We suggest that this research should focus particularly on how processes and activities are mapped onto organizational units and explore the extent to which marketing organizational units continue to exist.

**Conclusion**

This article focuses on the issues of how firms organize their marketing efforts and the identification of factors that might account for variations in how marketing is organized. Our principal goal has been to develop a framework that identifies (1) dimensions that allow for the comparison of marketing organizations across business units and (2) aspects of a business unit’s environment that might account for variations in marketing organization. In our framework, we organized the organizational dimensions into structural and nonstructural dimensions and the aspects of the business unit’s environment into factors outside the firm, firm-specific factors, and SBU-specific factors. We then developed illustrative propositions that link environmental dimensions to three of our organizational dimensions and that consider how variations in the societal context of the United States and Germany might affect marketing organization in these two countries.

We believe that the development of such an integrative framework of marketing organization is needed to synthesize prior research as well as to provide theoretical guidance for further research in marketing organization. Although there is increasing interest in organizational issues in marketing, much of the research in marketing focuses on narrow organizational dimensions and is not well integrated with research in organization theory and strategy. By developing a framework that draws on field observations and prior research from a range of academic disciplines, we have developed a theoretically based framework that can account for a range of marketing organizational decisions.

Finally, as with the development of any conceptual framework, there are many questions left unanswered: What are the appropriate measures to use? What are the specific relationships between the independent and dependent variables? Are there moderating or mediating variables that we have not explored? Are the relationships linear? And what are the performance implications? Given the complexity of marketing organization, we have restricted our focus to the development of a general framework and illustrative propositions on selected aspects of it. Empirical research should explore these questions more fully. However, we hope that such empirical studies will be performed so that knowledge is developed in an integrative rather than a fragmented way.
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