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Marketing's Influence Within the Firm

Although there is increased interest in marketing's changing role within the firm, there is little empirical research that measures the influence of marketing or links marketing's role to situational factors. Drawing on contingency and institutional theories of intraorganizational power, the authors address the following question: In what circumstances does the marketing subunit have higher levels of influence? Results from a survey among U.S. and German companies indicate that (1) the marketing subunit still has substantial influence, (2) marketing's influence is related systematically to determinants other than individual managers' characteristics, and (3) institutional factors account for variance not explained by the determinants more commonly used in contingency theories in marketing. This implies that organizational dimensions are the result not only of adaptation to environmental conditions, but also of unique historical aspects that become institutionalized within the firm.

Recently, there has been increased interest in marketing's changing role within the firm (e.g., Achrol 1991; Day 1997; Webster 1992, 1997) with the Marketing Science Institute designating "Marketing Management Organization and Processes" as one of its top four 1996–1998 research priorities. Research in organizational theory, management strategy, and sociology long has emphasized the importance of recognizing the power and influence of organizational actors as a basis for understanding how managers make decisions within organizations (e.g., Enz 1986; Hinings et al. 1974; Perrow 1970; Salancik and Pfeffer 1974). Although influence has been studied in marketing in the context of organizational buying behavior (e.g., Kohli 1989; Ronchetto, Hutt, and Reingen 1989) and distribution channels (e.g., Frazier 1983; Gaski 1987), there has been little examination of the level and determinants of the marketing unit's relative influence within the firm. The importance of studying these issues is increasing, given the trend toward team-oriented, cross-functional organizational forms. As Day (1997, p. 89, emphasis added) notes,

As organizations evolve towards hybrid structures, using self-directed process teams ... the importance of all functional departments will inevitably be diminished. Nonetheless, *some functions will be relatively more powerful* than others—that is, they will control more resources and have more influence in the strategy dialogue. *Will*

marketing be the lead function, rather than operations, sales, finance, engineering, or technology?

Because of lack of empirical research on the topic, we are at a loss to account for the level and determinants of marketing's relative influence within the firm. This is a significant gap in our understanding, because we do not know the factors that might lead to variations in marketing's role. Recently, Webster (1997, p. 49) stated that "For the past two or three decades, marketing has effectively ceded its strategic responsibilities to other organizational specialists who have not, until recently, been guided by the voice of the customer." However, Day (1992, p. 323, emphasis added) previously had noted that "The judgment that the strategic role of marketing is declining—albeit from a high starting point—is both controversial and arguable since there is *little or no empirical evidence* directly relevant to the issue."

The purpose of this article is to address three issues with regard to marketing's influence within the firm. First, we empirically explore the level of the marketing subunit's relative influence within the organization. Second, we explore the importance of selected determinants of marketing's intraorganizational influence, thus addressing the question "In which circumstances does the marketing subunit have higher levels of influence?" More specifically, we focus on situational determinants and exclude characteristics of individual managers, such as charisma (Pfeffer 1992) and individual bases of power (French and Raven 1959). Third, frameworks such as Anderson's (1982) resource dependence model assume a continual adaptation of influence to adjust to changes outside the firm. In this article, in addition to traditional contingency determinants, we examine the explanatory ability of institutional factors that might create inertia, thus slowing or preventing continual adaptation to environmental changes. This understanding of the level and determinants of influence among functional groups is important for directing and implementing organizational change. If managers can convince powerful functional groups to support them, change can be promoted; if those groups are ignored, they might hinder change (Pfeffer 1992).

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Literature Review

Conceptual Foundations of Research on Subunit Power

Much of the foundation for the study of subunit power within organizations follows from the work of Cyert and March (1963), who present an alternative to the neoclassical economic view of managers seeking to maximize profits. They emphasize that firms are composed of managers who have conflicting goals, do not necessarily attempt to find optimal solutions but rather satisfactory solutions, and sequentially attend to goals, often with incomplete information on options and outcomes. Following this coalitional view of the firm, Thompson (1967) introduces the concept of the "dominant coalition" to account for variations in the power of various subunits to define situations, propose solutions, and influence the strategic direction of the firm. Child (1972) also uses the concept of a dominant coalition to argue that the link between the environment and the structural form of the organization is not deterministic, but rather is mediated by strategic choices made by the powerful members within the organization. Empirical research on factors affecting subunit power has been carried out in organizational theory, typically using surveys of a limited number of firms (two for Enz 1986, seven for Hinings et al. 1974, twelve for Perrow 1970, one for Salancik and Pfeffer 1974).

Power is a complex construct whose definition and operationalization has been debated extensively in both the marketing and organizational literature (cf. Enz 1989; Frazier 1983; Gaski 1987; Stern and Scheer 1992). In marketing, power has been studied most extensively in the context of distribution channel relationships, and a conceptual distinction has been made between power and influence. For example, Stern and Scheer (1992, p. 260) note that "Channel *power* is typically conceptualized as one channel member's ability to evoke a change in the attitudes and/or behavior of another channel firm," whereas "*Influence* is a change in one party that has its origin in another party and thus embodies the successful exercise of power." In this article, we focus on *marketing's influence*, which we define as the exercised power of the marketing subunit within a business unit, relative to other subunits, over activities important to the success of the business unit.

Contingency and Institutional Theories of the Firm

We draw on two fundamental theoretical perspectives: contingency theory and institutional theory. The typical perspective of contingency theory is that the performance implications of some structural or strategy-related construct are moderated by external factors. Assuming rational adaptation to the environment, this leads to the observation that certain organizational structures are related systematically to environmental determinants. Much of the contingency-based research thus has tested direct relationships between environmental factors and organizational structures or strategies (cf. Drazin and Van de Ven 1985). With regard to subunit power, for example, Boeker (1989), Hambrick (1981), Hinings and colleagues (1974), and Salancik and Pfeffer (1974) all use contingency arguments but examine

direct effects between environmental conditions and subunit power.

Following from coalitional views of the firm, several contingency theories were presented in the 1970s to explain variations in the power of subunits. Hickson and colleagues' (1971) strategic contingencies theory proposes that subunit power is related to the subunit's workflow centrality, the degree to which the subunit successfully copes with key environmental uncertainties, and the substitutability of the activities performed by the subunit. Pfeffer and Salancik (1978) have a similar goal of predicting the relative influence of one firm within a network of firms (or one subunit within a firm composed of multiple subunits) as a function of the resources each contributes. Firms or subunits that provide valued resources, with no close substitutes, on which others are dependent have more power. Pfeffer (1981) elaborates on the implications of that perspective for the power of subunits within the firm and argues that power goes to groups that control critical, scarce resources.

In contrast to contingency theory, which holds that organizations continually adapt to "fit" the environment, institutional theory claims that business practices and organizational forms can become institutionalized and persevere, even when they are no longer efficient (DiMaggio and Powell 1983; Meyer and Rowan 1977). The central idea of institutional theory is that organizational actions and structures are embedded in social networks and are affected by the pressures of conformity and legitimacy, which arise from the organization's environment (DiMaggio and Powell 1983). Meyer and Rowan (1977, p. 341) define *institutionalization* as "the processes by which social processes, obligations, or actualities come to take on a rulelike status in social thought and action." As a result of the often weak selection pressures and indeterminate link between environments and efficient ways of organizing, Meyer and Rowan (1977, p. 348) argue, firms may "incorporate elements which are legitimated externally, rather than in terms of efficiency." Empirical support for the explanatory ability of institutional factors, in addition to more traditional organizational theories (e.g., strategic choice, resource dependence, agency theory), have been provided in such areas as sales compensation plans (Eisenhardt 1988), board involvement in strategic decision processes (Judge and Zeithaml 1992), and decisions of organizations to adopt a multidivisional form (Palmer, Jennings, and Zhou 1993). Little research in marketing has drawn on institutional theory, and in this article, we develop a model that explains the intraorganizational power of the marketing subunit with both contingency and institutional determinants.

Research on Marketing's Role Within the Firm

If power of a subunit is contingent on environmental demands, marketing will be most influential in situations in which its contributions are critical to the firm's success. However, no empirical work has been done to develop a general model of when marketing is likely to control key resources. Although related research on subunit power has been performed by researchers in organizational theory and management strategy (Enz 1986; Hinings et al. 1974; Per-

row 1970; Salancik and Pfeffer 1974), they have been less interested in factors affecting the influence of any one specific group than in more general theories of subunit power.

In marketing, the research most related to the influence of marketing is that which examines marketing's role in specific contexts, such as strategy development (Anderson 1982; Frankwick et al. 1994; Piercy 1987; Walker and Ruekert 1987), product development (Dougherty 1992; Hutt, Reingen, and Ronchetto 1988; Workman 1993), or coordination of interfirm networks (Achrol 1991; Webster 1992). One of the better known articles is Anderson's (1982) on the role of marketing in strategy development. He uses resource dependence theory (Pfeffer and Salancik 1978) as the basis of his constituency theory of the firm and postulates that marketing's influence in strategic planning is related to the relative importance of the resources that it brings to the firm.

One of the key limitations of the research on marketing's role in specific contexts is that much of it is conceptual rather than empirical (Achrol 1991; Anderson 1982; Walker and Ruekert 1987), and the empirical studies typically have been based on data collected from a small number of firms (Dougherty 1992; Frankwick et al. 1994; Hutt, Reingen, and Ronchetto 1988; Workman 1993). In addition, the context-specific studies do not examine the more general issue of the relative influence of marketing across a range of business issues. A further limitation is that many of the researchers articulate concepts for differing or changing roles of marketing but do not link their conceptualization of marketing's role explicitly to situational determinants. In short, there has been little empirical testing of specific hypotheses that relate the environment to various dimensions of marketing's influence.

Synthesis

In summarizing our review of prior research, we identify the following limitations: First, marketing researchers have performed little empirical measurement of the influence of marketing and little empirical linking of marketing's role to environmental conditions. We believe a conceptual framework and empirical research are needed to identify factors that can account for variations in the role and power of marketing in different situations. Second, though various contingency theories predict that marketing is more influential when coping with key uncertainties or controlling key resources (Hickson et al. 1971; Pfeffer and Salancik 1978), they provide little help in identifying environmental contexts in which that happens. We specifically sought to move from the relatively high level of abstraction of those theories to environmental dimensions that are more familiar to researchers in marketing. Third, the relatively few empirical studies (e.g., Hinings et al. 1974; Perrow 1970; Piercy 1987) not only have grouped marketing with sales (thus overlooking potential differences between them), but also have focused on absolute rather than relative levels of influence. Fourth, most of the empirical research has used small samples and intensive interviews to identify firm-specific strategic issues. In contrast, our study was based on a larger cross-section of firms to provide more generalizable find-

ings. We also collected data from more than one respondent per organization to explore the validity of our measures. Fifth, prior research has not examined empirically how institutional factors might affect the relative influence of groups within the firm. We collected data across multiple firms in three industry sectors in two countries to assess empirically how attitudes toward marketing, institutionalized at the firm, industry, and country levels, are related to the relative influence of marketing within the firm. Sixth, empirical research has been based exclusively on data collected within a single country. We are not aware of any studies that have an international database. We sought to increase generalizability by collecting data in both the United States and Germany.

Hypotheses

Our study consisted of inductive field research followed by a survey. We initially conducted interviews with 72 managers in 27 U.S. firms and 20 German firms. The persons interviewed were primarily general, marketing, sales, or research and development (R&D) managers. The field interviews both helped us understand subunit influence in organizations and how it can be measured and contributed to identifying antecedents that might be related to the influence of the marketing subunit.¹ An important insight derived from our field interviews was that the strategic business unit (SBU) was the appropriate unit of analysis, because we found significant diversity across business units in the factors used to predict marketing influence, as well as variations in the influence of functional groups.² We also explored whether it makes sense to study functional unit influence, given the discussion on reengineering and horizontal, boundaryless organizations (Hammer and Champy 1993). Although managers in many companies spoke of reengineering their firms to focus on cross-functional business processes, we still found that functional units existed in which people primarily reported to functional rather than process managers. More specifically, none of the firms had completely abandoned functional organizations, which is consistent with Day's (1997) reporting on a Boston Consulting Group study and Tom Peter's (1997, p. 202) observations. Thus, the issue of subunit influence still was relevant to decision making in firms.

On the basis of the field interviews and prior research in organization theory on subunit power, we classified the fac-

¹For a more detailed description of the findings from the field interviews, see also Workman, Homburg, and Gruner (1998, pp. 33-34).

²An additional insight from our field interviews was the need to specify carefully what we mean by an SBU. We found many variations in the functions that report to the business unit manager, with many business units sharing functional groups such as marketing, sales, R&D, or manufacturing with other business units. Therefore, in the survey instructions, we defined the business unit as "an organizational unit which has control over at least three functional areas (e.g., marketing, sales, R&D, finance, manufacturing, human resources) and reports to a general manager (or VP or President)." Thus, we excluded from our sample, for example, distribution units that only sell products.

tors related to marketing's influence into three categories: external contingency determinants, internal contingency determinants, and institutional determinants. Contingency determinants are those derived from contingency theory and assume a continual adaptation of the firm to meet the demands of the internal and external environment. In contrast, the institutional determinants represent cultural factors that become institutionalized at the level of the firm, the industry sector, or the country and can affect attitudes toward marketing.

External Contingency Determinants

On the basis of our field interviews and a review of the literature, three external contingency constructs were considered to be the most relevant to the influence of the marketing subunit: market growth, market-related uncertainty, and technological turbulence.

Market growth. Several researchers have argued that marketing plays a central role in growing markets (e.g., Chandler 1978; Hambrick 1983; Miles and Snow 1978). The basis for this hypothesis derives from a life cycle perspective in which marketing and R&D play a relatively greater role in the emergent and growth stages of the market's development. During these stages, the importance of understanding customer needs, advertising, and promotion and the expansion of distribution to reach new customers are of relatively high importance. Marketing tends to make a large contribution to these activities. However, in the maturity and decline phases, the emphasis shifts to efficiency and cost control, operations and finance play a greater role, and the importance of marketing's contributions is relatively lower.

From a strategy perspective and drawing on Miles and Snow's strategic typology (1978), many authors have claimed that marketing personnel tend to be more influential in firms with prospector strategies than in ones with analyzer or defender strategies (Hambrick 1981, 1983; Snow and Hrebiniak 1980; Walker and Ruekert 1987). Because prospectors are associated with high-growth markets (Miles and Snow 1978; Ruekert and Walker 1990), it follows that marketing would have more influence in growing markets. Additional empirical support derives from the Advisor 2 studies (Lilien 1979), in which it was found that marketing budgets, as a percentage of sales, were higher for business units in the growth stage than for those in the mature stage of the product life cycle. Thus, we hypothesize that

H₁: Marketing's influence is related positively to the growth rate of the market.

Market-related uncertainty. One of the more widely studied environmental variables is environmental uncertainty. Uncertainty is a central construct in the formulation of Thompson's (1967) theory of organizational structure, and he argues that boundary spanning units help buffer the "technological core" from the sources of uncertainty. Hickson and colleagues (1971) argue that coping with important sources of uncertainty for the organization confers power on a group. In a marketing context, Spekman and Stern (1979, p. 55) study the structure of the buying group and argue that

"By adapting its structural configuration to match the level of uncertainty in its environment, a firm can facilitate the gathering and processing of information crucial to its decision making; thereby reducing uncertainty to a manageable level." We hypothesize that, when market-related uncertainty is high, marketing makes a more important strategic contribution to the firm because there is a greater need to gather and process market-related information. According to Pfeffer (1981) and Anderson (1982), this greater value of the contribution is related to increased influence.

We conceptualize market-related uncertainty as a multi-dimensional construct that consists of market-related complexity and the frequency and unpredictability of major market-related changes. This conceptualization is consistent with Duncan's (1972) work, which identifies complexity and dynamism as major sources of uncertainty. Dynamism can be conceptualized in terms of magnitude, frequency, and unpredictability of changes (Dess and Beard 1984; Duncan 1972). This leads to our next hypotheses:

H_{2a}: Marketing's influence is related positively to the level of market-related complexity.

H_{2b}: Marketing's influence is related positively to the frequency of major market-related changes.

H_{2c}: Marketing's influence is related positively to the level of unpredictability of major market-related changes.

Technological turbulence. Another environmental dimension that may be related to the role of the marketing subunit is technological turbulence. When there is a rapid rate of change in the technical environment, the contributions of people with technical backgrounds become relatively more important because of their greater expertise in coping with one key source of uncertainty facing the firm. For example, people in R&D provide information on emerging technologies and ideas about applying technology in new ways that may provide greater benefit to customers. Although there are many case-based and anecdotal examples that marketing often has relatively lower levels of influence in technologically turbulent environments (Dougherty 1992; Enz 1986; Workman 1993), there is relatively little empirical verification of this claim. We thus propose that, due to the relatively greater importance of technical subunits in providing technical information to the business unit,

H₃: Marketing's influence is related negatively to the level of technological turbulence in the industry.

Internal Contingency Determinants

Differentiation and cost-leadership strategy. The next two hypotheses follow from work in strategy examining the importance of functional groups and core competencies for different business strategies (Hitt, Ireland, and Palia 1982; Snow and Hrebiniak 1980). Although the strategy of a business unit can be characterized in a variety of ways, we use the widely known Porter (1980) typology, because our interviews showed that it reflects the way managers think about competitive strategy.

We specifically consider the relationships between cost leadership and differentiation and marketing's influence. Although we are unaware of any empirical research directly

linking differentiation or cost leadership to marketing's influence, related work suggests marketing is more influential for a differentiation strategy and less influential for a cost-leadership strategy. Unlike a cost-leadership strategy, which is more internally oriented, a differentiation strategy emphasizes exploration of complex customer needs structures and adaptation of products and services to fit or respond to them (Hambrick 1983; McDaniel and Kolari 1987; McKee, Varadarajan, and Pride 1989). Exploring customer needs structures is typically one of the core competencies of the marketing unit. Presumably, therefore, the resources provided by the marketing unit would be considered important if the business unit strongly emphasized a differentiation strategy. That inference is supported by empirical results for other strategies that are related to differentiation and cost leadership. For example, research on prospectors and defenders has shown marketing to be more important for prospectors than for defenders (Hambrick 1981, 1983; McDaniel and Kolari 1987; McKee, Varadarajan, and Pride 1989). As Miller and Friesen (1986) note, there is significant overlap between business units characterized by Porter's (1980) differentiation strategy and Miles and Snow's (1978) prospectors.

H₄: Marketing's influence is related positively to a differentiation strategy.

Similarly, Miller and Friesen (1986) find that Porter's cost-leadership strategy is similar to Miles and Snow's defender strategy, and prior work has shown that defenders tend to place less emphasis on marketing (e.g., Walker and Ruekert 1987).

H₅: Marketing's influence is related negatively to the emphasis placed on a cost-leadership strategy.

Distribution and customer base. The last two hypotheses reflect strategic decisions about how to distribute products and how broad or narrow a set of customers to serve. The decisions about the ways to take products to market can lead to different activities and influence for the marketing function (Corey, Cespedes, and Rangan 1989). When business units sell directly to customers, rather than using intermediaries, functional groups other than marketing commonly interact with their counterparts in the customer organization. It has been shown that providing a resource results in power to the extent that other groups are not able to provide that resource (Pfeffer and Salancik 1978). When marketing is no longer the sole provider of information on customer needs and market information, it loses influence because it is substitutable. We thus hypothesize that direct distribution is related to decreased influence for marketing:

H₆: Marketing's influence is related negatively to the percentage of direct sales.

In addition to strategic decisions about whether to sell directly or indirectly, business units also make decisions about how broad or narrow a customer base to serve. Some business units choose to serve large original equipment manufacturer (OEM) accounts or rely on large distributors that account for most of their business. Other business units choose not to rely on any single customer and seek a broad-

er customer base. Business-to-business marketing research has shown that when there are fewer customers, there are often closer partnerships and joint product development with customers (Heide and John 1992). When there is such joint activity, more groups interact with the major accounts. Thus, marketing no longer serves as the primary boundary spanning unit between the business unit and the market and has less control over a scarce resource. We hypothesize that, as customer concentration (i.e., the percentage of revenues that comes from the largest customer accounts) increases, marketing's influence will be reduced. Empirical support is provided by Lilien (1979), who finds that the size of marketing budgets decreased as customer concentration increased.

H₇: Marketing's influence is reduced as customer concentration increases.

Institutional Determinants

As DiMaggio and Powell (1983) and Eisenhardt (1988) have noted, operationalizing institutional factors requires an understanding of the relevant organizational field and the types of factors that lead to pressures to act in certain ways. Commonly used sources of institutional pressure have been specific industry sectors (Eisenhardt 1988; Fligstein 1987; Palmer, Jennings, and Zhou 1993), time period of the founding of the firm (Boeker 1989; Eisenhardt 1988; Judge and Zeithaml 1992), percentage of other firms in an industry sector that adopt the structure/form being studied (Fligstein 1987; Palmer, Jennings, and Zhou 1993), functional or educational background of top management (Boeker 1989; Palmer, Jennings, and Zhou 1993), and network ties among board members (Palmer, Jennings, and Zhou 1993). In this article, because of our focus on influence within the SBU, we conceptualize three levels at which legitimacy pressures for marketing to be more or less influential might exist. First, the SBU is embedded in a corporate context, and there may be pressure from the hierarchy to organize in certain ways. Second, SBUs operate in external organizational fields that consist of such actors as competitors, suppliers, customers, financial markets, and professional associations, all of which may have certain expectations for marketing's role. Third, the state and broader society may have certain expectations and induce pressures that favor one functional group over another through societal norms, regulations, certification, historical precedence, and other factors.³

Corporate context. One organizational factor that is related to the influence of functional groups is the organizational culture within the firm (Deshpandé and Webster 1989). In some firms, the dominant logic of the firm (Prahalad and Bettis 1986) revolves around marketing, and this firm orientation thus can affect subunit influence

³Rather than directly measuring these various constituencies' specific institutionalized beliefs about marketing, we use categorical variables to indicate the sources of greater institutional pressures for marketing to have a greater role in the business unit. This approach is consistent with prior empirical research, drawing on institutional theory, which has been conducted in organization theory and strategy.

within each SBU. In other cases, marketing plays a less central role throughout the firm. In their "upper echelons" theory, Hambrick and Mason (1984) argue that the top management team plays an important role in guiding strategic action in the firm and that organizations are shaped by the backgrounds and beliefs of members of the top management team. Thus, consistent with prior research (Fligstein 1987; Pasa and Shugan 1996; Pfeffer 1981), we propose that

H₈: Marketing's influence is higher in firms in which chief executive officers (CEOs) have a marketing background.

Industry context. Attitudes and beliefs about the proper roles of functional groups also may be institutionalized in industry sectors. DiMaggio and Powell (1983) argue that the organization's interconnectedness in its environment is a key determinant of how firms organize. Because of the often weak or indeterminate relationships between organizational properties and success, "Organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful" (DiMaggio and Powell 1983, p. 152). In addition, there may be pressures for conformity with the industry that arise from legitimacy expectations of trade associations, regulators, boards of directors, customers, suppliers, the general public, or other important constituencies. Empirical research on institutional effects often has proposed that there may be stronger institutional pressures to organize in certain ways in one industry sector, in contrast to other sectors (e.g., Boeker 1989; Eisenhardt 1988; Palmer, Jennings, and Zhou 1993).

Marketing traditionally has played an important role in consumer goods industries, a role that could result in a high influence of the marketing subunit. On the basis of our interviews and a general belief in the marketing literature that marketing plays a more central role in consumer versus industrial firms, we propose the following:

H₉: Marketing's influence is higher in SBUs in industries selling consumer goods than in SBUs in industries selling predominantly industrial goods.

Societal context. In addition, attitudes and beliefs about the proper roles of various functional groups are institutionalized at the country level. For example, DiMaggio and Powell (1983, p. 150) argue that coercive forces may arise from "cultural expectations in the society within which organizations function." 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 groups were present, appeared to place more emphasis on sales than on marketing. An explanation may 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 Germany university was not established until the early 1970s. Moreover, cultural and legal restraints on the use of marketing tools in Germany are reflected in an 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 Germany, customer orientation does not have a strong po-

sition, and complaints about the lack of customer service are frequent (e.g., Steinmetz 1995).

In addition, there is a higher level of governmental involvement in the German economy, and Germany has lagged the United States in deregulation of industries such as telecommunications, air travel, and energy supply. In the area of advertising, German advertisements tend to be more factual and technical with less imagery than American advertisements, and until recently, television commercials on the primary German television channels could be shown only at the beginning and end of each show. Altogether, those factors reflect an institutionalized attitude toward marketing that is less positive than the U.S. attitude.

H₁₀: Marketing's influence is lower in Germany than in the United States.

Method

Sample and Data Collection Procedure

Data for the study were obtained from managers responsible for marketing in SBUs in three industry sectors in the United States and Germany: consumer packaged goods, electrical equipment and components, and mechanical machinery. We defined the business unit as a relatively autonomous unit in which the manager had control of at least three of the following functions: marketing, sales, manufacturing, R&D, finance, or human resources. Because firm size has been shown to affect organizational dimensions, we included in our sample equal numbers of firms in each industry sector in each country for each of four ranges of annual sales (\$25 million [M]–\$67M, \$67M–\$333M, \$333M–\$1.3 billion [B], and more than \$1.3 B). From Dun and Bradstreet, industry directories, and telephone calls to the SBUs, the names of 1500 U.S. and 1284 German managers responsible for marketing in 2784 SBUs were obtained. Of 2610 surveys delivered, usable responses were received from 280 U.S. and 234 German managers, a response rate of 19.9% in the United States, 19.4% in Germany, and a total response rate of 19.7%.

To detect possible problems with nonresponse error, two methods were used. First, the data set was divided into thirds in each country, according to the number of days from initial mailing until receipt of the returned questionnaire. Country-specific t-tests between the first and last thirds indicated no statistically significant differences ($p < .05$) in the mean responses for the constructs used. Second, before sending the first mailing, we randomly selected 100 of the 1500 U.S. SBUs and made special efforts to increase the response rate from that group. The assumption was that responses from the random sample that had the higher response rate would be more representative of the true population. We attempted to make telephone contact with the manager responsible for marketing in each of those SBUs and obtained a verbal commitment either to fill out the survey or at least to look at it carefully. In addition, we sent two follow-up surveys to nonrespondents, as well as two follow-up postcards to everyone in the group, to emphasize the importance of responding to the survey. The net result was that we obtained a response rate of 45%, in contrast to a response

rate of 18.5% for firms not in the random sample. We then performed a t-test comparing the means of all variables for the random sample versus all other respondents and found only one statistically significant difference ($p < .05$).⁴ On an overall basis, nonresponse bias was not a problem in our study.

General Measurement Approach

Scales for the study consisted of newly generated items and items that had been used previously. The questionnaire was designed in English and modified after comments were provided by five academics and six marketing managers. To enhance translation equivalence, the revised English version of the questionnaire was first translated into German by one person and then retranslated into English by a second person, each of whom was bilingual. Differences were reconciled by the two expert translators. The resulting two versions of the questionnaire were pretested and modified in the United States and Germany on the basis of comments from 20 marketing and sales managers who completed the entire survey.

Three types of measures were used in the survey: single-item measures, formative multi-item measures, and reflective multi-item measures. If a construct was a summary index of observed variables, we used a formative measurement model (Bagozzi and Baumgartner 1994). In that case, observed variables cover different facets of the construct and cannot be expected to have significant intercorrelations. For example, complexity as conceptualized by Duncan (1972) consists of two dimensions, the number and heterogeneity of items that an organization faces. In contrast, if observed variables (and their variances and covariances) were manifestations of underlying constructs, we used a reflective measurement model (Bagozzi and Baumgartner 1994). In that case, the scales' psychometric properties can be assessed by means of criteria based on confirmatory factor analysis (Anderson and Gerbing 1988; Fornell and Larcker 1981). If necessary, the item pools were purified. Confirmatory factor analysis is considered superior to more traditional criteria (such as Cronbach's alpha) in the context of scale validation because of its less restrictive assumptions (Bagozzi, Yi, and Phillips 1991; Gerbing and Anderson 1988).

The *single-item measures* used in the survey were market growth, functional background of the CEO, percentage of direct sales, country, and industry. Two *formative multi-item measures* were used: the multi-issue measure of marketing's influence (the dependent variable, described in the next section) and the measure of market-related complexity (an independent variable). The *reflective multi-item measures* used were frequency of major market-related changes,

⁴Respondents from the random sample scored significantly higher on the low-cost strategy variable ($p < .01$). If we assume the random sample is more representative of the true population, the implication is that our U.S. sample is biased toward placing less emphasis on a low-cost strategy. We suggest two possible explanations for such potential bias. First, managers responsible for marketing in firms with a low-cost emphasis may be less interested in organizational issues. Second, because of their emphasis on low cost and efficiency, they may have less slack time available to answer mail surveys.

unpredictability of major market-related changes, technological turbulence, differentiation strategy, low-cost strategy, customer concentration, and two size measures for the firm and SBU that were used as control variables.

Measurement and Validation of Influence

The influence of the five functional groups identified in the field interviews (marketing, sales, R&D, manufacturing, finance/accounting) was assessed by using a 100-point constant-sum scale for each of 11 strategic issues: (1) pricing decisions, (2) distribution strategy decisions, (3) decisions regarding the strategic direction of the business unit, (4) decisions on major capital expenditures, (5) decisions on advertising messages, (6) decisions on expansions into new geographic markets, (7) choices of strategic business partners, (8) new product development decisions, (9) decisions on procedures for measurement of customer satisfaction, (10) decisions on programs for improving customer satisfaction, and (11) decisions on design of customer service and support. The approach of measuring subunit influence over specific issues was chosen on the basis of Enz's (1986), Hinings and colleagues' (1974), and Pfeffer's (1981) research. A distinction was made between a functional group with no influence and the absence of a functional group. If the firm lacked a particular functional group, respondents were asked to give it no points and allocate the 100 points among the other groups.

The 11 issues were chosen to represent a range of strategic decisions of high importance for the success of the business unit that are typically not completely under the control of a single functional unit. We were particularly interested in the relative influence of the groups with regard to the cross-functional issue of customer satisfaction, a theme which is central to total quality management and the reengineering movement. The field interviews guided our choice of issues, in the sense that we selected issues for which we observed a large variability of subgroup influence across the interviews. We wanted to account for this variation using theoretically relevant determinants. Also, because prior empirical research has not distinguished between marketing's influence and the influence of sales, we wanted to explore influence differences between these groups. Thus, some of the issues were those classically attributed to marketing and sales, such as advertising, distribution channel management, and pricing, for which marketing and sales may have differential influence.

We used two measures of marketing's influence. First, for the dependent variable, we used a multi-issue measure of marketing's influence. It was calculated by multiplying the importance of each of the 11 issues for the success of the business unit by the influence allocated to marketing for that issue and then summing across all 11 issues.⁵ The resulting

⁵Issue importance was measured for each of the 11 issues on a seven-point Likert scale of the importance of the activity for the success of the business unit with the anchors 1 = relatively low importance and 7 = extremely high importance. The average value of importance assigned to the issues was 5.2 in the main sample. Therefore, we identified a set of important strategic issues, though it is not exhaustive.

figure was divided by the number of issues for which answers were provided to correct for missing data. Second, we used a general measure of marketing's influence, obtained by asking for an overall assessment of the influence of the five functional groups.⁶

We used two methods to validate the dependent variable. First, we validated it with the general measure of marketing's influence in the main sample (managers responsible for marketing). The correlation coefficient between the multi-issue measure and the general measure of marketing's influence was .65 ($p < .001$). Second, we collected a sample consisting of informants outside marketing to validate both the multi-issue and the general measures of marketing's influence. We sent a shortened version of the survey to R&D managers (or production managers if an R&D function did not exist) who belonged to the same SBU as the respondents in the first survey. The names of the managers addressed in the second survey were identified by the respondents in the first survey or through telephone calls if the first respondent did not designate a specific person. We sent 505 surveys (275 in the United States, 230 in Germany) and obtained 101 usable responses (53 in the United States and 48 in Germany), a response rate of 20.0%.

We validated the influence ratings from the main sample with those from the validation sample in three ways. First, we compared the ratings of marketing's influence on individual issues provided by the respondents in the main sample with the corresponding influence ratings by the respondents in the validation sample. The average absolute difference in the influence ratings for all 11 issues and over all five functional groups was 2.8 on a scale from 0 to 100. For the multi-issue measure of marketing's influence, the value was 4.3. The amount of influence assigned to marketing by the R&D managers was higher than that assigned by the marketing managers for 6 of the issues (ranging from 2.8 to 7.4 points higher, with a mean of 4.4 higher). Second, we compared the multi-issue measure of marketing's influence, as calculated from the responses in the main sample (managers responsible for marketing), with that calculated from the responses in the validation sample. The two measures were correlated significantly, with a correlation coefficient of .39 ($p < .001$). Third, we compared the general measure of marketing's influence, as rated by the marketing managers in the main sample, with the general measure as rated by the R&D managers in the validation sample. The two measures were correlated significantly, with a correlation coefficient of .45 ($p < .001$). The mean of the general measure of marketing's influence was even higher with the val-

idation sample, in support of our belief that there is no bias in the influence ratings provided by the managers responsible for marketing. Overall, the results indicate that our dependent variable, the multi-issue measure of marketing's influence, is a valid measure.

Measures of Independent Variables

The following independent variables were used: (1) single-item measures of market growth, functional background of the CEO, percentage of direct sales, industry, and country; (2) formative multi-item measures of market-related complexity; and (3) reflective multi-item measures of frequency of major market-related changes, unpredictability of major market-related changes, technological turbulence, differentiation strategy, low-cost strategy, customer concentration, firm size, and SBU size. A complete list of the items used in the analysis is given in the Appendix.

Market-related complexity was assessed using eight items adapted from measures previously used in distribution channel settings (Achrol and Stern 1988). For example, the number of people involved in the buying process is theorized to reflect market-related complexity. As the items in the Appendix demonstrate, they cover fairly distinct facets of the construct of overall complexity, which makes a formative measurement approach appropriate.

Frequency and unpredictability of major market-related changes were seen as reflecting dynamism. The respondent was asked to assess, on seven items each, the frequency and unpredictability of major changes in market-related aspects of the business environment from which their business unit derived its largest amount of sales. Aspects included sales strategies, pricing behavior, sales promotion/advertising strategies, and new product introductions.

Technological turbulence was operationalized using the scale developed by Jaworski and Kohli (1993). The items measured the extent to which technology in an industry was in a state of flux (e.g., "The technology in our industry is changing rapidly"). Differentiation and low-cost strategy measured the degree to which the SBU emphasized those two strategies. The specific items measuring the strategic emphasis were based on those used by Kim and Lim (1988) and Dess and Davis (1984).

Metric Equivalence

We first performed confirmatory factor analysis to determine whether the factor loadings differed between the United States and Germany. If factor loadings are equivalent across subsamples, they can be combined in subsequent analysis (Mullen 1995). Two multiple-group confirmatory factor analyses then were run using LISREL 8 for the reflective multi-item measures. The first constrained the factor loadings across the U.S. and German samples to be equivalent. The second allowed the factor loadings to be freed across the samples. A statistical test comparing the fit of the two models found no statistically significant differences. Because of the strong evidence of metric equivalence across the two countries, we combined the two samples for subsequent measure analysis.

⁶For the multi-issue measure of influence, the wording was as follows: "What is your assessment of: (a) the degree of influence each of the following functional groups has had over the past three years on decisions reached concerning the following issues and (b) the importance of these activities for the success of your business unit?" For the general influence measure (which came next on the survey), the respondent was asked, "In general, how much influence within your business unit would you say each of these functional groups has had over the past three years?" A 100-point constant-sum scale across five functional groups (marketing, sales, R&D, manufacturing, finance/accounting) was used for all 11 issues and for the general measure.

Measure Reliability and Validity

Measure reliability and validity were assessed using confirmatory factor analysis that combined each factor measured by reflective indicators. This results in a confirmatory factor analysis model that includes eight factors. Composite reliability represents the shared variance among a set of observed variables that measure an underlying construct (Fornell and Larcker 1981). In general, composite reliability of at least .6 is considered desirable (Bagozzi and Yi 1988, p. 82). As we show in the Appendix, each construct met that criterion. In addition, all of the coefficient alpha values exceeded the threshold value of .7 recommended by Nunnally (1978), suggesting for each of the constructs a reasonable degree of internal consistency between the corresponding indicators. That conclusion is supported by all the factor loadings being significant at the .001 level, which has been suggested as a criterion of convergent validity by Bagozzi, Yi, and Phillips (1991).

Measures of overall fit evaluate how well the confirmatory factor analysis model reproduces the observed variables' covariance matrix. The goodness-of-fit index (GFI) and adjusted goodness-of-fit index (AGFI) are two descriptive overall fit measures, for which a minimum value of .9 usually is considered acceptable (Bagozzi and Yi 1988; Baumgartner and Homburg 1996). The same threshold value can be applied to the comparative fit index (CFI), an incremental fit index suggested by Bentler (1990). The root mean squared error of approximation (RMSEA) is a fit measure based on the concept of noncentrality (Steiger 1990). Usually, values up to .08 are considered to indicate reasonable model fit (Browne and Cudeck 1993). These criteria all were met in our confirmatory factor analysis model (GFI = .94, AGFI = .93, CFI = .95, RMSEA = .045), which suggests that the model fits the data well.

Discriminant validity between the independent factors was examined by performing, one at a time, chi-square difference tests between a model in which a factor correlation parameter was fixed at 1.0 and the original (unrestricted) confirmatory factor analysis model. Because every restrict-

ed model had a significantly poorer fit than the unrestricted model, we concluded that the degree of discriminant validity was sufficient. Discriminant validity also was supported by the criterion suggested by Fornell and Larcker (1981).

Results

Relative Level of Marketing's Influence

The relative influence of marketing was rated in relation to that of four other functions on 11 issues (see Table 1). Marketing had the most influence on decisions about advertising messages (on average, 65 of 100), procedures for measuring customer satisfaction (48), and programs for improving customer satisfaction (40). Marketing had its lowest level of influence on decisions about major capital expenditures (13). In all but 1 of the 44 t-tests comparing the influence of marketing with each of the four other functional groups, the differences between marketing and other subunits were statistically significant.

These results suggest that marketing plays a major role in relation to the other functions in the SBU. It is worth noting that though marketing and sales seem to have greater influence in the issues related to the classical domain of marketing, marketing's influence is still substantive on other issues outside the classical marketing discipline and is rated the most influential unit with respect to decisions about the strategic direction of the business unit.

Hypothesis Testing and Discussion

We tested our hypotheses by means of a regression model that links the independent variables to our measure of marketing's influence. We considered regression analysis to be more adequate for theory testing than causal modeling because our set of independent variables included three variables measured on a nominal scale (CEO with marketing background, country, and industry). We also entered the size of the firm and of the SBU as control variables in the model because of the finding from previous research that size might influence the organization of a firm.

TABLE 1
Influence of Functional Subunits over Specific Issues
(with t-tests comparing marketing to other groups)

Decisions regarding:	Marketing	Sales	R&D	Operations	Finance
Advertising messages	65	29**	3**	1**	2**
Customer satisfaction measurement	48	35**	5**	8**	4**
Customer satisfaction improvement programs	40	37*	7**	10**	6**
Expansion into new geographic markets	39	45**	3**	3**	10**
Strategic direction of the business unit	38	29**	11**	9**	14**
Distribution strategy	34	52**	1**	6**	6**
Choices of strategic business partners	33	38*	7**	9**	12**
New product development	32	23**	29*	9**	7**
Design of customer service and support	31	47**	5**	10**	7**
Pricing	30	41**	4**	9**	16**
Major capital expenditures	13	11**	13	29**	35**

* $p \leq .05$.

** $p \leq .01$.

Note: The number in each cell is the mean of the amount of points given by the marketing managers to each group, using a constant-sum scale of 100. A t-test was performed to compare column 2 (mean of relative influence of marketing) with columns 3 through 6 (relative influence of sales, R&D, operations, and finance). Statistically significant differences with marketing are indicated in each column.

Because our measure of marketing's influence is based on both marketing and nonmarketing issues, we conducted two additional regression analyses, with influence on marketing and nonmarketing issues as dependent variables.⁷ Because the results from these regressions are similar to the results from the overall regression analysis (see Table 2), we report the results from our measure of marketing's influence on all issues. Because multicollinearity of the predictors can be a problem in multiple regression, we estimated variance inflation factors for the model. The results were less than harmful levels and were thus not a problem.

External contingency determinants. The relationship between market growth and influence of the marketing subunit

⁷The marketing issues were advertising messages, distribution strategy, pricing, design of customer service and support, customer satisfaction measurement, and customer satisfaction improvement. The nonmarketing issues were strategic direction of the business unit, choice of strategic business partners, new product development, major capital expenditures, and expansion into new geographic markets.

is positive but not significant, so H₁ is not supported. H₂, which states that the greater the market-related uncertainty, the greater the influence of marketing will be, is only partially supported, because the frequency of major market-related changes significantly increased the influence of marketing ($\beta = .16, p < .01$), the influence of market-related complexity is not significant, and the unpredictability of major market-related changes decreased the influence of marketing ($\beta = -.14, p < .05$). One possible explanation of the negative relationship between unpredictability and influence of marketing is that marketing may not be coping successfully with the uncertainty in the environment. Hickson and colleagues (1971) propose that it is not uncertainty alone that confers influence on subunits, but rather subunits' success in coping with the uncertainty. If changes in the environment are frequent and marketing is not able to predict them successfully, people in the organization might be disappointed by the performance of the marketing unit. Failure to meet expectations in forecasting or developing good scenarios eventually would lead to reduced influence.

H₃, which states that technological turbulence in the market is related negatively to the influence of marketing, is not supported. Perhaps marketing's influence is not related

TABLE 2
Results of Regression Analysis

Independent Variables	Hypothesis number and direction	Dependent Variable		
		Marketing's influence on all issues	Marketing's influence on marketing issues	Marketing's influence on nonmarketing issues
<i>External contingency determinants</i>				
Market growth	H ₁ (+)	.06	.06	.07
Components of market-related uncertainty				
Market-related complexity	H _{2a} (+)	-.01	.01	-.04
Frequency of major market-related changes	H _{2b} (+)	.16***	.13**	.16**
Unpredictability of major market-related changes	H _{2c} (+)	-.14**	-.15**	-.11*
Technological turbulence	H ₃ (-)	.03	.06	.00
<i>Internal contingency determinants</i>				
Differentiation strategy	H ₄ (+)	.14***	.15***	.08*
Low-cost strategy	H ₅ (-)	.01	-.01	.03
Percentage direct sales	H ₆ (-)	-.17***	-.25***	-.03
Customer concentration	H ₇ (-)	.04	.04	.06
<i>Institutional determinants</i>				
CEO with marketing background	H ₈ (+)	.21***	.15***	.22***
Consumer packaged goods	H ₉ (+)	-.04	-.10*	.04
Germany	H ₁₀ (-)	-.10**	-.09**	-.10**
<i>Control variables</i>				
Firm size		-.02	-.05	.02
SBU size		.04	.06	.00
Constant		112.88***	137.53***	82.15**
F-value		4.615***	5.146***	2.812***
R ²		.159	.174	.111

* $p \leq .10$.

** $p \leq .05$.

*** $p \leq .01$.

Note: All regression coefficients are standardized coefficients.

to R&D's rising influence in situations of high technological turbulence. To explore that issue more fully, we conducted additional analysis of our data. The findings indicate that as technological turbulence increases, the influence of R&D increases as well, but not at the expense of marketing's influence. The increased influence of R&D comes from functional groups other than marketing.

Internal contingency determinants. H₄, which states that the influence of marketing is higher for a business unit with a differentiation strategy, is supported ($\beta = .14, p < .01$), but H₅, which states that the influence of marketing is lower for business units with a cost-leadership strategy, is not. As the percentage of direct sales increased, the influence of marketing decreased ($\beta = -.17, p < .01$), in support of H₆. However, H₇, which states that the influence of marketing decreases as customer concentration increases, is not supported. Neither firm nor SBU size have significant effects as control variables.

Institutional determinants. A CEO with a background in marketing is related positively to marketing's influence ($\beta = .21, p < .01$), as was postulated in H₈. The strong relationship with CEO background indicates possible institutionalization of influence, whereby a certain culture or functional background may be dominant even if it no longer meets the environmental demands.

H₉, which states that the influence of marketing is higher in consumer goods industries, is not supported. Apparently, the marketing concept has been adopted in business-to-business sectors as well as consumer sectors and has led to the formation of influential marketing groups. We conducted additional data analysis to explore the lack of support for H₉. One possible explanation is that it may be more likely to find a system of internal differentiation of tasks and activities in large consumer goods companies (e.g., the development of a brand management system) that leads to marketing having more influence in these firms. The concept of the firm's center of gravity (Ilinitch and Zeithaml 1995) may be a theoretical basis for this reasoning, with large consumer goods firms being more likely to achieve synergy across brands than smaller consumer goods firms, and the center of gravity more oriented toward marketing in consumer firms than in industrial firms. This reasoning suggests a positive interaction between SBU size and the consumer packaged goods industry, which we observed ($\beta = .11, p < .05$). Furthermore, the relationship between industry and marketing's influence may depend on the emphasis placed on a differentiation strategy. For example, consumer firms with more differentiated products may place more emphasis on advertising, promotion, and positioning than industrial firms do, activities that are more likely to be related positively to marketing's influence. This reasoning suggests a positive interaction between differentiation and the consumer packaged goods industry. Again, we find empirical support ($\beta = .62, p < .05$) for this suggestion. Thus, though we find no support for the hypothesized positive relationship between industry and marketing's influence on an overall basis, we observe that the suggested relationship may hold for large SBUs and for a high level of differentiation. H₁₀, which states that the influence of marketing is

lower in Germany than in the United States, is supported ($\beta = -.10, p < .05$). We believe this finding reflects the more negative attitude toward marketing in Germany.

Implications

Theoretical Implications

Our objectives with this research were to examine the relative level of marketing's influence, find if there were systematic variations based on situational factors, and compare traditional contingency factors with institutional factors. Regarding the level of influence, the result that emerges from our data is that marketing and sales are relatively influential in comparison with other functional groups within the firm. Some scholars have speculated that the growth of multidivisional structures has led to an increase in the influence of finance (Chandler 1978, Fligstein 1987). Others have argued that marketing has lost its voice in strategic concerns because of a short-term tactical focus at the product or brand level (Day 1992; Webster 1992, 1997). Although we are not able to comment directly on longitudinal changes in marketing's influence, we can state that, in our sample, marketing was ranked as a highly influential group on a general basis. In particular, marketing turns out to be the most influential group in terms of the business unit's strategic direction.⁸ We also examined whether the shift toward new organizational forms is associated with a diminished role for the marketing subunit.⁹ Although the importance of all functional groups may have decreased, as we indicated previously (Day 1997), we found no evidence that the relative influence of marketing decreased in firms that had adopted boundaryless, process-based organizational forms.

An additional implication regarding the relative level of influence is that marketing and sales have statistically significant differences in their relative influence for all 11 strategic issues (see Table 1). Much of the research on subunit power in organization theory has grouped marketing and sales (e.g., Fligstein 1987; Hinings et al. 1974; Pasa and Shugan 1996; Perrow 1970). However, there is increasing recognition that sales and marketing personnel have different orientations and ways of approaching problems (cf. Cespedes 1995). Little empirical research has characterized

⁸Although one reason for this high ranking might be that marketing managers answered the survey, the results from the R&D managers support the marketing managers' perceptions (as was reported in the section on influence validation). Furthermore, when we examine the influence rankings provided by the 15% of our respondents who were presidents, general managers, and vice presidents not in marketing or sales (and therefore presumably less likely to be biased toward marketing), we find similar results.

⁹Specifically, we performed a t-test comparing the mean level of influence for firms that scored high and low on the following two items on our survey: "The boundaries between marketing and other functional groups have been dissolving over the past few years" and "We are organized more around processes than around functional groups" (each answered on a seven-point agree/disagree Likert scale). There were no statistically significant results for the two subgroups, and the correlation coefficients between these two items and our measures of marketing's influence were all statistically insignificant.

those orientations, and additional empirical inquiry is needed into how the differing influence and perspectives of marketing and sales affect organizational performance. To summarize our findings on the relative level of influence, (1) marketing does not seem to have lost its voice in strategic decisions making; (2) marketing's relative influence is not lower in firms that adopt horizontal, process-based organizational forms; and (3) there are important differences in the relative influence exerted by marketing and sales on various strategic issues.

Addressing the determinants of marketing's influence, we are able to explain variations in the influence of marketing without consideration of individual level factors. In this sense, influence is not solely a function of individual traits, charisma, personal networks (Pfeffer 1992), or individual bases of power such as authority, coercion, or expertise (French and Raven 1959). Rather, we find that marketing's influence systematically varies as a function of internal and external contingency factors, as well as institutionalized factors, which provide continuity and inertia to a subunit's influence. Although other studies have shown similar results, demonstrating that influence is derived from the social network in which a person is embedded (Kohli 1989; Ronchetto, Hutt, and Reingen 1989), they observe individual rather than subunit influence, focus on the context of organizational buying, and do not consider institutional factors.

One important theoretical implication of our study is that institutional determinants account for variance in marketing's influence beyond that explained by the determinants typically used in contingency-based research. This advances our understanding of the phenomenon of intraorganizational influence of marketing beyond Anderson's (1982) work. Anderson drew on Pfeffer and Salancik's (1978) resource dependence theory to argue that marketing's role in strategy formulation was dependent on the value of the resources that marketing contributes to the firm. Our research indicates that, in addition to being affected by such contingency factors, influence also may be institutionalized in firms and societies and that firms may not adapt continually to changes in contingency factors.

On a more general level, this finding indicates that marketing researchers should consider using institutional theory to a larger extent than it has been used before. Research, for example, in the areas of marketing channels, organizational buying, and organization decisions regarding formalization and centralization typically has used classical contingency factors for explanation. The underlying assumption is that firms continuously adapt to the environment. Our research, however, indicates that there may be a significant level of inertia. One of the fundamental observations of institutional theory is that social systems do not change as rapidly and as continuously as their environments. We believe that there are limits to the ability of social systems to adapt continuously to changes in the environment, and institutional theory provides a lens through which to observe inertia and stability in organizational forms. Additional research on this topic of institutionalization is needed in marketing to understand its beneficial and detrimental aspects.

Finally, our findings show that further research must better conceptualize the components of environmental un-

certainty and the effects they may have on constructs of interest to marketers. Uncertainty is a central construct in organization theory, as reflected in theories of organizational coordination (Thompson 1967), information processing (Galbraith 1973), resource dependence (Pfeffer and Salancik 1978), and transaction cost analysis (Williamson 1985). We empirically find differential effects of the three components of market-related uncertainty (frequency of changes, predictability of changes, and complexity). The implication is that different strategies are appropriate to cope with, reduce, or buffer the organization from various types of uncertainty. We therefore suggest that marketing research should place a stronger emphasis on studying differential effects of uncertainty dimensions.

Managerial Implications

Our study has several managerial implications. First, because effective change management requires the support of influential actors in the organization, empirically based knowledge of intraorganizational influence is important. As is indicated in Table 1, in general, the marketing and sales subunits are the most influential across the issues we studied. The implication is that, to implement change successfully, a manager must have support from the marketing and sales groups.

Second, contemporary managerial literature increasingly emphasizes the importance of cross-functional teams for accomplishing work within organizations. The members of teams come from functional areas with different levels of influence. An accurate diagnosis of the influence of the team members may be important for understanding and guiding team decision making. Managers must recognize that not only the individual skills of the team members, but also their functional backgrounds, affect the influence they have. Influence is both an individual and a structural group phenomenon. A project team manager must manage effectively within the context of different power bases and recognize that not all voices on the team are heard equally.

Third, our research shows that institutional factors, as well as contingency factors, are related to the influence of subunits. The implication is that the present organizational form may not necessarily be the result of rational adaptation to market forces, but rather may be due to cultural and institutionalized factors. Therefore, results can be less than optimal. Our findings indicate that managers must be sensitive to such potential barriers to change in their organization. For example, in the German telecommunications industry, Deutsche Telekom had a monopoly prior to deregulation of the German telecommunication market. Although historically, the emphasis was on operations, market changes and increased competition imply that marketing should play a more prominent role. However, because of the institutionalized negative attitude toward the importance of marketing, such adaptation may take time.

Fourth, the constant-sum instrument we developed for measuring subunit influence within organizations can be used by managers to diagnose the patterns of influence within their business unit. Such measurement may be important

in planning and implementing strategy change, which requires the support of influential actors.

Limitations and Future Research Directions

Our work can be extended in several directions. First, researchers should examine outcomes of the influence of marketing. Similar to researchers who use contingency theories of organization (e.g., Galbraith 1973), we postulate that business units that can match the demands of their environment will perform best. However, we do not address the issue of whether firms that have an "appropriate" allocation of influence to marketing according to their environmental characteristics actually perform better than firms out of alignment with the environment.

Second, though our analysis provides acceptable support for our theoretical reasoning, as is the case in most empirical studies in organizations, a major proportion of the variance remains unexplained. Therefore, additional research might incorporate individual determinants of the influence of marketing managers in addition to the structural determinants we considered. Also, further research might examine theoretically plausible moderating effects. For example, the relationship between our dimensions of uncertainty (market-related and technology-related) and marketing's influence may be moderated by the skill of the relevant subunits in successfully handling these sources of uncertainty.

Third, because the United States and Germany are at similar levels of economic development, our findings do not address the issue of marketing's influence or role in firms in less developed countries or the emerging market economies of Eastern Europe, Southeast Asia, and Latin America. Our findings suggest that Germany lags the United States in the adoption of the marketing concept, and we believe the lag may be even greater in less developed countries. Many of those countries are in transition from economic systems in which marketing activities are se-

verely constrained, the infrastructure to support marketing and distribution activities is poorly developed, and the societal attitudes toward marketing are different than those in the United States and Western Europe. Our findings suggest that marketing's influence may be linked closely to societal attitudes, economic development, and legal restrictions, but empirical research is needed to assess that possibility.

Fourth, though our theoretical reasoning is based on general determinants, which should apply across industry sectors, our sample was limited to manufacturing firms. We did not find any significant differences in the influence of marketing across the three industry groups we studied. Nevertheless, due to the nature of customer interactions in service firms, there may be additional determinants of marketing's influence that were not empirically included in our study.

Fifth, in regard to the functional background of the CEO, additional research might investigate whether there is a stronger relationship for more recently appointed CEOs (who may have been brought in with a mandate for change) than for CEOs with longer tenures. Hambrick and Fukutomi (1991) and Miller (1991) have argued that there may be different relationships between the CEO's background and firm characteristics, based on the CEO's tenure in the office.

Sixth, in this article, we focus on relative levels rather than absolute levels of subunit influence. In some organizations, politics and influence play a much greater role than in others, and we have not considered the overall extent to which politics is a factor in the organization. Day (1997, p. 89) has argued that the importance of all functional groups will be diminished with the increasing use of cross-functional teams and lower boundaries between departments. Given our focus on relative influence, further research is needed on the issue of absolute level of influence.

APPENDIX

Scales, Items, Scale Means, and Standard Deviations for Theoretical Measures

Scale Name, Response Cue, and Individual Items	Scale Mean/ Standard Deviation
The measures MARKGRO and DIRSALES were introduced as follows: "In this section we will ask questions on your business environment. If you operate in several markets, please focus on the market/industry which you consider the core of your business."	
Market growth (MARKGRO) (1 = decrease by more than 20%, 2 = decrease of 10% to 20%, 3 = decrease of 5% to 10%, 4 = decrease of up to 5%, 5 = relatively constant market volume, 6 = increase of up to 5%, 7 = increase of 5% to 10%, 8 = increase of 10% to 20%, 9 = increase of more than 20%)	
Over the last three years, what was the average annual market growth or decline for this market?	6.18/1.92
Percentage direct sales (DIRSALES)	
Approximately what percent of your sales are direct to final customers and are not made through a middleman (e.g., a wholesaler, distributor, or retailer)?	47.64/40.85
CEO with marketing background (CEOMKT) (CEO with background different from marketing, CEO with marketing background)	
What is the primary functional background of the CEO of your firm?	

Scale Name, Response Cue, and Individual Items	Scale Mean/ Standard Deviation
Market-related complexity (MKCPLX) (scored on seven-point Likert scale with anchors 1 = strongly disagree, 7 = strongly agree)	
To what extent do the following statements reflect the situation in your market? In this market,	4.56/1.0
MKCPLX1: The number of products and brands is very high.	
MKCPLX2: The number of people/organizations involved in the distribution process is very high.	
MKCPLX3: The number of people involved in the buying process is very high.	
MKCPLX4: Communication varies very much across different customer segments.	
MKCPLX5: Customer requirements vary a lot across different customer segments.	
MKCPLX6: There is a lot of variety in products for sale.	
MKCPLX7: There is a lot of variety in the type of people involved in the buying process.	
MKCPLX8: There are many people other than direct customers who must be influenced in order to sell.	
Firm size (FIRMSIZ) (FIRMSIZ1 and FIRMSIZ2 were standardized prior to aggregation)	.0/1.0
FIRMSIZ1: What were the sales of your entire firm for the most recent year? If you do not want to provide an exact figure in spite of the promise of confidentiality, could you provide a range (e.g., \$150–200M)?	
FIRMSIZ2: What approximately is the total number of full time employees in your entire company?	
(coefficient alpha = .90; composite reliability = .94)	
Size of the strategic business unit (SBUSIZ) (SBUSIZ1 and SBUSIZ2 were standardized prior to aggregation)	.0/1.0
SBUSIZ1: What were the sales of your business unit for the most recent year? If you do not want to provide an exact figure in spite of the promise of confidentiality, could you provide a range (e.g., \$150–200M)?	
SBUSIZ2: What approximately is the total number of full-time employees in your business unit?	
(coefficient alpha = .86; composite reliability = .80)	
Customer concentration (CUSTCON) (1 = less than 1%, 2 = 1% to 5%, 3 = 5% to 10%, 4 = 10% to 20%, 5 = 20% to 35 %, 6 = 35% to 50%, 7 = more than 50%)	
What is the approximate percentage of sales that comes from the following sets of "direct customers"? (We define direct customers to mean those who directly pay you, regardless of whether they are a distributor, OEM, or "final consumer.")	4.59/1.50
CUSTCON1: Your largest direct customer.	
CUSTCON2: Your 5 largest direct customers.	
CUSTCON3: Your 10 largest direct customers.	
(coefficient alpha = .94; composite reliability = .97)	
Frequency of major market-related changes (FREQUEN) (scored on seven-point Likert scale with anchors 1 = very few changes and 7 = very frequent changes)	
Please indicate the frequency of major changes in the following aspects of the business environment that your business unit derives its largest amount of sales from.	3.83/.97
(FREQUEN1): ^a Changes in products offered by your business unit and your competitors.	
FREQUEN2: Changes in sales strategies by your business unit and your competitors.	
FREQUEN3: Changes in sales promotion/advertising strategies of your business unit and your competitors.	
FREQUEN4: Changes in pricing behavior of your business unit and your competitors.	
FREQUEN5: Changes in customer preferences in product features.	
FREQUEN6: Changes in customer preferences in product quality/price relationship.	
(coefficient alpha = .69; composite reliability = .70)	
Unpredictability of major market-related changes (UNPRED) (scored on seven-point Likert scale with anchors 1 = highly predictable and 7 = highly unpredictable)	3.75/.97

Please indicate the overall predictability of major changes in the following aspects of the business environment that your business unit derives its largest amount of sales from.

- (UNPRED1):^a Changes in products offered by your business unit and your competitors.
 UNPRED2: Changes in sales strategies by your business unit and your competitors.
 UNPRED3: Changes in sales promotion/advertising strategies of your business unit and your competitors.
 UNPRED4: Changes in pricing behavior of your business unit and your competitors.
 UNPRED5: Changes in customer preferences in product features.
 UNPRED6: Changes in customer preferences in product quality/price relationship.

(coefficient alpha = .70; composite reliability = .70)

Technological turbulence (TECHTUR) (scored on seven-point Likert scale with anchors 1 = strongly disagree and 7 = strongly agree)

4.07/1.35

To what extent do the following statements reflect the situation in your industry?

- TECHTUR1: The technology of our industry is changing rapidly.
 TECHTUR2: Technological changes provide big opportunities in our industry.
 TECHTUR3: It is very difficult to forecast where the technology in our industry will be in the next two to three years.
 TECHTUR4: A large number of new product ideas have been made possible through technological breakthroughs in our industry.
 TECHTUR5: Technological developments in our industry are rather minor (reverse scored).

(coefficient alpha = .83; composite reliability = .86)

Differentiation strategy (CSDIFF) (scored on seven-point Likert scale with anchors 1 = not at all and 7 = a great deal)

In this section, if you operate in different markets with different strategies, please refer only to the most important market. To what extent does your business unit emphasize the following activities?

5.04/1.01

- CSDIFF1: Competitive advantage through superior products.
 CSDIFF2: Creating superior customer value through services accompanying the products.
 CSDIFF3: New product development.
 CSDIFF4: Building up a premium product or brand image.
 CSDIFF5: Obtaining high prices from the market.
 CSDIFF6: Advertising.
 (CSDIFF7):^a Development of customer-specific solutions and products.

(coefficient alpha = .76; composite reliability = .80)

Low-cost strategy (CSCOST) (scored on seven-point Likert scale with anchors 1 = not at all and 7 = a great deal)

In this section, if you operate in different markets with different strategies, please refer only to the most important market. To what extent does your business unit emphasize the following activities?

5.19/1.25

- CSCOST1: Pursuing operating efficiencies.
 CSCOST2: Pursuing cost advantages in raw material procurement.
 CSCOST3: Pursuing economies of scale.
 (CSCOST4):^a Gaining market share through aggressive pricing of your products.

(coefficient alpha = .82; composite reliability = .82)

^aItems not kept after the item purification process are shown in parentheses.

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