

The Role of Marketing in Corporations within the Post Communist Context: Perceptions of Marketing Managers in Czech Corporations¹

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Abstract

The influence of marketing department in corporations tends to be limited, as it usually plays a rather tactical and narrow role. It is often primarily concerned with marketing communications whereas it lacks involvement with other crucial marketing activities such as brand strategy and positioning, new product development or pricing. This state is relatively well documented in the US literature. However, not much is known about the role of marketing departments in corporations within the post communist context. This study proves that situation in Czech corporations is consistent with the US reality. With the exception of companies operating in the FMCG sector, marketing department is typically not the most powerful force in the Czech corporations and its involvement with strategic and non-communication marketing activities is typically relatively low.

Key words

Marketing department, role of marketing, FMCG sector, Czech corporations

JEL classification: M31

Introduction

According to the American Marketing Association marketing is the “activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large” (AMA, 2007). More generally marketing can be defined as a business function which aligns the interests of customers and the company (Sheth & Sisodia, 2005, 2006; Sheth, Sisodia & Barbulescu, 2006).

Although enlightening, these definitions do not entirely capture the fact that marketing is a multidimensional discipline (Webster, 1992, 2005). On one level, marketing is perceived primarily as a tactical business function: in this view marketing is typically seen as interchangeable with advertising, sales promotion and other operational business tools. From this tactical perspective, marketing is often viewed as a supporting

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function which produces brochures, organizes trade shows and events or uses direct mail to help the sales force attracting new customers (Kotler et al, 2006).

On another level, marketing is primarily a strategic business function: marketing decisions like "who is our ideal customer", "what is the value we propose", "how we ensure customers' satisfaction" or "how we retain the competitive position" are then perceived as fundamental for functioning of the company's business model.

Last but not least, marketing can be viewed as an expression of corporate culture. Marketing is then perceived as a management philosophy which postulates that company's existence depends on the satisfaction of customers' needs (Webster, 2005, 1992; Deshpande & Webster, 1989). This suggests that customer or market orientation is the pre-requisite to company's long-term success.

Understanding the three-dimensional nature of marketing (mainly the difference between the tactical and the strategic levels) is of key importance, especially for larger companies. Small companies are mostly in direct contact with their customers and marketing decisions in relation to all three levels are integrated because there is usually only one person responsible for most business activities (e. g. the owner). However, as a company grows, marketing department is established (Kotler et al, 2006) and becomes responsible for some (not all) of the marketing functions (Ambler, 2006). This is where the confusion about the role of marketing begins.

The focus of the marketing department tends to be rather short-termed, tactical and narrow. Its purpose is centered primarily on generating new business whereas building customer loyalty is often considered as somebody else's responsibility (Brown, 2005; Sheth & Sisodia, 1998, 2006). Other crucial strategic marketing activities (e.g. pricing, customer service or new product development) are being taken away from the marketing department by other company's functions (Sheth & Sisodia, 2005, 1998; Ambler, 2006). The short-term thinking of marketers is further strengthened by the incentive systems, which press them to "make their quarterly numbers" (Sheth & Sisodia, 2006).

The rather tactical position of marketing departments within corporations is further strengthened by inappropriate strategic and analytical skills of senior marketing managers (Webster, 2005) and their inability to speak the financial language and answer questions about the productivity of marketing expenditures (Sheth & Sisodia, 2005, 1998; Sheth et al., 2000; Wind, 2008, Winer, 2006). Sheth and Sisodia (2005) even speculate that in today's business world "anyone can go into business as a marketer". Yet, at the same time, the current tactical position of marketing within organizations is also aided by inappropriate marketing literacy of managers, who are not primarily responsible for marketing decisions but influence them significantly (Sheth & Sisodia, 2005).

Although many strategic functions of marketing are taken over by other departments, marketing department is often isolated from these departments. There is often a gap between marketing department on the one side and financial department, sales department, research and development department and operations on the other side (Wind, 2008; Kotler et al., 2006). This causes much ineffectiveness.

All of the above mentioned problems, coupled by the complexities of today's hypercompetitive markets lead to relatively low productivity of marketing. It seems that

marketing has been losing both effectiveness and efficiency (Sheth & Sisodia, 2006; Sheth et al., 2000; Smith, 2006). Marketing demands more resources and delivers worse results, which is visible from flat customer satisfaction levels, extremely low customer loyalty and negative attitudes and resistance of customers towards marketing (Sheth & Sisodia 1998, 2006; Smith, 2006; Sheth, Sisodia & Barbulescu, 2006).

As a result, credibility of marketers within companies has become relatively low and reflects in how marketers and non-marketers see the marketing function. This has been shown by studies carried out in the US context. A survey of how managers from other business functions perceive the performance of their marketing colleagues showed that only 38% of them rated marketers as good or excellent, only 18% rated marketers as result-oriented and only 34% rated marketers as strategic thinkers (Sheth, Sisodia & Barbulescu, 2006). Similarly, marketing function was rated as less efficient and effective by non-marketers, who also tend to see the reputation of marketing as a profession as lower. Not surprisingly, then, while marketers see the role of marketing as significant for the company's functioning, their colleagues from other departments tend to evaluate it as less crucial (Sheth, Sisodia & Barbulescu, 2006).

In this situation, marketers are hard pressed to justify their budgets. Marketing expenditures are perceived as "soft money" that can easily be cut, rather than as an investment (Sheth & Sisodia, 2005, 1998; Raju, 2005). This state is far from the complex fundamental role marketing should, according to theory, play in companies (e.g. Kotler 2007) and it is not surprising that marketers believe they need much more influence over activities regarding the marketing mix (e. g. product mix, channel selection, pricing, R&D priorities etc.), while non-marketers believe that marketing's influence is about where it should be (Sheth, Sisodia & Barbulescu, 2006).

The above analysis does not apply integrally to the entire market. Indeed, there are companies in which marketing plays a major role at the corporate level as exemplified by corporations operating in the FMCG sector (Kotler et al., 2006, Leemon, 1995). However, even within this sector, a many do not have a representative of marketing function in the board of directors. According to the Booz Allen & Hamilton study, only 47% of Fortune 1000 companies have a Chief Marketing Officer (CMO) position (Kerin, 2005). Moreover, the CMO position seems to be rather difficult (Raju, 2005), which explains why only 14% of the world's top brands' CMOs stay with their companies more than three years and less than half of them more than one year (Kerin, 2005).

As shown above, the research from the US context proves that the role of marketing within corporations is quite problematic. This information is highly important for the top management responsible for the distribution of competences within their companies, as many of the problems could be prevented by setting appropriate management structures and implementing better communication platforms among company's departments. The findings are nonetheless crucial also for business universities which should adjust their teaching and research activities accordingly, as their main task is to transfer an insightful and up-to-date picture of marketing business reality to students.

However, most of the research on regard has been carried out in the US and there is no doubt that the US marketing context can differ significantly from the reality of other countries (Steenkamp, 2005). This question assumes an even higher im-

portance in the case of post communist countries where marketing is still in diapers.⁵ Yet, at the moment, there is no complex study which would focus on the specific role of marketing in the corporations operating in the post communist context. Some studies exist but they are primarily focused on different topics (e.g. Zamykalová & Štěrbová, 2011). Our research fills this knowledge gap.

The goal of this study is to examine the role of marketing in Czech corporations. We decided to focus on companies with more than 100 employees, based on the hypothesis that these organizations should have an autonomous marketing department or at least a position of a marketing specialist.

Research Questions

Before defining the research questions, individual in-depth interviews with 10 marketing managers of larger Czech companies were carried out. The respondents were asked about the role of marketing in their corporations.

Consistently with what has been described in the US studies, according to them marketing departments tend to play a rather tactical role in corporations. The respondents stated that realization of the marketing visions is not automatic and they have to spend much energy on internal politics to push their ideas. They mentioned for example:

"We use much of our capacity on operatives, things like posters, sales conferences or events for salespeople [...] everyday support."

"Marketing is not perceived in its broad perspective in our company. They see it as marketing communications or advertising. For example, persuading them to invite us to discuss prices – it is absurd for them and it would never cross their minds."

"In practice marketing shrinks to brand management or, with exaggeration, producing posters and bringing pictures to the CEO. Other departments decide about strategies... or, in many cases, nobody does. Everybody just speaks to everything, but nobody is responsible for anything."

"Most of our energy is consumed by 'what is visible'. Once a year [we make] a perfect ad that the whole company 'devours' and our department gets applauded... Laughing about the ad, sandwiches... After this is done, only then can we undertake more strategic things."

"The problem is definitely in the division of products and marketing. Product managers count profitability... and in many cases forget about the client... marketing does only the poster or campaign at the very end."

⁵ Until 1989 marketplace in these countries did not perform its function of allocating goods and services. Marketing therefore lacked its relevance (Lauter, 1971).

Based on the qualitative research we hypothesized that marketing is usually not the most powerful department in the larger Czech companies. Other departments, such as financial or sales departments, influence the overall corporate strategy more significantly. However, it can be expected that with a growing size of marketing department, its power within the company increases. We thus expect that the size of the marketing department will be positively correlated with its power.

H1: Larger marketing departments are more influential than smaller marketing departments.

In line with what is described in the literature (e.g. Kotler et al., 2006), we also expect that marketing departments of FMCG companies will exert more power over the corporate strategy than those operating in other sectors.

H2: Marketing departments in the FMCG sector are more influential than marketing departments in other sectors.

As the missing power over the corporate strategy is often connected to the tactical nature of marketing work (as described in the opening section), we hypothesize that marketing departments are primarily concerned with tactical activities related to marketing communications (i.e. communication and media planning). As a result, their involvement with strategic and non-communication tactical marketing activities (brand strategy, positioning, new product development and pricing) will be relatively low. However, in connection to the previous hypothesis we expect that in the FMCG sector these strategic and non-communication activities will play a more important role. In connection to the first hypothesis, then, we expect positive influence of the marketing department's size on the involvement with these activities.

H3: Marketing departments in the FMCG sector are more involved with brand strategy, positioning, new product development and pricing than marketing departments in other sectors.

H4: Larger marketing departments are more involved with brand strategy, positioning, new product development and pricing than smaller marketing departments.

Method and Sample

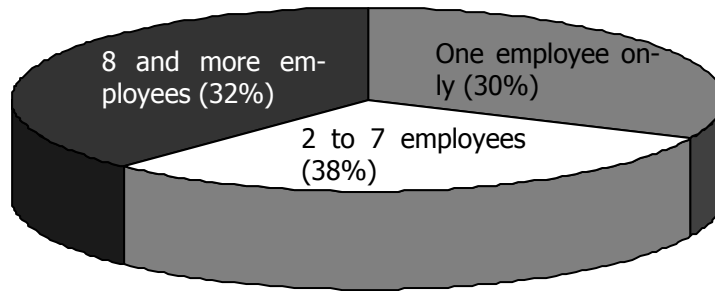
Based on the findings from qualitative data, an online questionnaire was prepared. The survey was conducted during March and April 2011 with 227 marketing managers who were in charge of marketing departments of Czech-based corporations. Only relatively large corporations were addressed (with more than 100 employees).

Approximately one third of the respondents had a large marketing department with 8 plus employees. One third of them had a marketing department with 2 to 7 employees. The rest of the respondents were the only marketing specialists in their corporation (see figure 1).

15% of the sample worked in corporations operating in the FMCG sector, 26% of them worked in corporations operating in services, 38% in corporations operating in B2B sector, 12% in corporations which produce durables and 9% in other corporations (e. g. media) (see figure 2).

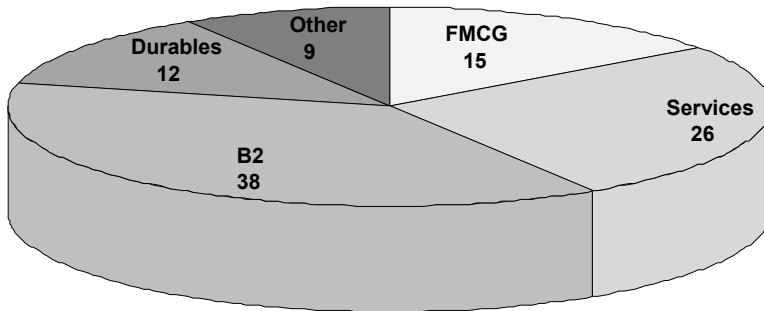
About 60% of the respondents worked in companies with their headquarters in the Czech Republic. The rest was employed in companies with headquarters abroad (see figure 3).

Figure 1 Sample composition (number of employees in the marketing department)



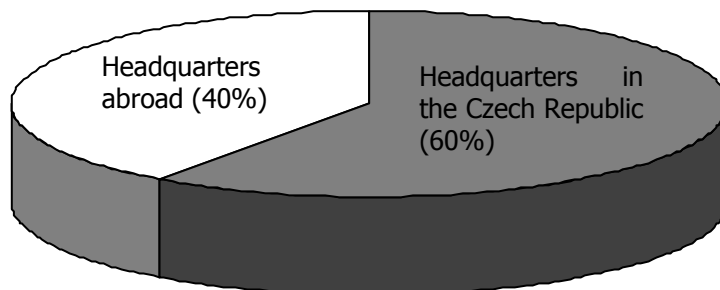
Source: authors.

Figure 2 Sample composition (respondents according to sector of their company)



Source: authors

Figure 3 Sample composition (headquarters location)



Source: authors

Findings

Based on the survey we came to the following findings. The first three hypotheses were supported whereas the last one was not.

H1: Larger marketing departments are more influential than smaller marketing departments.

The data suggests that small marketing departments with only one or two employees are mostly less powerful in constituting the overall corporate strategy (see table 1). Only 3.5% of the respondents working in small marketing departments perceived their department as a strategy-forming force in their corporation. However, with three or more employees in the marketing department, marketing was perceived highly influential by 21.6% of the respondents.

Table 1 The most influential department in constituting the overall corporate strategy (in relation to marketing department's size)

	Marketing department	Sales department	Finance department	Individual product departments	Total
1 or 2 employees	3.5%	65.9%	25.9%	4.7%	100%
3 or more employees	21.6%	47.2%	20.0%	11.2%	100%
Total	14.3%	54.8%	22.4%	8.6%	100%

Source: authors.

In order to test the statistical significance of the relationship, we have chosen the Chi-square test. To do so, we have transformed the contingency table in a two-by-two matrix that has allowed us to test the difference between the small and large marketing departments, and the perceived influence of marketing and all other departments. In this way, it is also possible to overcome the problem of small count in each cell.

We can conclude that marketing department's influence on the overall corporate strategy increases with its size. H1 is supported on 1% significance level (chi square = 13,493). However, the results can be interpreted also in a different sense, i.e. that corporations willing to have a powerful marketing department provide it with appropriate human resources.

H2: Marketing departments in the FMCG sector are more powerful than marketing departments in other sectors.

Similarly to what described in the US context, only a small part of Czech marketing managers perceived marketing department as the most influential player in their corporation (14.1%), while most of them thought it was the sales department that was the most powerful force in constituting the overall corporate strategy (54.9%).

An exception was formed, again in line with the literature on the US market, by those operating within the FMCG sector (see table 2). In FMCG, marketing department was perceived as the most influential force by 39.4% of the respondents, a number

that was far removed from all the other groups (the next sector that considered marketing department as the most powerful was "services" with 14.5%).

Table 2 The most powerful department in constituting the overall corporate strategy (in relation to sector)

	Marketing department	Sales department	Finance department	Individual product departments	Total
FMCG	39.4%	36.4%	21.2%	3.0%	100%
Services	14.5%	50.9%	27.3%	7.3%	100%
B2B	7.3%	58.5%	23.2%	11.0%	100%
Durables	7.7%	69.2%	15.4%	7.7%	100%
Other	5.9%	64.7%	17.6%	11.8%	100%
Total	14.1%	54.9%	22.5%	8.5%	100%

Source: authors.

As with the previous hypothesis, the chosen test was Chi-square. The contingency table was transformed, in order to assess the differences between FMCG and other sectors, and marketing and other departments. Based on the test, H2 is supported on the 1% significance level (chi-square = 20,843). We can thus conclude that marketing departments in the FMCG sector are more influential than marketing departments in other sectors.

H3: Marketing departments in the FMCG sector are more involved with brand strategy, positioning, new product development and pricing than marketing departments in other sectors.

As expected, involvement with strategic and non-communication tactical marketing activities was far from automatic. 65% of the marketing departments are rarely or not at all involved with brand strategy, positioning, new product development or pricing (see table 3).

Table 3 Regular involvement with brand strategy, positioning, new product development or pricing (in relation to sector)

	Not involved	Involved	Total
FMCG	45.7%	54.3%	100%
Services	71.2%	28.2%	100%
B2B	67.8%	32.2%	100%
Durables	60.7%	39.3%	100%
Other	76.5%	23.5%	100%
Total	65.0%	35.0%	100%

Source: authors.

However, as hypothesized, those activities are more common for marketing departments in the FMCG sector. 54.3% of the respondents from corporations operating in FMCG sector stated that they were very often involved with at least one of those activities. Respondents from all of the other sectors were regularly involved with brand strategy, positioning, new product development or pricing significantly less often. H3 is therefore supported on the 10% significance level (chi-square = 8,232).

H4: Larger marketing departments are more involved with brand strategy, positioning, new product development and pricing than smaller marketing departments.

Involvement with strategic and non-communication tactical marketing activities was also more typical for corporations with larger marketing departments (see table 4). However, this finding was not statistically significant. H4 is therefore not supported.

Table 4 Regular involvement with brand strategy, positioning, new product development or pricing (in relation to size of the marketing department)

	No	Yes	Total
Up to 3 employees	68.9%	31.1%	100%
More than 3 employees	62.1%	37.9%	100%
Total	64.9%	35.1%	100%

Source: authors.

Conclusion

In the US context, marketing departments are often criticized for their tactical and narrow focus. Many crucial marketing activities, such as strategic marketing decisions, pricing or new product development, are taken away from them. As a result, credibility of marketers within the US companies tends to be rather low. This state is not consistent with the fundamental role marketing should play, according to theory, in corporations.

Consistently with the US literature, in the Czech context marketing department is typically not the most powerful force in a corporation. In all sectors, with the exception of FMCG, it is the sales department which has the strongest position in constituting the overall corporate strategy. However, in the Czech FMCG sector, marketing tends to be indeed the most powerful department.

The influence of the marketing department grows with its size. Based on our research, the larger is the department, the higher is its influence on the overall corporate strategy.

Involvement of marketing departments with strategic and non-communication tactical marketing activities tends to be rather low. Majority of the Czech marketing departments are rarely or not at all involved with brand strategy, positioning, new product development or pricing. However, those crucial marketing activities are more

typical for marketing departments operating in the FMCG sector than for marketing departments operating in other sectors.

Our research suggests that the marketing function within the Czech corporations is not adequately supported. Under these conditions the role of the customer becomes marginal in many companies. As the centrality of consumers' needs, as well as customers' loyalty are two crucial prerequisites of effective business strategy in highly competitive markets (Kotler, 2007), our findings suggest that the position of marketing within Czech corporations should be addressed in order to increase their efficiency.

Top management should prevent this state. They can for example delegate the tactical marketing activities on a downstream (tactical) marketing group and the strategic marketing activities on an upstream (strategic) marketing group, as suggested by Kotler et al. (2006). They should also support communication among the departments, education of the non-marketing managers in the field of marketing, education of the marketing managers in the field of finance and sales etc. However, other research is necessary to deepen and broaden these suggestions.

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