#### **Meziyet UYANIK**

Beykent University, Istanbul, Turkey meziyetu@gmail.com

# **Cemal YÜKSELEN**

Beykent Universtiy, Istanbul, Turkey cemalyukselen@beykent.edu.tr

# Abstract

This study examines the role of the marketing department in businesses that adopt a marketing-oriented approach, and how three performance indicators, namely relative customer satisfaction, market effectiveness, and profitability are affected by the different levels of influence that the marketing department has in terms of participating in strategic decision-making. Data was collected via a survey of businesses from the top 500 and second top 500 businesses lists announced by the Istanbul Chamber of Industry, which counts the leading industrial businesses of Turkey among its members. Simple and multiple regression analyses were conducted using the SPSS 20 to test the effects in question. It was found that when the marketing department has little say in the making of strategic decisions in highly market-oriented businesses, it has a negative effect on business performance, and when the marketing department is more influential in the making of these decisions, there will be a positive contribution to performance (in terms of customer satisfaction and market effectiveness). The findings of the study point to the other side of the coin regarding the performance effects of an organization-wide marketing concept. The indication is that strong market orientation needs to be supplemented with an influential marketing department and that managers would be well-advised to retain the integration and coordination roles of a marketing department.

Keywords: Marketing department's influence, marketing function, market orientation

# 1. INTRODUCTION

There is a long-running debate about the role of marketing in business organizations, with different theoretical perspectives being put forward. In particular, the paradigm shift from viewing marketing as a separate organizational function to considering it as a process has led to debates over the role of marketing as a separate functional unit within an organization, and questions have been raised as to whether a marketing department is needed at all (Homburg et al., 2000; Montgomery and Webster, 1997). Most studies analyzing the contribution of marketing as a separate functional unit to the business are conceptual in nature, while empirical studies, on the other hand, have come up with conflicting results. It would thus be hard to argue that general consensus exists on the role of marketing in an organization.

One important topic in the literature that is in need of further investigation is how the role of the marketing department is affected by the market and the marketing understanding adopted throughout the organization – considered to be the heart of modern marketing – and the business performance implications of this effect. Today, it is generally agreed that a business should focus on creating sustainable customer value (Kumar and Reinartz, 2016, p. 36). Of course, it is not possible to create sustainable customer value through the efforts and contribution of a single functional unit, and accordingly, marketers have been working to create organization-wide customer orientation for years, and have partially succeeded in their efforts. On the flip side of the coin, there are concerns that the role and significance of marketing as a functional unit within the organization may lead to decline when this approach is adopted (Day, 1992; Verhoef and Leeflang, 2009). As a matter of fact, it has been stated in many studies that the marketing department has lost its power and importance in the organization (e.g., Homburg et al., 2015; Kotler, 2004; Schultz, 2005; Verhoef and Leeflang, 2009).

Nevertheless, studies demonstrating the impact of the marketing department on business performance are still very limited and have conflicting results.

This study aims to bring a new and reconciler perspective to the ongoing debate on this issue, supported by empirical evidence. Using the results of Uyanık and Yükselen's (2019) study, in which they found the negative effect of the influence of marketing department, the present study makes an in-depth investigation of this phenomen on business performance, supported by additional analyses and data.

# 2. LITERATURE REVIEW AND HYPOTHESES

# 2.1. Department influence and power

In marketing literature, the true concept of power has mostly been studied in the field of distribution channel relationships. Power is defined as "one channel member's ability to evoke a change in the attitudes and/or behaviors of another channel firm, and the concept influence is defined as the successful exercise of power" (Stern and Scheer, 1992, p. 260, cited by Homburg et al., 1999, p. 2). Feng et al. (2015, p. 2), Goetz et al. (2013, p. 353), and Nath and Mahajan (2011, p. 61) define departmental power as the ability of a department to influence other people and departments in an organization. In short, most definitions of power refer to the ability of an actor to overcome resistance to obtaining the desired result, or simply to effect changes or do things (Brass and Burkhardt, 1993, p. 441).

Marketing department's influence refers to the importance of the marketing department within the organization, and its authority relative to other departments (Verhoef et el., 2011, p. 60). It also refers to the influence of the marketing function on the strategic direction of the business in comparison to the influence of other units within the organization. Many scholars define power as a determinant of influence, or influence is exercised power (e.g. Emerson, 1962; Homburg et al., 1999, cited by Merlo, 2011, p. 1153). Thus, the stronger an organizational entity, the bigger its potential influence (Krush et al., 2015, p. 36).

In literature, different terms such as marketing power, marketing influence, and marketing emphasis have been raised in debates on the role of the marketing department within the organization, although most studies examine the issue by associating it with the level of participation of the marketing department in strategic decisions that affect the entire business. Some authors, on the other hand, use the terms in question interchangeably (Wirtz and Kuppelwieser, 2014).

# 2.2. The role of marketing within an organization

At different stages in the evolution of marketing, the focus was on different factors, such as products, institutions, functions, markets, consumers, firm management and society in general (Webster, 2005). With these paradigm shifts, the role of the marketing department within the business also underwent significant changes.

Because marketing activities are related to all of the experiences that create value for the customer, the marketing department has responsibilities at all touchpoints along the value chain, which makes it one of the main business functions with a management orientation (Wind and Robertson, 1983, p. 12). As a result, the responsibilities of the marketing management expanded from traditional sales management to product planning and development, pricing, promotion, and distribution. Indeed, most of the widely accepted definitions of the modern marketing concept refer to the need for marketing to be adopted and implemented as an organization-wide philosophy (Harris and Ogbonna, 1999, p. 181). This is a point that is often made by authorities in the field. Drucker (2007) argues that marketing is so basic that it cannot be considered as a separate function within the organization, and needs to be considered as a central aspect of the entire business. He emphasizes further that marketing concerns and responsibilities should permeate all areas of business. Similarly, Regis McKenna (1991) claims that "Marketing is everything and everything is marketing ... marketing is not a function, it is a way of doing business," taking the same perspective. From this perspective, marketing needs to be the responsibility of everyone, from the lowest level to the board of directors and should be included in the job description of all employees. This makes marketing everybody's business, adds to its influence, and

disseminates the role of the marketing department throughout the entire organization. However, it has also been observed that the idea of marketing having a management orientation is not readily accepted in academic circles, nor fully implemented in industry (Webster, 1992, p. 2). Throughout the evolution of the concept, making marketing a pillar of management has mostly remained an intention (Day, 1994, p. 37). On the other hand, the need to adopt an organization-wide marketing concept raises questions about the position of the marketing department as a separate functional entity. In short, "the adoption of an organization-wide marketing concept," which should be considered a victory for marketing, gives rise, paradoxically, to concerns that the influence of marketing as a distinct functional unit could decline (Day, 1992, p. 327; Verhoef and Leeflang, 2009, p. 29; Workman et al., 1998, p. 34;). Kotler and Reibstein (2013, p. 20) appreciate the recognition of the importance of marketing, but also voice the concern that when everyone does marketing, nobody is charge and responsible, thus underlining the continued importance of having marketing as a functional unit.

The perception of marketing as just a separate function within the organization gives rise also to measurement issues (Gummesson et al., 2014, p. 229). Marketing departments are under increasing pressure to demonstrate the economic contribution of marketing to business value and performance (Gupta et al., 2004; Halim, 2010; Hanssens and Pauwels, 2016; Homburg et al., 2015; Morgan et al., 2002). Problems with the measurement of the value added by marketing – e.g. the difficulties associated with quantifying the performance of intangible basic indicators such as brand awareness and customer satisfaction on performance in the relevant quarter, and the gap between the date marketing investment is made and on which returns are achieved – make it difficult to demonstrate the contribution of marketing to performance, making marketing one of the functions with the least measurable outcomes (Bendle et al., 2016, p. 98-99). This difficulty becomes even more salient when the multidimensional nature of marketing is taken into account. Distinguishing between the attitudinal (e.g., brand awareness), behavioral (e.g., brand loyalty) and financial (sales profitability) effects of marketing is difficult because of the complex and nonlinear relationships between these effects (Hanssens and Pauwels, 2016). This is one of the most significant factors weakening the role and the influence of the marketing department within the organization (Gruca and Rego, 2005; Lehman, 2004; O'Sullivan and Abela, 2007; O'Sullivan and Butler, 2010; Verhoef and Leeflang, 2009; Webster et al., 2005).

There is a long-running debate in literature regarding the position of marketing within an organization (Day, 1992; Goetz et al., 2013; Gok et al., 2018; Homburg et al., 1999; Merlo, 2011; Moorman and Rust, 1999, Verhoef and Leeflang, 2009; Wirtz and Kuppelwieseri 2014). Some of the conceptual and empirical studies in this field consider marketing to be a separate function that has lost some of its power and importance within the organization (Doyle, 1995; Ebbes et al, 2019; Homburg et al., 2015; Kotler, 2004; McGovern et al., 2004; Sheth and Sisodia, 2005; Scultz, 2003; Schultz, 2005; Verhoef and Leeflang, 2009; Webster et al., 2005). Kotler (2004) criticizes how, even though it is supposed to take care of all aspects of the 4Ps in theory, marketing's duties and responsibilities have become limited to sales and promotion, and thus reducing it to a single-P function.

Concerns about the reduction of the strategic role of marketing started to be voiced by researchers as early as the 1980s (Day, 1992, p. 323), and continue to be debated, while other studies in literature report contrasting findings, showing that marketing has become more powerful (e.g., Feng et al., 2015). Similarly, Merlo et al. (2011) and Homburg et al. (1999) did not comment on the changing role of the marketing department within the organization over time but found marketing to the most influential group in terms of the strategic direction of the organization. However, in a study based on new data equivalent to that used by Homburg et al. (1999), Homburg et al. (2015) evaluated the influence of the marketing department within the organization in 11 critical strategic decision fields and compared the results with those of their 1999 study. The authors found that the influence of the marketing department within organizations has decreased significantly over the last two decades.

# 2.3. Marketing department and business performance

Beyond the changing role of marketing within organizations, when we look at studies that focus on the relationship between the marketing department and business performance, there is overall consensus that the presence of a strong marketing function makes a positive contribution to firm value (Moorman and Day, 2016, p. 10), but while this consensus enjoys theoretical support, empirical studies report contradictory findings. In

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theoretical terms, strong functional units would make more use of an organization's resources (resource attractiveness), would work more efficiently and effectively with other departments thanks to their effective coordination skills, and would have greater potential to affect top management team and strategic decisions. all of which support the consensus (Feng et al., 2015, p. 2). Empirical studies, including those by Feng et al. (2015), Moorman and Rust (1999), Verhoef et al. (2011) and Wirtz and Kuppelwieser (2014), report identifying a positive relationship between the marketing department and business performance. On the other hand, Verhoef and Leeflang (2009), Merlo and Auh (2009) and Gok et al. (2018) identified no such relationship between the marketing department's influence and business performance. Similarly, Engelen (2011) reports that no direct relationship exists between the marketing department's influence and firm performance and that this relationship varies depending on the differentiation and cost leadership strategies of businesses. Gotz et al. (2013) identified a negative relationship between the marketing department's power and business performance. It should be noted, however, that these studies do not discuss whether a strong marketing department, in other words, a functional unit that can influence strategic decisions with business-wide implications, is needed when other departments share duties and responsibilities of marketing and engage in marketing activities (Engelen, 2011, p. 229; Krohmer et al., 2002, p. 3). Marketers argue that marketing should play a leading role in setting and planning the strategic direction of the business, which are about adapting to the changing environmental conditions and sustaining the business. This defense is based on the argument that marketing is the unit that serves as a boundary between the firm and its customers, channels and competitive environment, and comes into most contact with them (Day, 1992, p. 323).

In light of these information, although empirically contradictory results are obtained, we anticipate that following the theoretical consensus in the literature, that the marketing department's influence is positively associated with business performance.

H1. Marketing department's influence has a positive effect on a) customer satisfaction, b) market effectiveness and c) profitability.

However, following the study of Feng et al. (2015), who report the level of the marketing department power to be a significant predictor of firm performance, we propose that:

H2. The effect of the marketing department's influence on a) customer satisfaction, b) market effectiveness and c) profitability varies depending on the role of the marketing department within the organization.

# 2.4. Market orientation and the marketing department

The market orientation approach, which has its roots in the 1950s and 1960s, attracted wide acceptance in both academic literature and business life from the 1990s onward as a modern marketing implementation. The concept of market orientation is defined in different ways by authorities in the field (the behavioral perspective, Kohli and Jaworski, 1990; the cultural perspective, Narver and Slater, 1990), who nevertheless have complementary perspectives, with common focus on customer orientation of action plans accordingly (Lafferty and Hult, 2001, p. 100). From the cultural perspective, the concept of market orientation is defined as an organizational culture that effectively and efficiently provides the behavioral norms that are required for a business to create superior customer value and to obtain sustainable and superior performance outcomes (Narver and Slater, 1990, p. 20).

There is considerable support in the literature that the market orientation has a positive impact on business performance (e.g., Baker ve Sinkula, 1999; Deng ve Dart, 1994; Goetz et al., 2013; Jaworski and Kohli, 1993; Narver and Slater, 1990; Slater and Narver, 1994). Hence, we predict that:

H3. Market orientation has a positive effect on a) customer satisfaction, b) market effectiveness, and c) profitability.

The literature on market orientation is expansive, with most studies make important contributions to our understanding of the dimensions and consequences of market orientation, but fail to provide insight into the dynamics of organizational change (Gebhardt et al., 2006; Jaworski and Kohli, 1993; Lamberti and Noci, 2009). There is only a limited number of studies on the organizational effects of market orientation, and particularly its

effects on marketing as a separate function. Market orientation literature reflects mainly a cross-functional perspective, although its focal point is the coordinated sharing of market information throughout the entire organization, rather than marketing activities per se. Neither Narver and Slater's (1990) nor Jaworski and Kohli's (1993) definitions of the concept of market orientation mention functional group boundaries or the participation of other functional groups in marketing activities, instead adopting a wider perspective in which all business units focus on customers and the market (Krohmer et al., 2002, p. 6).

Most conceptual and empirical studies into the relationship between, and influence of, the marketing department and market orientation argue that a positive relationship exists between the two variables and that there is a need for a strong marketing department, even when all departments have a market orientation (Engelen and Brettel, 2011; Verhoef and Leeflang, 2009; Moorman and Rust, 1999). However, there are only a limited number of studies on how to strike this balance in an organization (Moorman and Day, 2016, p. 11). Some researchers argue that an effective marketing department contributes to the market orientation of a business. For example, Slater and Narver (1994: 24) argue that marketing can play a leading role in the development of a market-oriented organizational culture. Similarly, Kohli and Jaworski (1990: 16) argue that all departments need to make an effort for market orientation, but that the marketing department has a more important role to play, having a more intimate relationship with the market. This is because ongoing marketrelated activities are an important element in developing and strengthening a market-oriented culture (Gebhardt et al., 2006: 49). Harris and Ogbonna (1999, p. 184) draw attention to the similarity between the market-oriented culture and other organizational subcultures (e.g. the marketing department), and argue that this harmony can strengthen the market orientation of an organization. In other words, to achieve an organization-wide marketoriented culture, market orientation should be adopted also by the other subcultures of the business. Moreover, studies are providing empirical support to the hypothesis that a strong marketing department has a positive effect on business performance, beyond contributing to marketing orientation (Merlo and Auh, 2009; Moorman and Rust, 1999: Wirtz and Kuppelwieser, 2014).

However, as businesses reach their goals in terms of market orientation, the importance of marketing as a separate function within the organization may decline, as all functions become focused on creating customer value. This can be seen as a natural consequence of cross-functional cooperation, which can make functional boundaries meaningless (Slater and Narver, 1994, p. 24). At this point, the question arises as to whether these two concepts are mutually exclusive. Moorman and Rust (1999) argue that the importance of market orientation to businesses cannot be denied, although there is a need to retain an effective marketing function that plays a key role within the organization, emphasizing the contribution of marketing to business performance beyond market orientation. Goetz et al. (2013) argue that the effect of the marketing department's power on performance varies depending on the extent of a business' market orientation, and these two concepts are mutually dependent. Verhoef and Leeflang (2009) argue that market orientation can mediate the entire relationship between the marketing department's power and business performance. Kohli and Jaworski (1990), on the other hand, are of the opinion that the marketing department plays a more important role in instilling market-oriented thinking and behaviors when compared to other departments, but also discuss how departmentalization in an organization can obstruct organizational communication and thus the spread market knowledge. Merlo et al. (2011, p. 6) argue that as marketing gains importance as a philosophy and orientation, the marketing function can become less instrumental, and thus to suffer from declined influence within the organization. Based on these considerations, we predict that:

H4. The relationship between marketing department's influence and market orientation differs depending on the role of the marketing department within the organization.

H5. The effect of market orientation on a) customer satisfaction, b) market effectiveness, and c) profitability differs depending on the role of the marketing department within the organization.

H6. The effect of the marketing department's influence and market orientation together on a) customer satisfaction, b) market effectatativeness, and c) profitability differs depending on the role of the marketing department within the organization.

# 3. METHODOLOGY AND FINDINGS

#### 3.1. Sample and data collection procedure

The present study was conducted to examine the relationships between market orientation, the marketing department's influence and business performance on the model shown in Figure 1. We use survey approach to validate this conceptual model. Data were collected from a total of 300 businesses, 151 of which were included on the list of the top 500 industrial enterprises in Turkey, and 149 from the list of the second top 500 such enterprises (from 500–1,000), both announced by the Istanbul Chamber of Industry, which counts the leading industrial businesses of Turkey among its members. The businesses were selected using the non-random method of convenience sampling. The two lists provide information about the industrial sizes of businesses by ordering them on the basis of sales from production. Of the listed firms, 2% have sales volumes of \$30 million or less, 63% of between \$31 million and \$100 million, 27% of between \$101 million and \$500 million, 13% of between \$501 and \$1 billion, and 3% above \$1 billion. In addition, 74% of the participating firms have 500 or more employees.

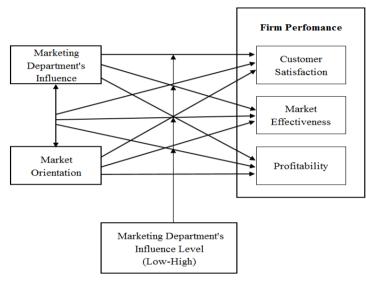


FIGURE 1 - CONCEPTUAL MODEL

#### 3.2. Measures

All measures used in this study draws on constructs available in the literature that scales tested and validated in prior research. We formulated the items for the variables as Likert type statements with five-point scale. The role and influence of the marketing department within each organization was measured using the scale developed by Homburg et al. (1999) measuring the marketing department's influence in 11 critical decision fields. These decision fields represent a series of strategic decisions that are not controlled by any one functional unit, but that are crucial for the success of a business unit (Homburg et al., 1999, p. 7). The market orientation of businesses was measured using the scale developed by Narver and Slater (1990) focusing on organizational culture. Business performance, on the other hand, was measured following Vorhies and Morgan's (2005) method, and the marketing department's influence was tested using the three performance indicators of relative customer satisfaction, market effectiveness, and profitability.

#### 3.3. Findings on the role of the marketing department within the organization

The role of the marketing department within the organization was examined by focusing on the marketing department's influence in 11 critical decision fields. Table 1 shows the decisions in question and the executives' level of agreement with the statements about the extent of the marketing department's contribution to these decisions. Some 48% of the executives agreed (sum of the responses "strongly agree" and "agree") with the statements to the effect that the marketing department was highly influential in the critical decision field in

question. Marketing departments do not have complete control even over the marketing mix of the 4Ps. In particular, only 35.7% of the executives agreed with the statement that new product development activities were mostly carried out by the marketing department. The arithmetic means of executives' responses regarding the relevant decisions support this finding.

| Decisions Regarding                        | 5  |     |     | 4    |    | 3    |     | 2    |    | 1    |      |
|--|----|-----|-----|------|----|------|-----|------|----|------|------|
| Decisions Regarding                        | n  | %   | n   | %    | n  | %    | n   | %    | n  | %    | Ave. |
| Pricing                                    | 28 | 9.3 | 107 | 35.7 | 26 | 8.7  | 106 | 35.3 | 33 | 11.0 | 2.97 |
| New product development                    | 23 | 7.7 | 84  | 28.0 | 29 | 9.7  | 129 | 43.0 | 35 | 11.7 | 2.77 |
| Strategic direction of the business unit   | 18 | 6.0 | 116 | 38.7 | 36 | 12.0 | 106 | 35.3 | 24 | 8.0  | 2.99 |
| Major capital expenditures                 | 23 | 7.7 | 117 | 39.0 | 33 | 11.0 | 112 | 37.3 | 15 | 5.0  | 3.07 |
| Expansion into new geographic markets      | 21 | 7.0 | 118 | 39.3 | 37 | 12.3 | 94  | 31.3 | 30 | 10.0 | 3.02 |
| Choices of strategic business partners     | 26 | 8.7 | 113 | 37.7 | 35 | 11.7 | 75  | 25.0 | 51 | 17.0 | 2.96 |
| Design of customer sevice and support      | 23 | 7.7 | 138 | 46.0 | 18 | 6.0  | 60  | 20.0 | 61 | 20.3 | 3.01 |
| Customer satisfaction improvement programs | 27 | 9.0 | 140 | 46.7 | 21 | 7.0  | 54  | 18.0 | 58 | 19.3 | 3.08 |
| Distribution strategy                      | 26 | 8.7 | 125 | 41.7 | 34 | 11.3 | 63  | 21.0 | 52 | 17.3 | 3.03 |
| Advertising messages                       | 25 | 8.3 | 125 | 41.7 | 38 | 12.7 | 72  | 24.0 | 40 | 13.3 | 3.08 |
| Customer satisfaction measurement          | 26 | 8.7 | 144 | 48.0 | 20 | 6.7  | 71  | 23.7 | 39 | 13.0 | 3.16 |

|  |  | MENT IN SPECIE |           |
|--|--|----------------|-----------|
|  |  | MENT IN SPECIE | -101220-2 |

5: Strongly agree, 4: Agree, 3: Neither agree nor disagree, 2: Disagree, 1: Strongly disagree

#### 3.4. The effect of the marketing department's influence on firm performance

The responses to the statements about the marketing department's role in the decision fields in question were aggregated to create a single variable. Three regression models were estimated for each dependent variables and the results reported in Table 2. Even though the models were significant, the relationships between the marketing department's influence and each of the three business performance variables were very weak, and all regression coefficients were negative. In other words, the marketing department's influence has a weak but negative effect on business performance. Therefore, H1 was rejected. As was discussed in this section on the theoretical framework, other studies in the literature report similar relationships, interpreting their findings with reference to the presence of a marketing department, its duties and responsibilities and its role in the strategic direction of the business, among others. To conduct an analysis from a different perspective we performed a median split on marketing department's influence. We will include these analyses in the following steps to provide a holistic approach to the issue.

TABLE 2 - REGRESSION ANALYSIS OF THE EFFECT OF THE MARKETING DEPARTMENT'S INFLUENCE ON FIRM PERFORMANCE

| Model | Variables                                     |     | Coefficients | Model S | Model Statistics |        |
|-------|---|-----|--------------|---------|------------------|--------|
| MOUEI | Valiables                                     | В   | Std. Error   | β       | R2               | F      |
| M1    | IV: MD Influence<br>DV: Customer Satisfaction | 044 | .020         | 124*    | .015             | 4.623  |
| M2    | IV: MD Influence<br>DV: Market Effectiveness  | 159 | .031         | 282**   | .079             | 25.699 |
| M3    | IV: MD Influence<br>DV: Profitability         | 075 | .034         | 126*    | .016             | 4.779  |

DV: Dependent variables, IV: Independent Variables; \*\*p<.01; \*p<.05

# 3.5. Findings regarding the market orientation levels of businesses

The market orientation levels of businesses were tested using the one-sample t-test, the results of which are reported in Table 3. The results show that the businesses included in the study are market-oriented.

| TABLE 3 - SIGNIFICANCE TEST FOR COMPONENTS OF MARKET ORIENTATION |     |        |                   |                    |        |     |                    |                    |  |
|--|-----|--------|-------------------|--------------------|--------|-----|--------------------|--------------------|--|
|  | n   | Mean   | Std.<br>Deviation | Std. Error<br>Mean | t      | df  | Sig.<br>(2-tailed) | Mean<br>Difference |  |
| Market Orientation   | 300 | 4.3058 | .35851            | .02070             | 63.086 | 299 | 0                  | 1.30578            |  |

# 3.6. The effect of the market orientation on business performance

The result of market orientation effect on business performance reported in Table 4. According to the results in the table providing support for H3, market orientation has a weak but positive effect on each of the three business performance variables.

| TABLE 4. REGRESSION ANALYSIS OF THE EFFECT OF THE MARKET ORIENTATION ON FIRM PERFORMANCE |
|--|
|--|

| Model | Variables   |      | Coefficients | Model Statistics |      |        |
|-------|---|------|--------------|------------------|------|--------|
|       | variables   | В    | Std. Error   | β                | R2   | F      |
| M1    | IV: Market Orientation<br>DV: Customer Satisfaction | .222 | .064         | .198**           | .039 | 12.156 |
| M2    | IV: Market Orientation<br>DV: Market Effectiveness  | .584 | .098         | .326**           | .106 | 35.504 |
| М3    | IV: Market Orientation<br>DV: Profitability         | .486 | .106         | .256**           | .066 | 20.911 |

DV: Dependent variables, IV: Independent Variables \*\*p<.01; \*p<.05

# 3.7. Relationships between market orientation, the marketing department's influence, and business performance

To conduct an analysis from a different perspective, values concerning the marketing department's influence were dichotomized into "above-median" and "below-median" groups, and different regression models that explained each of the performance indicators separately were used to test the relationships between market orientation, the marketing department's influence and business performance. These steps are shown in Table 5.

In the models reported in Table 5, (1) MD influence was the independent variable and the business performance indicators of relative customer satisfaction, market effectiveness and profitability were the dependent variables; (2) MD influence was the independent variable and market orientation was the dependent variable; (3) market orientation was the independent variable and the relevant performance indicators were the dependent variables; and (4) MD influence and market orientation were included in the regression model together as independent variables, and their effects on individual performance indicators were tested.

Step 1 in the table shows that in those businesses where the marketing department's influence was rated relatively low, the effects on all business performance indicators were negative; in businesses where the marketing department's influence was rated high, on the other hand, the effects on relative customer satisfaction (B= .198, p< .01) and relative market effectiveness were positive (B= .312, p< .05), while the effect on relative profitability was not significant (H2a and H2b are supported, H2c is not supported). These findings are consistent with the findings reported by Feng and Morgan (2015), who found the power level of the marketing department to be a significant predictor of firm performance. These findings also provide additional justification to the concerns about the negative consequences of distancing the marketing department from strategy dialogues. In the group of businesses where the marketing department's influence is rated high, the failure to detect a significant effect on relative profitability can be attributed to the difficulty in demonstrating the

effect of marketing on such a periodical performance indicator as profitability, as discussed in the theoretical framework section.

In the second step, the effect of the marketing department's influence on market orientation is analyzed separately for businesses where this influence is rated high vs. low. The marketing department's influence has a negative effect on the market orientation of businesses where the department is less influential (B= -.182, p< .01), and a positive effect in businesses where the department is more influential ( $\beta$ = .318, p< .01). Thus H4 is supported. This may, of course, be a case of dual causality. Market orientation achieved through cross-functional coordination can have differential effects on the role of the marketing department at different levels.

The results obtained in the third step, as hypothesized in H5, show that the effects of market orientation on performance indicators vary according to whether the marketing department's influence is rated high or low. Market orientation has a positive effect on relative customer satisfaction (B= .303, p< .01) and profitability (B= .542, p< .01) in businesses where the marketing department is less influential but fails to have a statistically significant effect on the performance indicators in question in the presence of a strong marketing department. Market orientation retains its positive and significant effect on relative market effectiveness at both levels of marketing department influence, although the contribution of market orientation to market effectiveness declines in the presence of an effective marketing department (The effect of market orientation on relative market effectiveness: MDI low level, B= .618, p< .01; MDI high level, B= .320, p< .05).

In step 4, independent variables were considered together, and the effect of marketing department's influence and market orientation on business performance were examined with multiple regression analyses. According to the table, the regression models established for customer satisfaction and market effectiveness are statistically significant both within the low and high influence level of the marketing department, however, the effects of independent variables on customer satisfaction and market effectiveness vary depending on marketing department's influence level. (MDI low level: marketing department's influence  $\beta$ = -.181, p<. 01; market orientation  $\beta$ = .196, p< .01; MDI high level: marketing department's influence  $\beta$ = .213, p< .01; market orientation  $\beta$ = -.004, n.s). The regression models established for the profitability dependent variable were found to be significant when the marketing department's influence was rated low (F= 18.764, p< .000) but not statistically significant when the high level of marketing department's influence. Thus H6a, H6b and H6c are supported.

In addition, Table 5 also shows the effects of the marketing department's influence on performance (Step 1) whether they differ depending on the market orientation variable. Regarding relative customer satisfaction, on which the marketing department's influence had a negative effect in businesses where the department is less influential, and a positive effect where it is more influential, market orientation did not create a major change. However, the negative effect that the marketing department's influence had on profitability – in businesses where the department is less influential – and the positive effect that it had on relative market effectiveness – in businesses where the department is more influential – were no longer significant once market orientation was included in the model. This result indicates that the relationships between the marketing department's influence and relative market effectiveness and profitability are mediated by market orientation. However the result of Sobel's z test showed that this mediation effect was significant only for relative profitability in businesses where the marketing department is less influential (for relative profitability, z=-2.917, p= .004; for relative market effectiveness, z=1.865; p= .062). Therefore, our findings concur with those of other studies reporting that the relationship between the marketing department's influence and performance is mediated by market performance (e.g., Verhoef and Leeflang, 2009, full mediation; Wirtz et al., 2014, partial mediation), but only in regard to the profitability variable.

|         | TABLE 5 - PARAMETERS FOR THE ANALYZED VARIABLES |       |             |               |               |                |               |      |  |  |
|---------|---|-------|-------------|---------------|---------------|----------------|---------------|------|--|--|
|         |   | MDI   |             | Coefficier    | nts           | Μ              | odel Statisti | CS   |  |  |
|         | Models  |       | В           | Std.<br>Error | β             | R <sup>2</sup> | F             | Sig. |  |  |
|         | IV: MD Influence                                | Low   | 181         | .061          | 238**         | .057           | 8.754         | .004 |  |  |
|         | DV: Customer Satisfaction                       | High  | .198        | .075          | .211**        | .045           | 7.022         | .009 |  |  |
| 1. Step | IV: MD Influence                                | Low   | 396         | .083          | 369**         | .136           | 23.034        | .000 |  |  |
| 1. S    | DV: Market Effectiveness                        | High  | .312        | .126          | .198*         | .039           | 6.115         | .015 |  |  |
|         | IV: MD Influence                                | Low   | 175         | .076          | 188*          | .035           | 5.337         | .022 |  |  |
|         | DV: Profitability                               | High  | .250        | .158          | .128          | .016           | 2.506         | .116 |  |  |
| Step    | IV: MD Influence                                | Low   | 182         | .049          | 291**         | .085           | 13.507        | .000 |  |  |
| 2. S    | DV: Market Orientation                          | High  | .318        | .059          | .403**        | .163           | 29.130        | .000 |  |  |
|         | IV: Market Orientation                          | Low   | .303        | .098          | .249**        | .062           | 9.649         | .002 |  |  |
|         | DV: Customer Satisfaction                       | High  | .097        | .097          | .082          | .007           | 1.014         | .316 |  |  |
| 3. Step | IV: Market Orientation                          | Low   | .618        | .133          | .359**        | .129           | 21.646        | .000 |  |  |
| 3. S    | DV: Market Effectiveness                        | High  | .320        | .161          | .160*         | .026           | 3.939         | .049 |  |  |
|         | IV: Market Orientation                          | Low   | .542        | .115          | .363**        | .132           | 22.223        | .000 |  |  |
|         | DV: Profitability                               | High  | .365        | .200          | .148          | .022           | 3.355         | .069 |  |  |
|         | IV1: MD Influence                               | Low   | 137<br>.239 | .063<br>.101  | 181*<br>.196* | .092           | 7.335         | .001 |  |  |
|         | IV2: Market Orientation                         | Lliab | .199        | .082          | .213*         | .045           | 3.489         | .033 |  |  |
|         | DV: Customer Satisfaction                       | High  | 005         | .104          | 004           | .045           | 3.409         | .055 |  |  |
|         |   | Low   | 310         | .083          | 289**         | .206           | 18.764        | .000 |  |  |
| Step    | IV1: MD Influence                               | LOW   | .473        | .133          | .275**        | .200           | 10.704        | .000 |  |  |
| 4. S    | IV2: Market Orientation                         | High  | .251        | .138          | .159          | .047           | 3.661         | .028 |  |  |
|         | DV: Market Effectiveness                        |       | .192        | .175          | .096          |                |               |      |  |  |
|         | IV1: MD Influence                               | Low   | 083         | .075          | 090           | .139           | 11.749        | .000 |  |  |
|         | IV2: Market Orientation                         | LOW   | .503        | .120          | .337**        | .139           | 11./49        | .000 |  |  |
|         | DV: Profitability                               | High  | .159        | .172          | .082          | .027           | 2.106         | .125 |  |  |
|         |   | 0     | .284        | .218          | .115          |                | 2.100         |      |  |  |

DV: Dependent variables, IV: Independent Variables

\*\* p<0,01 \*p<0,05

# 4. DISCUSSION AND CONCLUSION

# 4.1. General results discussion

Our research results do not allow inferences to be made about the changing role of the marketing department within the organization, but the low levels of agreement with these statements – even in fields for which the marketing department is directly responsible – support the view that marketing has been distanced from strategy dialogues (Doyle, 1995; Kotler, 2004; Sheth and Sisodia, 2005; Verhoef and Leeflang, 2009; Webster et al., 2005). Moreover, these results do not provide direct evidence of cross-functional distribution in the decision fields in question, although the levels of agreement with the statements imply that these decisions are made with the participation of other functional units. No single functional unit is expected to dominate in these

decision fields, but the placement of the marketing department at the lower levels of institutional hierarchy is a cause for concern. Krush et al. (2015) conclude that with the spread of marketing skills to non-marketing functional units, this cross-functional interaction has a negative effect on the perceived influence of marketing.

The findings of the present study show that when the marketing department has little say in important strategic decisions in highly market-oriented businesses, business performance will be negatively affected, and when the marketing department is more influential in the making of these decisions, it makes a positive contribution to performance (in terms of relative customer satisfaction and market effectiveness). These findings both address the concerns in question and underline the important role of the marketing department within the organization.

Other important findings obtained from the research are that the relationship between market orientation and the marketing department's influence and in addition, the effect of market orientation on business performance varies depending on the role of the marketing department within an organization. In this context, our findings support the studies that have found a positive relationship between the impact of marketing department's influence and market orientation (Goetz et al., 2013; Merlo and Auh, 2009; Verhoef et al., 2011), but show that this positive relationship is only valid in the presence of an "influential" marketing department.

The results also provide empirical insight into the debate on whether the marketing department as a functional unit and the market orientation approach are mutually exclusive or mutually dependent phenomena. An effective marketing department was observed to support the market orientation of the business, whereas the opposite was true for less influential marketing departments. Moreover, it was found that the effect of market orientation on performance varies depending on the presence of an effective marketing department. The results show that in cases where the marketing department is less influential, the market orientation approach makes a positive contribution to performance. On the other hand, an effective marketing department also has a positive effect on market orientation. Accordingly, we support the recommendation (e.g., Moorman and Rust, 1999) that businesses couple a strong market orientation with an effective marketing department.

There is strong empirical evidence of the positive effect of market orientation on business performance, but whether this positive contribution can provide sustainable competitive advantage is a matter for debate. For example, as Kumar et al. (2011) argue, when more firms in an industry become market-oriented (which is highly likely under contemporary technological conditions where access to knowledge and knowledge-sharing is very easy), market orientation may function to prevent failure rather than bring success. Marketing, on the other hand, plays a key role in helping businesses develop distinctive capabilities (Krush et al., 2015; Lavie, 2006). It is important, therefore, for businesses to retain the integrating and coordinating role of an effective marketing department when adopting a market-oriented approach.

#### 4.2. Managerial implications

If marketing is defined as a set of activities that aim to generate customer satisfaction through the marketing mix, it is only normal to monitor and evaluate the efficiency, effectiveness, and profitability of these activities also for the marketing department, as is the case for all departments.

It is natural for the manufacturing department to be active and effective in new product development activities, just as it is acceptable for the finance department to participate in pricing issues, taking the financial performance of the business into account. The distribution function, on the other hand, is viewed as a chain of mostly outsourced activities. Advertisement agencies, media experts, digital media experts, content managers, and content designers play an ever more active role in promotion activities, being involved as much as, if not more than, marketing directors and employees. In short, when market orientation is defined as the adoption and implementation of the contemporary marketing concept by all departments, involving cross-functional coordination, it is only natural for other departments to assume powers and responsibilities in the fields mentioned above that used to be the exclusive purview of the marketing department.

These facts should not overshadow the efficiency and effectiveness of the marketing knowledge system established and managed by marketing. Ideas that serve as inputs in new product development activities are usually channeled by marketing from various environments and channel members, or inspired by them.

Information on customer financing, conditions of credit sales, pricing strategies of competitors, etc., which are used in pricing decisions, are also monitored by marketing and shared by the finance department. The finance department cannot make decisions without taking customer behavior into account. Regardless of how much distribution activities are outsourced, customers still interact with marketing – it is the marketing department that provides a delivery date, and that needs to coordinate these activities. Today, digital promotion platforms are just as important as conventional tools of promotion, and there are a large number of firms and experts operating in this field. These firms and experts are stakeholders that examine, monitor and evaluate customer behavior, support the marketing department in making it more effective in the market, and provide technical services. It is the marketing department that needs to decide how to reach the customers' soul, and which tools would be more useful to this end. Indeed, the findings of the present study show that performance is affected negatively when the role of the marketing department in strategic decision fields is smaller, and positively when it plays a bigger role. This demonstrates the importance of the strategic position of the marketing department within the organizational structure. In other words, efforts should be made to ensure that the marketing department integration of departments.

Beyond questioning the need for a marketing department or its efficiency, it should be recognized that marketing performance today is not determined based solely on the activities of the marketing department. Accordingly, its performance should be put in the context of the holistic performance of the business, and not separated from the performances of other departments. Another point worth emphasizing is this:

Turning a profit is the ultimate economic goal for businesses, but long-term and sustainable profitability is only possible by investing in a brand. Accordingly, another aim of the present study is to call attention to the role played by marketing in creating brand equity, which cannot always be measured in monetary terms.

According to Keller (2003), brand equity represents "the power of the brand in the mind of the consumer as the consumer sees, feels, hears and learns about the brand" (Chahal and Bala, 2012, p. 345). Brand equity refers to "high brand loyalty, perceived quality, brand awareness, and strong brand associations, as well as assets arising from the commercial trademarks, patents, and distribution channels associated with the brand" (Kotler and Keller, 2012).

Keller (2003, p. 76) defines brand awareness as "the ability to recognize and remember the brand by identifying it under different conditions, and associating it with the brand's name, logo, symbol, etc." Brand association refers to the consumers' recollections of the presentation or communication elements of the brand, in addition to the tangible and physical characteristics of the product (Kirmani and Wright, 1989, p. 344-354). Perceived quality is defined as "a brand association that adds to the status of a brand" (Aaker, 1991, p. 17). According to Aaker (1991), brand loyalty "is the loyalty of a consumer to a brand, and thus reflects a persistent sense of not giving up the brand, even if the brand changes its pricing or product characteristics".

With these definitions in mind, investment in brand equity should be placed within the context of the marketing department's activities. However, brand investment is a long-term investment and has a long maturity period, and so it would be wrong to put undue emphasis on annual brand equity results; brand equity is a concept that can only be studied through researches conducted among consumers. In other words, the return on investment in a brand should not be measured through sales or profitability numbers, but through consumer perception, as reflected in brand association, brand loyalty, and perceived quality. These are measurements that go beyond the upper management's tangible expectations from a financial perspective, such as financial performance evaluation.

It should be kept in mind that as brand equity improves, so does brand loyalty, which underlines the financial dimension that upper management would be more interested in. Accordingly, CMOs should continue to be represented in strategic decision-making, and marketing departments should retain their influence in strategic decisions, while performance evaluations should be conducted from a more holistic perspective.

#### 4.3. Limitations and future research

The present research has some limitations which potential useful avenues for future research. Firstly, our data is limited to one geographical and cultural context. Following the view of Homburg et al. (1999), we argue that marketing can be closely linked to social attitudes, economic development and legal restrictions. Thus, future research should focus on international studies involving developed and emerging economies to achieve generalizable results. Although many researchers have called for this issue (e.g., Homburg et al., 2019; Verhoef et al., 2011; Moorman and Day, 2016) the studies in the current literature are still limited, especially in developing countries. Second, the present research is limited to only from manufacturing firms, so, the results cannot be interpreted for the service sector. As Merlo et al. (2011) point out, the fact that manufacturing companies have a strong product focus may have limited the marketing department's activities to promotion. Future studies could extend by including the service sector and comparative results can be obtained. In addition, our study was conducted only on large manufacturing firms (98% of the participating firms have sales volumes above \$31 million and %74 of firms have 500 or more employees). In small firms, the role of the marketing department in the organization and its effect on performance can vield completely different results. Third, we did not distinguish between marketing and sales departments and did not question the effect of other departments in participating in strategic decision-making. In order to clarify the cross-functional interaction in future researches, it will be useful to examine the contribution of other departments in the participation of related decisions. Fourth, business performance was evaluated based on the self-report of the participants' responses.

Although we do not try to reach especially market-oriented firms, all of the companies participating in this study are market-oriented. This situation can be investigated in two aspects in the future. Firstly, the position of the marketing department in the organization and its impact on business performance can be investigated in companies with different market orientation levels. Secondly, as Kumar et al. (2011) point out when more firms in an industry become market-oriented, it should also be examined whether market orientation is still a source of sustainable competitive advantage. In this case, the marketing department has a greater role and responsibility to develop distinctive capabilities. However, while the market and marketing focus is shared by different departments within the organization, much more comprehensive research is needed on how the marketing department will maintain its central role in the organization.

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