

Industrial Marketing Organization: Dimensions of the Problem, State-of-the-Art, and Directions for Future Research

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Abstract

The purpose of this paper is to re-launch research on industrial marketing organization. The authors argue that the degree of attention the topic receives in the academic community is diametrically opposed to its relevance to practitioners. Starting off with a summary of the extant literature on the topic they present the findings from a qualitative study aiming at identifying current trends and major problems perceived by managers in the field of marketing organization. The findings show that various promising fields for future research exist.

Introduction

In 1997 Day indicated "organization issues are rising to the top of the agenda on the future of marketing". We can consider that this sentence was echoing Hakansson et al's earlier statement that "the most important competitive mean in industrial marketing is the organizational design of the marketing function" (Hakansson et al. 1979, p. 81).

Nevertheless, the topic of organization remains desperately under-researched within the marketing discipline, in general, and in the field of business to business exchanges in particular.

Our purpose in this paper is to discuss the current status of the organizational aspect of the marketing function in the business markets. This issue is to be linked to the current debates on the decline of the marketing function within companies (Webster et al., 2005). Then our research question in this paper can be raised as follows: how do the

characteristics of business to business exchanges (as they are described by numerous scholars) and the current alleged decline of marketing really shape today organization of marketing within industrial firms?

The paper will be structured as follows. First, we'll try to situate the topic of the organization of the marketing function within the marketing discipline, underlying the weak interest scholars have demonstrated to it. Then, we will make a short review of the most important dimensions to be studied when working on marketing organization. On the basis of ten interviews carried out with marketing representatives in industrial companies we will draw out a certain number of issues to be associated with the organization of marketing in business firms. Finally, we will build on both these practitioners' views and on the literature review to propose a research agenda on organizational issues of business marketing.

An important but understudied topic

There's a real paradox in the study of the topic of marketing organization in business markets. On the one hand it is described as being a condition of firm performance and as a means for strategy implementation (Slater and Olson, 2000; Vorhies and Morgan, 2003; Walker and Ruekert, 1987) or even as a full dimension of the marketing organization (Hakansson and Ostberg, 1978). On the other hand it is generally argued that the marketing organization topic is understudied in the literature (Harris and Ogbonna, 2003 ; Moller and Rajala, 1999).

As a matter of fact, the importance of the marketing organization construct has - for long - been underlined. As Vorhies and Morgan (2003) recently recalled "theory posits that organizing marketing activities in ways that fit the implementation requirements of a business's strategy enhances performance". For Hakansson and Ostberg (1975), the organization of the marketing function must be considered as a full dimension of the marketing strategy (along with more traditional dimensions such as product, distribution, promotion, etc). As a matter of fact, it is organization that offers possibilities for the

social exchanges needed in the interaction process (Hakansson and Ostberg, 1975, p. 121).

Then, if marketing organization plays such an important role, why are its characteristics so understudied ? If we except the works from Weitz and Anderson, (1981), Piercy (1986), and more recently those from Workman et al. (1998), attention to organizational aspects of marketing has been very limited. Everything goes just as if “issues of organisational structure and behaviours [were remaining] a tangential concern for marketing enquiry” (Murray, O’Driscoll and Torres, 2002, p.2).

This paradoxical situation certainly explains why the 2004-2006 MSI ranks this topic as a priority. It is all the more interesting that this topic is ranked first among what MSI calls the "Marketing Excellence" community which is almost exclusively constituted of practitioners from Business to Business firms and academic trustees specialized on business to business marketing.

What does "research on marketing organization" mean?

"The topic of marketing organization fundamentally addresses the allocation of activities to groups" (Workman, Homburg and Gruner, 1998). Two perspectives must be identified :

- a functional group perspective which considers marketing as a functional group within the organization ;
- an activity-based perspective which considers the marketing organization as a set of activities (e.g., advertising, product management, market research, sales, customer service).

Recently, Harris and Ogbonna (2003) described research on marketing organization as being organized around three streams: "the structural location of the marketing function, the influence of marketing and activity-based research into marketing organization. "(p. 484).

- The first stream can be illustrated by the works from Ruekert et al. (1985), Achrol (1991, 1997), Achrol and Kotler (1999). In this stream are all the works based on the description of marketing organization according to the traditional Weberian bureaucratic dimensions: centralization, formalization and specialization (Weber 1947) or in a more developed way: specialization, standardization, formalization, centralization, configuration (e.g. Hakasson and Ostberg 1975).
- The second stream of studies on marketing organization is centered on the power of the marketing department. Numerous authors have been interested in this topic (Anderson, 1982; Day, 1997; Piercy, 1986, 1989) and Piercy and Morgan (1989), Workman et al. (1998).
- The third theme of research concentrates on the nature of marketing activities undertaken within firms. The work from Workman, Homburg and Gruner (1998) illustrates this trend as does the work by Webster (1997). The emerging works on marketing processes can also be linked to this stream (see Diller and Ivens 2006, Ivens 2006).

We can add a fourth stream gathering all the work focussing on the aspect of contingency factors. This stream of research investigates how organizational dimensions will vary across a set of conditions (Ruekert and Walker 1987 ; Piercy 1986).

The problem with all extant research is that consensus is far from being the rule on the above described topics. Or, as Harris and Ogbonna mention it "practitioners appear bombarded with conflicting and contradictory prescriptions for the organization of marketing" (p. 483). According to the authors the reason for such a diversity of opinion is to be found in the "limited explicit academic attention to the organization of marketing activities within the firm" (Harris and Ogbonna, p. 484). A second weakness of these works is that the different perspectives above quoted have rarely been integrated in a single model. Most of the times, studies adopt either an activity-based or a functional-based perspective. But, with the exception of some rare articles (e.g Workman et al.

1998) the two perspectives have not yet been integrated. And most of the times only selected dimensions of marketing organization are investigated; here again, research has "not been integrated" (Workman, Homburg and Gruner 1998, p. 21).

Issues in industrial marketing organization: an exploratory study

In order to re-launch research on industrial marketing organization, the authors have conducted a series of interviews with marketing managers from French and German industrial companies operating on an international or global level. These companies belong to different activity sectors, they have different size, and interviewees belong to different marketing or sales functions. A brief presentation is proposed in Table 1

Table 1: presentation of interviewees

	Main activities	Turnover 2004	Size	Interviewee's function
Siemens VDO	Automotive supplier	9,6 billion Euros	43 000	Responsible process organization roll out
Chemical company	Various chemical sectors	> 10 billion Euros	> 50 000	Various interview partners in leading positions
Heidelberger Druckmaschinen	Print machines	3,3 billion	12 000	Marketing communications
Clariant	Specialty chemicals	5,5 billion Euros	24 000	Key Account Manager
Saint Gobain Technical Fabrics	Manufacturing and distribution of reinforcement fabrics	400 million Euros		Operational Marketing Manager
MGI Coutier	Manufacturing of automotive components and systems	460 millions Euros	4300	Marketing Director
Lafarge Gypsum	Manufacturing and distribution of Gypsum	1,340 million Euros	6000	Senior vice President Sales, Marketing & Innovation
Spie Tondella	Building engineering	40 million Euros	2000	Chief Executive Officer

The following issues are emerging as be of current interest to the managers and their companies:

- The decline of the "country" level in the organization has been described as a trend in the organization of marketing. For example, Clariant describes its evolution from a status of "international company" to the one of "global company" as an emancipation from the "countries". Before, the company was organized by country. Each country was reporting about what was manufactured in its plants. Today, goods manufactured by the plants belong to the head office (the fact that this head office is based in Switzerland constitutes an additional advantage). In the case of Clariant, the evolution of marketing shadows the new worldwide labor division of the company. The objective of such an evolution is clearly explained as being a search for an increased flexibility toward customers. A product can be manufactured anywhere in the world depending on customers needs. Supply chain decides where to manufacture to obtain better costs. As a consequence, each business units has been reorganized with its own Sales Direction, Key accounts Direction and Business Development Direction.
- Emergence of new transversal management functions is also mentioned as a characteristics of the marketing organization. Different authors (Homburg, Workman and Jensen 2002 ; Ivens and Pardo, 2004) have mentionned the emergence of KAM as an evolution of marketing in the corporation. But other functions can emerge with a view of "managing a real collaboration with customers". For example, the organization of Spie Tondella was changed to support new relationships with customers. Traditionally in the French building industry, projects are treated in a sequential way with a consequence on a great opacity of processes. So as to work in a more collaborative way, Spie initiated a new kind of contractual agreement with its customers called "concertance©". Concertance© is based on a project team and subsequently a project leader. Those

project managers constitute a new function in the company as they do not belong to the two traditional functions "engineering" and "sales."

- The links between "corporate" and "decentralized" marketing. The MGI Coutier company has experimented a rapid growth during the last years. MGI is characterized by a high degree of autonomy of each division. Each division has its own products, own competitors, own contacts with customers. This situation explains the very decentralized organization of the company. This high autonomy of BU is consensually considered by MGI managers as a very effective way of organizing the company. Subsequently, the marketing mission is assured by BU directors and product managers. Nevertheless a marketing director position has been created in 1998. It is clearly defined as an information mission. According the marketing director "I above all play the role of an animator, forcing people to raise good questions".

- The shift from "strategic marketing" to "operational marketing" can be considered as an important trend in marketing organization. For example, at Saint Gobain Technical Fabrics, the very recent evolution of the marketing organization is the creation of a new function of "Operational Marketing Manager". They directly report to the Sales Director. Those operational marketing manager are in fact both "marketing manager" and "product manager". For instance the Europe OMM is responsible, as a marketing manager of pricing, budgets and production means for any product sold to European customers wherever they are manufactured.. As a product manager, he/she is responsible for all the products wherever they are manufactured in Europe and wherever are the customers located in the world (for instance he can work with R&D researchers). The co-existence of these two missions within the same function is important for the consistency of the actions.

- The increased use of ERP for reporting administrative tasks. For instance Saint gobain Technical Fabrics and Clariant both report that sales reporting which was consuming lots of time of marketing and sales people is now totally (or close to)

automated. This can allow companies to make marketing functions evolve towards new tasks or... make part of the "operational marketers" or "sales assistant" useless...

- The implementation of process management techniques in the field of industrial marketing and sales appears to represent another important trend. For example, Siemens AG is currently introducing the so-called Siemens process house, a management concept structuring business processes along three major categories: product life-cycle management, supply chain management, and customer relationship management. The concept covers various process levels and is to be implemented company wide, in all business areas and all functions. Other companies pursue comparable projects. Various drivers have been evoked by the interview partners to explain the phenomenon, among them pressures to increase marketing effectiveness and efficiency, pressures from suppliers and / or customers to optimize and customize processes, but also the cross-functional dispersion of marketing and sales tasks, particularly present among industrial companies.
- A chemical company used to be organized in a matrix structure of company divisions and foreign subsidiaries. While the divisions accounted for R&D, Planning, Production and Marketing, the subsidiaries were responsible for sales and therefore for profits and losses. Subsidiaries tended to maximise their own utilities, often at the expense of the divisions. For instance, in times of shortage of capacity, they prioritized local key accounts rather than global key customers. This structure was abandoned. The former independent subsidiaries were dissolved and companies assumed responsibility for sales even though local employees are still in charge of customer service. By disciplinary matters the employees of the subsidiaries are subordinated to the headquarter. They still are a service provider for the divisions and maintain contact with national authorities. However, as business centers they only have staff function. The size of the subsidiaries was reduced by pooling together the back office part of sales in two

steps: first into five customer care centres in Europe, later into only one at the headquarters.

Directions for future research

Contrasting the scarcity of current research with the important shifts occurring in the actual practice of industrial marketing organization, we believe that the field offers great potential for research. The following list of research topics represents a non-exhaustive collection of issues which researchers could focus on in the next years.

- A starting point for research usually lies in descriptive work, e.g. in the form of case studies. We would encourage scholars to pick up some of the issues derived from our interviews and develop longer papers examining the details of specific organizational arrangements.
- First, works must be carried out to specify what marketing actually means for companies. Or in other words "what are the marketing activities of a firm"? If we agree with Mintzberg's enlarged vision of marketing "Marketing can be thought of as the design and management of all of the business processes necessary to define, develop, and deliver value to customers"(Webster 1997, p. 52) which encompasses quite an amount of things...
- Linked to the above topic, an interesting avenue for research lies in the investigation of what really distinguish today sales and marketing functions.
- We also think that issues related to the appearance of new marketing functions are of a great interest. Numerous works have now been carried out on key account management, but new things are emerging with

- Beyond description, we believe that companies are very interested in the explanation of the performance impact various organizational arrangements may develop. Marketing and sales performance is a “hot” topic at the moment and various perspectives have been taken in different research communities to explain performance. We believe that organizational structures and processes have an important impact on industrial marketing and sales performance. The work recently published by Diller and Ivens (2006) and Ivens (2006) can be seen as examples of possible approaches. We would like to see more studies picking up this topic.

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