The role of the marketing function in small and medium sized enterprises

Michael F. Walsh
College of Business and Economics, West Virginia University, Morgantown, West Virginia, USA, and
John Lipinski
School of Business, Robert Morris University, Pittsburgh, Pennsylvania, USA

Abstract

Purpose – The purpose of this paper is to examine marketing in small and medium-sized enterprises (SMEs), its role as a driver of competitive advantage, and, therefore, its importance to the firm.

Design/methodology/approach – The study is conducted with 100 SMEs located in the mid-Atlantic region of the United States.

Findings – The marketing function is not as well developed or influential in SMEs as it is in large corporations. Two environmental factors, type of market (consumer) and firm orientation (hierarchal), facilitate marketing’s influence within a firm.

Research limitations/implications – Analyses conducted and conclusions reached in this research are based on a very limited sample of SMEs located in one region of one country. Broader sampling would help in generalization of the findings.

Practical implications – The results of this study are particularly troubling because marketing resources are one driver of competitive advantage. For marketing to increase in influence, individuals trained in marketing must gain a seat at the management table. Although marketing departments are responsible for marketing the firm’s products and services, the job of marketers themselves internally remains unclear. Marketing departments must do more to ensure that marketing’s voice is heard when key decisions are made.

Originality/value – This research fills a gap in the literature relating to the influence of marketing in SMEs. More importantly, the findings differ from conclusions raised by a similar study conducted for larger firms.

Keywords Marketing strategy, Small to medium-sized enterprises, Competitive advantage, United States of America

Paper type Research paper

Introduction

A precept of the marketing concept contends that business achieves success by determining and satisfying the needs, wants, and aspirations of target markets. Few would argue that this determination and satisfaction of target market wants and needs is critical for firm success. These concepts, traditionally thought to be part of the marketing function of the firm, have fueled scholars’ interest in the role of marketing within the firm (e.g., Becherer et al., 2003; Berthon et al., 2008; Moorman and Rust, 1999; Simpson and Taylor, 2002; Webster, 1981, 1992, 2003; Webster et al., 2003).

Scholars have identified significant differences between large and small organizations. Large organizations tend to use a structured framework with a clear hierarchy in decision making. On the other hand, small firms tend to feature processes
that begin with and highly involve the entrepreneur or owner. Furthermore, the entrepreneur or owner’s personality and style help to shape decision making (Sadler-Smith et al., 2003).

The small-firm sector plays a significant role in the world economy. In the United States a recent analysis of employment changes between September 1992 and March 2005 showed that 65 percent of the net new jobs created during that time are attributed to firms with fewer than 500 employees (US Bureau of Labor Statistics, 2005).

Research investigating the competitive advantage of small firms has consistently emphasized the importance of marketing, strategic positioning, and entrepreneurship as key factors in business survival and growth. The ability to identify and operate in a particular market niche enables the firm to exploit a range of specializations and offers protection from larger competitors. Yet despite the widespread acceptance of the importance of the marketing concept, the precise marketing activities and competencies that contribute most strongly to business performance must be identified for small and medium-sized enterprises (SMEs).

Our study of SMEs revisits many of the questions Homburg et al. (1999) posed in their study of the marketing functions of large firms, but we direct our attention to SMEs. The definition of what precisely constitutes an SME differs widely. For the purposes of this paper, we follow the Journal of Enterprise Culture and the Asia Pacific Economic Cooperative (APEC), who define US-based SMEs as companies with fewer than 499 employees (APEC, 2003). In this research, we seek to answer the following questions:

- Relative to other business functions, how important is the marketing function in SMEs?
- Does marketing in SMEs enjoy the same influence found in larger firms?
- What internal and external factors influence the role of marketing in small firms?

This paper reports the results of a study that employed an activity-based approach whereby demonstrable marketing competencies were related to the entrepreneurial orientation evident in the firms. The analysis demonstrated that certain competencies were more strongly associated with a marketing orientation, whereas others were associated with an entrepreneurial orientation. The results show differences in the role of marketing in small firms as compared with the role of marketing in the large firms that were studied by Homburg et al. (1999). SME marketing functions have a way to go before they enjoy the same degree of influence their counterparts have in large firms.

Literature review

Inquiry into departmental influence (such as marketing) is based on Cyert and March’s (1963) work on subunit power. Cyert and March (1963) argued that managers have conflicting goals and seek satisfactory solutions as opposed to optimal solutions to business problems. The concept of “dominant coalition” has been used to explain differences in the power of firm subunits (Thompson, 1967). The relative power of subunits is a function of strategic choices made by dominant coalitions (i.e. power members) within an organization. Influence has been defined as “a change in one party that has its origin in another party and this embodies the successful exercise of power” (Stern and Scheer, 1992, p. 260). Our study focuses on the marketing department subunit. Various authors have examined the role and influence of marketing in firms
(e.g. Becherer et al., 2003; Berthon et al., 2008; Moorman and Rust, 1999; Simpson and Taylor, 2002; Webster, 1981, 1992, 2003; Webster et al., 2003) and since the 1980s, the marketing department has been shown to have varying levels of influence in the firm. Homburg et al. (1999) directly studied the influence of marketing in large firms and uncovered a number of situational factors that affect the level of marketing's influence. These situational factors include a firm's strategic orientation (differentiation versus cost leadership) and background of the CEO. Although their study helped to define the relative level of influence of the marketing function for business, the authors focused on large organizations – firms with more than $25 million in sales.

However, SMEs have characteristics that differentiate them from large organizations (McCartan-Quinn and Carson, 2003). These differences include advantages such as greater flexibility, innovation, and lower overhead costs. In terms of disadvantages, SMEs are limited by their market power, and capital and managerial resources (Motwani et al., 1998). These differences raise the question, “does the marketing function in SMEs enjoy the same influence found in larger firms?” Compared with the literature stream surrounding the role of marketing in larger firms, inquiry on this topic has been more limited for SMEs. Many studies have attempted to define marketing and outcomes of marketing for SMEs. Carson (2001) and Sui and Kirby (1998) traced the evolution of marketing and the various approaches to SME marketing. Other authors have attempted to develop hypothetical and empirical models of marketing for SMEs. Sui et al. (2004), Julien and Ramangalahy (2003) and Berthon et al. (2008) showed how strategic marketing practices such as knowledge of current market conditions and consumer tastes were positively related to SME performance. Becherer et al. (2003) examined internal environmental factors such as the background and decision processes of CEOs. One aspect of marketing, promotional efforts, was found to be a key influence in performance of SMEs (Wood, 2006). Market orientation as a driver of SME business performance has also generated scholar interest (Blankson and Stokes, 2002; Fillis, 2002; Pacitto et al., 2007). Finally, authors have studied underlying reasons for the characteristics of SME marketing practices. Simpson et al. (2006) examined drivers of marketing effort such as the presence of a marketing department and marketing representation at the board level. SMEs lack the resources to compete head-to-head with larger rivals and thus cannot do traditional marketing (Gilmore et al., 2001).

Because SMEs lack the resources to compete head-to-head with larger rivals, some scholars have questioned whether SMEs formally practice marketing at all (Carson et al., 1998; Gilmore et al., 2001; Shepherd and Ridnour, 1996). In a typical argument, Hogarth-Scott et al. (1996) considered most marketing theories to be inappropriate for SMEs and not helpful in the understanding of their markets. However, in the same article, the authors found that the marketing function contributed positively to small business success and the ability to think strategically. Clearly, marketing department exert influence in SMEs, especially in SMEs that succeed. Larger firms achieve better competitive positions than smaller firms when they have greater marketing capabilities (Grimes et al., 2007), so SMEs must maintain strong marketing departments to effectively compete.

Evidence has shown that although marketing activities in SMEs may be different, marketing departments are still critical to firms’ success. Many firms carry out business via highly informal, unstructured, reactive mechanisms, whereas others
develop, over time, a proactive and skilled approach where innovation and identification of opportunities gives them a competitive advantage (Fillis, 2007). Romano and Ratnatunga (1995) observed that “small firms face marketing challenges which can and will ultimately determine their future.” Furthermore, Hill (2001) found that SMEs still engage in many traditional marketing functions, especially marketing planning. A widely cited marketing activity for SMEs is networking. Wincent (2005) showed that the size of a firm matters in regard to how a company conducts its networking activity. Networks are important during the establishment, development, and growth of SMEs. Siu (2001) found that SMEs rely heavily on their personal contact network in marketing their firms. Traditional economic structures favor size (large firms). However, today’s economy is earmarked by relationships, network, and information, which play to some of the characteristics of SMEs.

Our research adds to the SME literature stream by examining outputs and attributes of marketing (e.g. sales, percent of sales spent on marketing) and by considering how these are related to firm characteristics such as entrepreneurial orientation.

Conceptual foundation and hypotheses
Two theories provide a conceptual framework to explain the differences in the influence of the marketing function: institutional theory and contingency theory. Institutional theory states that organizational structure and design is inexorably linked to social networks and is shaped by conformity and legitimacy pressures (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). Firm structure does not necessarily reflect efficiency but legitimacy (Meyer and Rowan, 1977). Thus the influence of a firm function such as marketing is a function of conformity/legitimacy pressures.

Alternatively, contingency theory states that organizational structure and design is a function of external factors. Firms must “fit” to their environment, and characteristics of firms such as subunit power are a function of environmental determinants. Research on subunit power has explored relationships between environmental factors and organizational structures/power (Boeker, 1989; Hambrick, 1981; Hinings et al., 1974; Salancik and Pfeffer, 1974).

This research tests elements of both theories. Hypotheses H1 and H2 are based on the contingency theory argument, and hypotheses H3, H4, and H5 are based on institutional theory.

Consumer versus industrial markets
Firms serving industrial markets have fewer customers (as compared with consumer markets) and have closer partnerships with their customers (Heide and John, 1992). These partnerships involve more aspects of the firm and, consequently, the marketing department no longer serves as the primary link between the firm and its customers (Homburg et al., 1999). In firms serving consumer markets, the marketing function serves as the primary link between the firm and its market. Thus, it stands to reason that the marketing function has greater influence in these firms.

H1. Marketing’s influence is higher in SMEs selling consumer goods than in firms selling industrial goods.
Differentiation strategy
Using Porter’s (1980) typology, firms can pursue a cost leadership or differentiation strategy. Bennett and Smith (2002) showed that as SMEs grow, they develop greater specialization and differentiation strategies. Although not empirically proven, conventional wisdom has suggested that marketing’s influence is more influential for a differentiation strategy than for a cost leadership strategy. For a firm to pursue a differentiation strategy, it must identify customer needs and develop products to fit those needs. Identifying those needs is one of the core competencies of a marketing department and presumably would lead to greater influence of marketing within a firm.

H2. Marketing’s influence is related positively to a differentiation strategy compared with a cost leadership strategy.

Entrepreneurial orientation
As Stevenson and Gumpert (1985) noted, firms with an entrepreneurial focus tend to be flat organizations with informal networks of employees and functions. Entrepreneurial organizations typically have an evolving management structure and are more abstract in defining the roles of management (Freeman and Engle, 2007). Firms with a non-entrepreneurial focus are termed administratively oriented and are organizations with clearly defined authority and structure. It is reasonable to infer from Stevenson and Gumpert’s work that firms with an administrative focus will have more clearly delineated functions/departments such as marketing. Bureaucracy has a negative effect on entrepreneurial activity in a firm, and this is anathema to an entrepreneurial-oriented firm (Sorensen, 2007). If the marketing function is more clearly defined, we would expect marketing to have greater influence.

H3. Marketing’s influence is related negatively to the entrepreneurial orientation of the firm.

Background of CEO
The top managers influence and shape the firm’s direction and focus. Within SMEs, the top manager’s role is pivotal for growth and expansion (Hutchinson et al., 2006). For smaller firms, this would seem even more relevant where all employees are likely to feel the CEO’s influence. The psychologist Duncker (1945) first coined this phenomenon “functional fixity” to refer to the observation that people tend to react to an object in terms of its usually defined function. That is, a hammer is used to drive nails but is not frequently used as a paperweight, although obviously it could be. Business researchers have applied this idea to management and have found that managers are also influenced by their previous training and find it difficult to deviate from their functional training when devising a solution to a problem. For example, engineers seek technical solutions, accounting managers seek financial solutions, and marketing managers look to advertising and promotion to solve problems (Ashton, 1976; Barnes and Webb, 1986; Chang and Birnberg, 1977; Hand, 1990).

H4. Marketing’s influence is higher in firms where the chief executive officer has a marketing background.
Firm size
Recent studies have begun to focus on how firm size affects entrepreneurial orientation in organizations (Dholakia and Kshetri, 2004; Gompers et al., 2005; Dobrev and Barnett, 2005; Stuart and Ding, 2006.) As firms grow, they tend to become more bureaucratic. As firms become more bureaucratic, they tend to become less entrepreneurial (Sorensen, 2007). However, as firms grow, they are in a position to hire specialists and add to their “bench strength.” As more specialists are hired, especially in the marketing function, it is assumed that marketing gains greater influence. This leads to our final hypothesis:

H5. Within SMEs, marketing’s influence is positively related to the size of firm.

The proceeding hypothesized relationships are summarized in Figure 1.

Research design
Sample
We employed a mail survey of SMEs using two mailing lists available to the authors. The first mailing came from present and past participants in the Small Business Center of a large Midwestern university. This center caters to small businesses in the Midwestern region of the United States. Its mailing list, totaling 150 businesses, was screened to ensure only SMEs were included in the sample. The second mailing list was obtained from the Greenbrier Chamber of Commerce of West Virginia, which serves businesses in the central region of West Virginia. Again, the mailing list, totaling 100 businesses, was screened to ensure only SMEs were included. Combined with surveys from the Family Business Center, the total sample was 250. The surveys were sent to the top executives (e.g. CEOs, presidents, general managers, owners) of the firms. All the addresses from the mailing lists were valid because no mailings were returned as
undeliverable. The survey was conducted October to November, 2006. Of the 250 surveys delivered, 100 completed surveys were returned, a response rate of 40 percent. The response rate from each source was the same. No inducements were included for participation in the survey. Instead, the director of the Family Business Center or Chamber of Commerce sent simple cover letters asking members to participate. We did not stimulate the response rate by doing follow-up contacts to nonresponders.

Several steps were taken to address nonresponse error and other external validity concerns. First, on receipt of the completed survey instrument, respondents were contacted by telephone to verify that they personally completed the survey and were top managers of their firms. Of the 100 completed responses, we successfully contacted 45 (45 percent) respondents. In these 45 cases, the top managers of the firms acknowledged personally completing the survey and verified their positions as top managers of the firms.

Second, comparisons were performed of sample means (t tests) between early and late survey respondents and the two sources for the sample. Across all independent and dependant measures, no statistical difference was found in sample means.

Finally, this study’s sample was compared against census data. Although this study used a convenience sample and cannot be generalized to all SMEs, a comparison was done to assess representativeness of the sample. As seen in Table I, our sample covered most employee size categories.

As seen in Table II, we analyzed our sample in terms of coverage of NAIC categories. The findings suggest that our sample covered all major NAIC categories.

Again, these comparisons do not suggest the study results can be generalized to all SMEs but were done to address potential nonresponse concerns.

Measures
The independent variables for our study included the influence of marketing, presence of a differentiation strategy, entrepreneurial orientation, years in business, number of

<table>
<thead>
<tr>
<th>Firms</th>
<th>US</th>
<th>%</th>
<th>Firms</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>All firms</td>
<td>5,657,774</td>
<td>100.0</td>
<td>100</td>
<td>100.0</td>
</tr>
<tr>
<td>Firms with no employees</td>
<td>703,837</td>
<td>12.4</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Firms with one to four employees</td>
<td>2,697,839</td>
<td>47.7</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Firms with five to nine employees</td>
<td>1,019,105</td>
<td>18.0</td>
<td>4</td>
<td>0.4</td>
</tr>
<tr>
<td>Firms with ten to 19 employees</td>
<td>616,064</td>
<td>10.9</td>
<td>2</td>
<td>0.2</td>
</tr>
<tr>
<td>Firms with 20 to 99 employees</td>
<td>518,258</td>
<td>9.2</td>
<td>8</td>
<td>0.8</td>
</tr>
<tr>
<td>Firms with 100 to 499 employees</td>
<td>85,304</td>
<td>1.5</td>
<td>53</td>
<td>5.3</td>
</tr>
<tr>
<td>Firms with 500 employees or more</td>
<td>17,367</td>
<td>0.3</td>
<td>33</td>
<td>3.3</td>
</tr>
<tr>
<td>Firms with 500 to 999 employees</td>
<td>8,572</td>
<td>0.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firms with 1,000 to 1,499 employees</td>
<td>2,854</td>
<td>0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firms with 1,500 to 2,499 employees</td>
<td>2,307</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firms with 2,500 employees or more</td>
<td>3,634</td>
<td>0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firms with 2,500 to 4,999 employees</td>
<td>1,770</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firms with 5,000 to 9,999 employees</td>
<td>934</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firms with 10,000 employees or more</td>
<td>930</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Table I. Firms by employee size
Influence of marketing was measured via a multi-item measure featuring a 100-point constant sum scale. This scale was adapted from Homburg et al.’s (1999) scale developed to measure the influence of marketing on decision making for ten strategic issues:

1. advertising;
2. customer satisfaction measurement;
3. customer satisfaction improvement;
4. expansion into new geographic markets;
5. strategic direction of the firm;
6. choice of strategic partners;
7. new product development;
8. design of customer service and support;
9. pricing; and
10. major capital expenditures.

Homburg et al. (1999) chose these issues to represent those decisions classically thought to be handled by marketing (advertising, pricing) and other issues that are not completely under the control of one department. The list was not designed to be an

<table>
<thead>
<tr>
<th>NAICS code</th>
<th>Industry title</th>
<th>US (%)</th>
<th>This study (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Agriculture, Forestry, Fishing, and Hunting</td>
<td>0.5</td>
<td>0.0</td>
</tr>
<tr>
<td>21</td>
<td>Mining</td>
<td>0.3</td>
<td>2.0</td>
</tr>
<tr>
<td>22</td>
<td>Utilities</td>
<td>0.1</td>
<td>6.0</td>
</tr>
<tr>
<td>23</td>
<td>Construction</td>
<td>12.2</td>
<td>13.0</td>
</tr>
<tr>
<td>31-33</td>
<td>Manufacturing</td>
<td>5.4</td>
<td>7.0</td>
</tr>
<tr>
<td>42</td>
<td>Wholesale trade</td>
<td>6.1</td>
<td>3.0</td>
</tr>
<tr>
<td>44-45</td>
<td>Retail trade</td>
<td>13.0</td>
<td>12.0</td>
</tr>
<tr>
<td>48-49</td>
<td>Transportation and warehousing</td>
<td>2.8</td>
<td>6.0</td>
</tr>
<tr>
<td>51</td>
<td>Information</td>
<td>1.4</td>
<td>2.0</td>
</tr>
<tr>
<td>52</td>
<td>Finance &amp; insurance</td>
<td>4.1</td>
<td>8.0</td>
</tr>
<tr>
<td>53</td>
<td>Real Estate &amp; Rental &amp; Leasing</td>
<td>4.4</td>
<td>4.0</td>
</tr>
<tr>
<td>54</td>
<td>Professional, Scientific, &amp; Technical Services</td>
<td>12.1</td>
<td>7.0</td>
</tr>
<tr>
<td>55</td>
<td>Management of Companies &amp; Enterprises</td>
<td>0.5</td>
<td>2.0</td>
</tr>
<tr>
<td>56</td>
<td>Waste management &amp; Remediation services</td>
<td>5.5</td>
<td>1.0</td>
</tr>
<tr>
<td>61</td>
<td>Educational services</td>
<td>1.1</td>
<td>2.0</td>
</tr>
<tr>
<td>62</td>
<td>Health Care &amp; Social Assistance</td>
<td>9.6</td>
<td>9.0</td>
</tr>
<tr>
<td>71</td>
<td>Arts, Entertainment, &amp; Recreation</td>
<td>1.8</td>
<td>2.0</td>
</tr>
<tr>
<td>72</td>
<td>Accommodation &amp; Food Services</td>
<td>7.4</td>
<td>12.0</td>
</tr>
<tr>
<td>81</td>
<td>Other services (except public administration)</td>
<td>11.6</td>
<td>2.0</td>
</tr>
<tr>
<td>95</td>
<td>Auxiliaries, corp., subsidiary, &amp; regional offices</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>99</td>
<td>Industry not classified</td>
<td>1.4</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Table II. Percentage of firms by industry

Note: Firms with less than 500 employees
Marketing function in SMEs

exhaustive measure of all aspects of marketing's influence but a sampling of business decisions typically considered in the marketing domain. Respondents were asked to allocate 100 points in terms of influence of the following groups: marketing, sales, R&D, operations, finance, and general management on each of the ten issues. The option of “general management” was added to the original Homburg et al.’s (1999) scale because of concern that their original scale presumed that a general manager exerts no influence on decision making relating to marketing. We questioned that assumption and included that option into the scale. Respondents were told to allocate no points to a group if it did not exist in their firm. In no case did any respondent assign zero points to marketing, thus eliminating the potential confound of responses from firms without a marketing department. Respondents were also asked to rate the importance of each of the ten issues on a seven-point Likert scale (anchored by relatively low importance to extremely high importance).

Marketing influence was calculated by multiplying the importance of each of the ten issues by the influence allocated to marketing for that issue and then adding across all ten issues. The summed figure was divided by the number of issues that the respondent answered.

Whether a firm used a differentiation strategy was determined by using a seven-item measure used by Homburg et al. (1999), Kim and Lim (1988), and Dress and Davis (1984). Respondents gave specific measures in answer to the following questions about company activities: To what extent does your business emphasize the following activities?

(1) competitive advantage through superior products;
(2) creating superior value through services accompanying the products;
(3) new product development;
(4) building up a premium product or brand image;
(5) obtaining high prices from the market;
(6) advertising; and
(7) development of customer specific solutions and products.

A seven-point Likert scale anchored by Not at all and A great deal was used to record responses (alpha = 0.84).

The entrepreneurial orientation of the firm was measured using a seven-item scale developed by Covin and Slevin (1989) and subsequently used by Keh et al. (2007). The specific measures were:

(1) our culture emphasizes innovation and research and development;
(2) we have a low rate of new product innovation;
(3) we are a follower and have a defensive posture in the market;
(4) we are first to introduce new technologies and products;
(5) we maintain a competitive posture toward competition;
(6) we have a strong dislike for high risk, high return projects; and
(7) when faced with risk, we adopt an aggressive, bold posture.
A seven-point Likert scale, anchored by Strongly disagree and Strongly agree was used to record responses. Items (2), (3), and (6) were reverse coded (alpha = 0.83).

The age of business (years), number of full-time employees, and primary functional background of the CEO were single-item, open-response measures. Regarding the measure of full-time employees, any response of “more than 500 employees” would have been discarded because this study was limited to SMEs. However, we did not receive any surveys with this response. Functional background of CEO was dummy coded (0 = non-marketing background; 1 = marketing background). The type of market served was dummy coded (0 = industrial; 1 = consumer).

The dependent variables included sales from most recent year, percent of sales spent on marketing, percent of sales spent on sales activities, and percent of sales spent on advertising. The variables were measured via single-item measures. For sales, respondents were given four options: under $1 million, $1-5 million, $5-25 million, and above $25 million. The percent of sales measures (marketing activities, sales activities, and advertising spending) had 13 response options: (0, less than 1 percent, 1 percent, 2 percent, 3 percent, 4 percent, 5 percent, 6 percent, 7 percent, 8 percent, 9 percent, 10 percent, and above 10 percent).

**Findings**

The results from the two samples were analyzed (t-tests) and no statistical difference was found in means across all measures. Accordingly, the results were pooled.

*The role of marketing*

Conventional wisdom suggests that marketing’s role is to manage the relationship between customers and a firm (Moorman and Rust, 1999). Because customers are an important contributor to a firm’s financial performance, the department responsible for management of customer relationships should be viewed as an important force; thus, the marketing department that assumes this management function should be deemed important and influential. Homburg et al.’s (1999) study showed the marketing function to be a significant influence in large firms. Turning to this study, as shown in Table III, marketing shares influence with general management and sales on most marketing issues. This suggests that marketing, as function and influence in business, is not as well developed for smaller firms compared with their larger brethren. The sales function has a slightly greater influence over marketing on all issues outside of advertising (customer satisfaction measurement, customer satisfaction improvement, expansion into new geographic markets, strategic direction of the firm, choice of strategic partners, new product development, design of customer service and support, and pricing and major capital expenditures). Decisions regarding advertising are the only issue where marketing enjoys significant and sole influence. We have included comparative data from the Homberg et al. (1999) study, and the data suggest marketing has a way to go before it enjoys the same influence found in larger firms.

**Hypotheses testing**

Regression analysis was used to test the hypotheses. We ran three regression analyses: on all issues, “marketing” issues (advertising messages, distribution strategy, design of customer sales and support, customer satisfaction measurement and customer satisfaction improvement) and non-marketing exclusive issues (strategic direction of
### Table III. Influence of business functional departments on marketing issues

<table>
<thead>
<tr>
<th>Decisions regarding</th>
<th>Marketing</th>
<th>Gen.Mgmt.</th>
<th>This study</th>
<th>Sales</th>
<th>Eng./R&amp;D</th>
<th>Operations</th>
<th>Finance</th>
<th>Homberg study Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising messages</td>
<td>36.2</td>
<td>21.1**</td>
<td>16.6**</td>
<td>36.2</td>
<td>12.3**</td>
<td>10.3**</td>
<td>65.0</td>
<td>65</td>
</tr>
<tr>
<td>Customer satisfaction measurement</td>
<td>24.6</td>
<td>24.6</td>
<td>28.3</td>
<td>29**</td>
<td>16.2**</td>
<td>3.5**</td>
<td>48.0</td>
<td>48</td>
</tr>
<tr>
<td>Customer satisfaction improvement program</td>
<td>19.6</td>
<td>31.0*</td>
<td>25.1**</td>
<td>5.3**</td>
<td>15.9</td>
<td>3.0**</td>
<td>40.0</td>
<td>40</td>
</tr>
<tr>
<td>Expansion into new geographic markets</td>
<td>13.7</td>
<td>27.9**</td>
<td>23.3**</td>
<td>12.8</td>
<td>11.0</td>
<td>11.2</td>
<td>39.0</td>
<td>39</td>
</tr>
<tr>
<td>Strategic direction of the business unit</td>
<td>13.2</td>
<td>39.4</td>
<td>14.5**</td>
<td>5.0**</td>
<td>17.5*</td>
<td>10.4**</td>
<td>38.0</td>
<td>38</td>
</tr>
<tr>
<td>Distribution strategy</td>
<td>15.4</td>
<td>26.9**</td>
<td>25.4**</td>
<td>1.6</td>
<td>23.5**</td>
<td>7.1**</td>
<td>34.0</td>
<td>34</td>
</tr>
<tr>
<td>Choices of strategic business partners</td>
<td>16.5</td>
<td>34.6</td>
<td>20.0**</td>
<td>3.0</td>
<td>12.5*</td>
<td>13.4</td>
<td>33.0</td>
<td>33</td>
</tr>
<tr>
<td>New product development</td>
<td>21.8</td>
<td>25.2</td>
<td>21.7</td>
<td>17.7</td>
<td>6.8**</td>
<td>6.8**</td>
<td>32.0</td>
<td>32</td>
</tr>
<tr>
<td>Design of customer service and support</td>
<td>16.1</td>
<td>39.3**</td>
<td>25.7**</td>
<td>2.5**</td>
<td>12.0</td>
<td>4.5**</td>
<td>31.0</td>
<td>31</td>
</tr>
<tr>
<td>Pricing</td>
<td>10.0</td>
<td>28.1**</td>
<td>22.8**</td>
<td>3.2**</td>
<td>15.1</td>
<td>20.8**</td>
<td>30.0</td>
<td>30</td>
</tr>
<tr>
<td>Major capital expenditures</td>
<td>5.3</td>
<td>38.8**</td>
<td>13.1**</td>
<td>3.9</td>
<td>10.8**</td>
<td>28.1**</td>
<td>13.0</td>
<td>13</td>
</tr>
</tbody>
</table>

**Notes:** *p ≤ 0.05; **p ≤ 0.01; the number in each cell represents the mean score given by respondents using a constant sum scale of 100; t-tests were performed comparing the marketing scores with all other business functions; statistic significant differences are indicated with asterisks; results compared to Homburg et al.’s 1999 study
business unit, choice of strategic partners, new product development, major capital expenditures, and expansion into new geographic markets). Results were the same, and for purposes of discussion, we will focus on the first regression analysis although results from all three analyses are reported in Table IV. Firm size, sales; percent spent of marketing, sales, and advertising activities; source of survey, and early/late responders were included as control variables.

**H1** proposed that marketing’s influence is higher in firms selling consumer goods than in firms selling industrial goods. We found support for this ($\beta = 48.68$, $p < 0.001$). Firms in consumer markets tend to do more advertising, considered the exclusive province of marketing, which likely leads to firms having greater “bench strength” in the marketing department. Interestingly, this conclusion differs from Homburg et al.’s (1999) finding for large firms where no difference appeared in marketing’s influence between consumer and industrial firms.

**H3** stated that marketing’s influence is related negatively to the entrepreneurial orientation of the firm. We found support for this ($\beta = -20.14$, $p < 0.001$). Less entrepreneurial firms have more influential marketing departments. This suggests a more hierarchical firm has more clearly defined functions leading to greater influence of marketing.

We found no support for the remaining hypotheses (**H2, H4 and H5**). **H2** stated that marketing’s influence is related positively to a differentiation strategy. Evidently a differentiation strategy does not automatically mean marketing has greater influence. This contrasts with the Homburg et al. (1999) survey where large businesses employing a differentiation strategy had greater marketing influence. **H4** stated that marketing’s influence is higher where the CEO has a marketing background. Unlike larger firms, the notion that that the CEO’s background indicates which firm functions might have influence was not supported. Finally, **H5** related to firm size within SMEs. Firm size was not a significant factor in determining marketing’s influence. **H4** and **H5** results were consistent with Homburg et al.’s (1999) study. A comparison of this study’s results and the Homburg et al.’s (1999) can be found in Table V.

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Hypothesis no. and direction</th>
<th>Marketing’s influence on all issues</th>
<th>Marketing’s influence on marketing issues</th>
<th>Marketing’s influence on nonmarketing issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer markets</td>
<td>H1 (+)</td>
<td>53.95**</td>
<td>48.68*</td>
<td>46.54**</td>
</tr>
<tr>
<td>Differentiation strategy</td>
<td>H2 (+)</td>
<td>-1.89</td>
<td>-3.22</td>
<td>-9.12</td>
</tr>
<tr>
<td>Entrepreneurial orientation</td>
<td>H3 (-)</td>
<td>-14.07**</td>
<td>-0.14**</td>
<td>-12.25**</td>
</tr>
<tr>
<td>CEO marketing background</td>
<td>H4 (+)</td>
<td>0.45</td>
<td>23.34</td>
<td>11.67</td>
</tr>
<tr>
<td>Size of firm</td>
<td>H5 (+)</td>
<td>-0.02</td>
<td>-0.06</td>
<td>-0.04</td>
</tr>
<tr>
<td>Age of firm</td>
<td></td>
<td>0.01</td>
<td>0.01</td>
<td>0.19</td>
</tr>
<tr>
<td>Percent spent on marketing</td>
<td></td>
<td>-2.04</td>
<td>-2.14</td>
<td>-1.05</td>
</tr>
<tr>
<td>Percent spent on advertising</td>
<td></td>
<td>2.06</td>
<td>4.99</td>
<td>0.81</td>
</tr>
<tr>
<td>Percent spent on advertising</td>
<td></td>
<td>2.30</td>
<td>4.04</td>
<td>3.51</td>
</tr>
<tr>
<td>Source of survey</td>
<td></td>
<td>8.58</td>
<td>8.51</td>
<td>2.63</td>
</tr>
<tr>
<td>First/late responder</td>
<td></td>
<td>-1.23</td>
<td>2.73</td>
<td>8.19</td>
</tr>
</tbody>
</table>

**Table IV.**
Results of regression analysis

**Notes:** * $p \leq 0.05$; ** $p \leq 0.01$
Discussion/limitations

Our data suggest that marketing is not as well developed or influential in SMEs as it is in large firms. Marketing’s scope or extent of responsibility is more limited compared with large firms. Two factors, type of market (consumer) and firm orientation (hierarchal), facilitate marketing’s influence within a firm. These results indicate that both underlying theories – institutional and contingency – received support and neither theory can be dismissed, suggesting the influence of marketing is a multidimensional construct. Individual traits (e.g. charisma, power, authority) were not considered in this study. However, our findings show marketing’s influence can vary systematically as a function of institutional and external factors.

Although our analysis sheds light on some internal and external factors that influence marketing’s role in a firm, a major portion of variance remains unexplained. Additional research is necessary to explore other potential influences on marketing’s role in a firm. These might include personnel factors (background and experience of marketing department personnel) and firm politics. For example, Reijonen and Komppula (2007) studied SMEs in Finland and found the motivation of entrepreneurs are not solely financial and often are based on job satisfaction, control, and family concerns.

Although this research fills a gap in the literature relating to the influence of marketing in SMEs, there is much work to be done. We did not address the relationship between marketing’s influence and the performance of firms. Analyses done and conclusions reached in this research were based on a very limited sample of SMEs located in one region of the country. Sampling across all regions of the United States would help in generalization of the findings.

Conclusions

The results of this study are particularly troubling because marketing resources are one driver of competitive advantage, and although the studied firms have a formal marketing function within the firm, it would appear the function has not proven its value to the firm. For marketing to increase in influence, individuals leading this function must gain a seat at the table. Our findings would suggest that changing the influence of the marketing function might take considerable effort. One barrier to changing marketing’s influence is the firm’s entrepreneurial orientation, which can be a deep-seated cultural factor that typically requires time to change. An Indian proverb cautions: “Under a bright lamp, there is great darkness.” Although marketing departments have a responsibility to market the firm’s products and services, the task of marketers marketing themselves to internal stakeholders remains unanswered. Marketing departments must do more to ensure that the voice of marketing is heard when key decisions are being made.

<table>
<thead>
<tr>
<th>Consumer markets</th>
<th>Supported</th>
<th>Not supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation strategy</td>
<td>Not supported</td>
<td>Supported</td>
</tr>
<tr>
<td>Entrepreneurial orientation</td>
<td>Supported</td>
<td>Not measured</td>
</tr>
<tr>
<td>CEO w/marketing background</td>
<td>Not supported</td>
<td>Supported</td>
</tr>
<tr>
<td>Size of firm</td>
<td>Not supported</td>
<td>Not supported</td>
</tr>
</tbody>
</table>

Table V. Comparison of study results with Homberg et al. (1999) study
References


**Corresponding author**
Michael F. Walsh can be contacted at: michael.walsh@mail.wvu.edu

To purchase reprints of this article please e-mail: reprints@emeraldinsight.com
Or visit our web site for further details: www.emeraldinsight.com/reprints