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# Dispersion of marketing capabilities: Impact on marketing's influence and business unit outcomes

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## Abstract

The marketing function of firms continues to evolve into many configurations, including the dispersion of marketing capabilities. This study evaluates the effects on the marketing function's influence when marketing capabilities are dispersed across multiple boundaries. Using a sample of marketing executives, we study the effects of two forms of marketing capabilities dispersion: intra-organizational dispersion and inter-organizational dispersion. We examine the impact of these forms on marketing's perceived influence within the firm. We also investigate marketing's influence on customer responsiveness, along with three distal outcomes: marketing strategy implementation success, relationship portfolio effectiveness, and business unit performance. Our findings reveal that marketing's influence may actually heighten or diminish, depending on the form of marketing capability dispersion. Further, we contribute to findings regarding marketing's influence on business unit performance. The results provide a new lens for scholars to view and measure marketing dispersion and offer guidance to practitioners.

**Keywords:** Marketing capabilities, Dispersion, Marketing influence, Business unit performance, Accountability

IN TODAY'S ENVIRONMENT, firms face a challenging act of balancing greater responsiveness while maintaining cost-curtailment efforts and enhancing productivity. These dynamics increasingly require the firm and its functions to access resources throughout the organization and across its boundaries. In doing so, firms and their functions are undergoing a structural transformation in order to evolve. For instance, the extant literature describes the configuration of marketing activities and capabilities distributed outside the confines of a centralized marketing department as *dispersion* (Homburg et al. 2000; Piercy 1985; Webster et al. 2005). The dispersed structure of the marketing function has deep implications for marketing practice and, therefore, merits research attention. Scholars suggest dispersion in today's firms resembles "a diaspora of skills and capabilities spread across and even outside the organization" (Webster et al. 2005, p. 36). Despite this proclamation, the extant literature has not focused upon the dispersion of marketing capabilities but has instead used an approach examining activities (i.e., the traditional tasks commonly associated with a marketing department) or strategic issues (Homburg et al. 1999; Workman et al. 1998). For instance, these examinations have studied the distribution of marketing activities to non-marketing units (Piercy 1985; Tull et al. 1991) and the potential locations for marketing activities (Homburg et al. 2000). Hence, we identify a unique research opportunity.

First, our study underscores the value of better understanding *marketing capability dispersion*. Capabilities are widely regarded as more stable patterns of collective routines and knowledge that enable firms to transform inputs into superior value propositions (Zollo and Winter 2002). Theoretically, capability-focused approaches are meaningful to the literature and practice. The resource-based view suggests the configuration of marketing capabilities provides a potential source of competitive advantage (Vorhies and Morgan 2003), and the heterogeneity of capabilities that results from

a dispersed configuration has implications for performance outcomes and for competitive advantage (Helfat and Peteraf 2003).

Second, marketing is moving toward an “extended fabric of partners, marketers and providers” (Day 2011, p.194) with organizations simultaneously using internal capabilities as well as capabilities from external partners to alleviate challenges to resources (Webster et al. 2005; Zahra and Nielsen 2002). While scholars have drawn upon the resource-based view in order to better understand how firms use both internal and external capabilities (Das and Teng 2000; Doz and Hamel 1998; Grant 1991), the dispersion literature has primarily focused on the internal (i.e., the cross-functional) boundary; dispersion across both boundaries has not received research attention. Our examination provides a better understanding of the effects of dispersing marketing capabilities by simultaneously examining dispersion across *both* intra-firm and inter-firm boundaries. In this study, we not only tease out the effects of both intra-organizational and inter-organizational dispersion independently, but we also examine the interactive effect of the two structures. Examining the interaction is critical because if one kind of dispersion exacerbates (or buffers) the effect of the other, marketing managers will be able to assess the trade-offs in using both types of configurations.

Third, the relationship between dispersion and marketing’s influence within the firm has been examined in the literature, including the cross-functional influence on marketing activities (Homburg et al. 1999; Krohmer et al. 2002; Webster et al. 2005). Other studies have examined the relationship between marketing capabilities and marketing’s influence, under the assumption of “the increased dispersion of marketing within the firm” (Verhoef and Leeflang 2009). As such, marketing’s dispersed structure has been frequently suggested to have an effect on marketing’s influence. Yet the effects of a *dispersed capability structure* on marketing’s influence has not been directly examined in the literature. We demonstrate that marketing’s influence itself may be determined by how the marketing capabilities are dispersed within and outside the organization. Understanding this relationship is of great concern to marketers, as research suggests that marketing’s influence within the firm may be declining (Webster et al. 2005). Finally, our research sheds further light on the disparate findings in the literature about the impact of marketing’s influence on business unit performance (Moorman and Rust 1999; Nath and Mahajan 2011; Verhoef and Leeflang 2009) as research has suggested both direct and indirect paths between marketing’s influence and financial outcomes.

As such, our study addresses two research questions. First, what are the effects of inter-organizational and intraorganizational marketing capability dispersion on marketing’s potential influence within the business unit? Second, what is the impact of marketing’s potential influence on the business unit’s outcomes?

From a managerial standpoint, our paper responds to calls from industry and research consortia that indicate the need for insight into the phenomena of marketing’s evolving structure (McGovern and Quelch 2005; Webster et al. 2005). With the traditional structure and role of the marketing department within the organization changing (e.g., Achrol and Kotler 1999; Moorman and Rust 1999), our examination provides a much needed empirical analysis to understand the outcomes of dispersing marketing capabilities.

In the sections that follow, we begin with a review of the literature that describes the major theoretical and empirical perspectives on marketing capability dispersion and marketing’s influence. From these perspectives, we develop a conceptual model and describe our rationale regarding the relationships within the model. We test our hypotheses by surveying a sample of marketing managers across multiple industries. Our paper concludes with a discussion of the results and their implications for scholarly and managerial practice.

## Theoretical background

Power (coercive or non-coercive) has traditionally been defined as the ability of a group or individual to cause another unit to do something that unit would not have done otherwise (Dahl 1964). Past research on power relationships of brand managers, marketing, and functional units argues that departmental power could be impacted by, among other things, *centrality* of the department (i.e., how interconnected are the department’s activities to the organization’s workflows), *substitutability* of it (i.e., other alternatives can fulfill the department’s role), *uncertainty* coping (i.e., how well the department buffers the organization by coping with uncertainty), and *access to external resources* (Brass and Burkhardt 1993; Ruekert and Walker 1987; Starr and Bloom 1994). Additionally, researchers have noted other sources of noncoercive power, including expertise based power, legitimacy power, reward power, and referent power (Gaski 1986; Raven 1993).

We utilize the inter-related findings from the literature on influence and power (Emerson 1962) and the resource-based view (Barney 1991; Grant 1991, 1996) to provide the foundation for our conceptual model shown in Figure 1. Previous theoretical and empirical work (Hickson et al. 1971; Pfeffer 1981) addresses the relationships among the various entities of the organization, such as marketing, and the other functions within the firm (Cucchi and Fuhrer 2007) and explains why various distinct organizational entities may have influence within their firm. Central to this literature lies the notion that resources are distributed throughout the organization. These resources are important due to their ability to help the firm accomplish its key objectives (Hickson et al. 1971; Pfeffer 1981). An organizational entity holding valued resources possesses

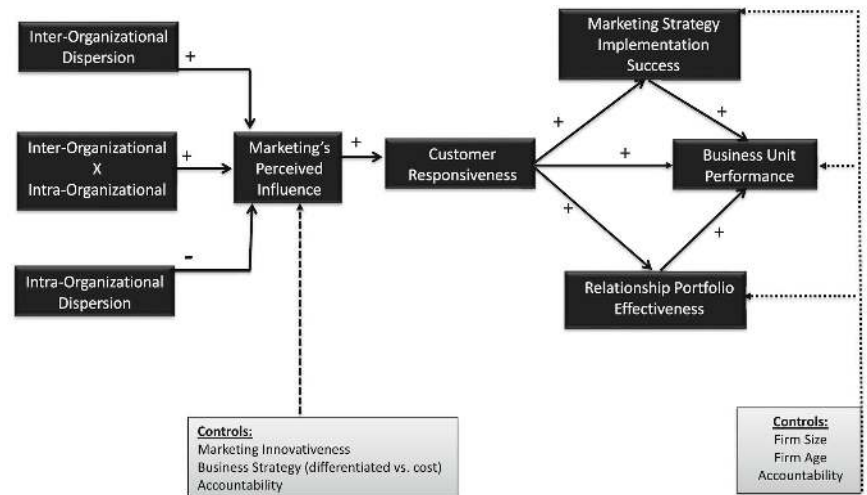


Figure 1. Conceptual model

the ability to aid the organization and its collective entities in meeting their respective goals, thereby enhancing its influence. Entities without these needed resources must rely on the department or function that possesses them, resulting in dependence.

Similarly, the resource-based view (RBV) (Barney 1991) notes the value of resources within the organization. The ability for the firm to effectively structure its resources is critical to meet operational effectiveness and to achieve its objectives (Taghian and Shaw 2010). The possession, integration, and configuration of its resources enable the firm to plausibly erect barriers to competition. This competitive barrier provides a means for the firm to sustain firm performance and competitive advantage (Dierickx and Cool 1989; Krasnikov and Jayachandran 2008).

While resources come in many forms (Barney 1991), our research focuses on a specific form of resources within the RBV, marketing capabilities, which are valuable yet relatively scarce and intangible (Day 1994; Eisenhardt and Martin 2003) "bundles of skills and accumulated knowledge" (Day 1994) that are exhibited as collective routines (Grant 1996) and enable firms to transform inputs into superior value propositions. These routines serve as a critical mechanism to integrate knowledge (Grant 1996). Marketing capabilities provide a resource that can be configured for effectively attaining competitive advantage (Srivastava et al. 1999). The configuration may be achieved by transforming existing capabilities, developing new ones internally, or acquiring capabilities from external domains (Lavie 2006). In addition, the literature notes that "the marketing organization is conceptualized as an institution for integrating market and marketing knowledge." (Hult 2011, p. 519). The marketing organization plays a key role in relation to the development and nurturing of marketing capabilities as it can access knowledge and capabilities through internal and external means (e.g., Lavie 2006) and integrate this dispersed marketing knowledge into cohesive routines. Hence, marketing may plausibly garner

influence in the organization from its possession of marketing capabilities, as well as its ability to integrate internal and external knowledge and skills into capabilities.

In summary, the resource-based view and previous work on influence and power provide complementary thoughts. Both demonstrate the value of the firm's resources in relation to: (a) the influence within the firm, potentially from possessing the resources, and (b) the impact these resources may have on the firm's performance outcomes.

#### Forms of dispersion

In application to our research, the organization of marketing capabilities, vis-a-vis dispersion, serves as an intriguing antecedent of marketing's influence within the firm as well as marketing's impact on the firm's performance. As marketing capabilities are dispersed, marketing resources are distributed within and outside of the organization. Hence, marketing capability dispersion would suggest the ability to incorporate various internal and external partners for developing firms' marketing capabilities. In practice, firms use dispersion to configure their marketing capabilities to meet the challenges of short-term profit expectations, shifting power to channel members, and other competitive issues (Webster et al. 2005). By dispersing their capabilities, firms can access other functions and partners' resources and more effectively focus on a limited set of core capabilities (Day 1994). Further, the complexity of this configuration may create barriers to imitation by competitors (Dierickx and Cool 1989).

In terms of the forms of dispersion, the literature notes that capabilities may be configured to span both internal and external boundaries, and this configuration may differentially affect marketing's influence within the firm (Andersen et al. 2013; Krohmer et al. 2002; Webster et al. 2005). In our model, we incorporate two accepted forms of dispersion: intraorganizational dispersion and inter-organizational dispersion.

*Intra-organizational dispersion* represents the extent to which non-marketing employees from other departments and internal divisions contribute to the organization's marketing capabilities. This is the most commonly examined boundary within the dispersion literature (Homburg et al. 1999, 2000; Krohmer et al. 2002; Menon et al. 1996; Workman et al. 1998). The literature notes that non-marketing functions or teams often contribute to marketing capabilities. For instance, a multi-departmental marketing strategy center can help the development of a market planning capability (Hutt and Speh 1984). Multiple functions are also looked upon to ensure greater levels of integrated marketing communication (Rouzies et al. 2005) and to enable product development (Bendoly et al. 2012).

*Inter-organizational dispersion* refers to the extent to which independent organizations, such as consultants, agencies, and other firms, contribute to the marketing capabilities. Very often, organizations have a make-or-buy choice in that they can conduct certain activities or processes internally or outsource the processes to span across inter-organizational borders (Kalaiganam and Varadarajan 2012; Rindfleisch and Heide 1997; Varadarajan 2009). This may result in the distribution of marketing capabilities among independent organizations involving marketing channels, sales, customer service, and marketing services (such as advertising and market research). For instance, Webster et al. (2005) suggest that the very marketing competencies that facilitate competitive advantage are being distributed outside of the firm. Similarly, advertising has been outsourced to external agencies for decades (Horsky 2006). Firms are now incorporating a range of external marketing partners in their marketing capabilities, such as customer relationships, new product development, measurement of promotional executions, and the coordination of marketing communication across channels and customers (Ganesan et al. 2005; Kalaiganam and Varadarajan 2012; McGovern and Quelch 2005). Hence the dispersion of capabilities across inter-organizational partners is an important aspect of dispersion to assess.

## Outcomes

As resources are dispersed outside of a centralized function, the influence of marketing is likely to be impacted, given that the extent of influence resides in control over things that are valued by other functions (Emerson 1962). Because dispersion alters the availability of marketing capabilities to other functions, it changes their dependence on marketing. And since power and influence arguably reside in the other's dependency (Emerson 1962), marketing's influence is impacted. Past research underscores the value of examining the relationship between the dispersed structure of marketing capabilities and marketing's influence. Characteristics of the marketing department, such as its capabilities and a

dispersed structure, have been posited to impact influence (Verhoef and Leeflang 2009; Webster et al. 2005).

Within our conceptual model, we begin with the configuration of capabilities and examine a pathway that includes both influence and business unit performance. Specifically, we link the two forms of dispersion with marketing's perceived influence. Our logic for examining this relationship is three-fold. First, qualitative examinations suggest that a dispersed marketing capability structure may reduce marketing's perceived influence within the firm (Webster et al. 2005); previous research broadly demonstrates a relationship between marketing capabilities (*assuming dispersion*) and marketing's perceived influence (Verhoef and Leeflang 2009). Second, resource possession is tied to influence (Ruekert and Walker 1987); hence a dispersed resource configuration may indeed affect influence within the organization. Third, marketing's perceived influence has served as an important focus for both marketing scholars and practitioners (Brown et al. 2005; Nath and Mahajan 2008).

The next part of our conceptual model examines the effects of marketing's perceived influence. We follow Verhoef and Leeflang's (2009) research that suggests a function's influence may have certain downstream effects on firms' actions and link marketing's perceived influence to a form of market orientation, *customer responsiveness*, which refers to how rapidly the organization responds to customer needs (Homburg et al. 2007). Our choice of customer responsiveness follows the lead of the literature (Homburg et al. 2007; Hult et al. 2005; Noble and Mokwa 1999), which suggests that market orientation's key elements should be examined "separately rather than focusing on an aggregate construct of market orientation." (Homburg et al. 2007, p. 30).

Responsiveness has been noted in its relationship to various forms of competitive advantage and firm effectiveness (Ketchen et al. 2007; Kohli and Jaworski 1990; Narver and Slater 1990; Sinkula 1994). In effect, customer responsiveness enables the conversion process of strategic resources into the firm's outcomes (Hult 2011). The value of linking customer responsiveness to performance outcomes has been supported in the literature (e.g., Jayachandran et al. 2004; Krasnikov and Jayachandran 2008; Sousa et al. 2010). Therefore, our model links customer responsiveness to three forms of effectiveness: marketing strategy implementation success, relationship portfolio effectiveness, and business unit performance.

*Marketing strategy implementation success* refers to the extent to which the organization considers implementation efforts of its marketing strategies effective (Noble and Mokwa 1999). In essence, the model suggests that customer responsiveness can lead to competitive advantage, of which strategic implementation is considered one form (Newbert 2007). Similarly, Varadarajan and Jayachandran (1999) suggest that the firm's internal environment, such as guiding forces within the organization (Piercy 1998), which could be characterized

potentially as customer responsiveness, aid in effectively executing strategy. Further, Ruekert and Walker (1987) also note a link between marketing competence and strategic execution.

Next, we examine *relationship portfolio effectiveness*, the business unit's relationships with its portfolio of business partners (Johnson et al. 2004), as the second outcome related to customer responsiveness. Since the marketing domain's prevailing paradigm is that of relationship marketing (Gronroos 1994), the development and maintenance of relationships is considered critical (Palmatier et al. 2006). The value of prioritizing the customer's well-being (Deshpande et al. 1993) has been long noted in the marketing literature. In effect, we examine whether the responsiveness to customers can impact the overall effectiveness of the firm's portfolio of relationships.

Finally, we examine the effects of customer responsiveness, marketing strategy implementation success, and relationship portfolio effectiveness on business unit performance. Vorhies and Morgan (2005) describe *business unit performance* as the extent of the business unit's financial success. As Hult et al. (2005) describe, the link between customer responsiveness and performance is that when the firm is able to meet customer needs, create value for the customer, and understand both expressed and latent needs, it is likely to better meet its financial goals (Hult et al. 2005). Further, a financial outcome variable serves as an important element in our model as past research appears somewhat contradictory. For example, Moorman and Rust (1999) found that a centralized marketing function contributes directly to firm performance, whereas Verhoef and Leeflang (2009) found that a centralized marketing function contributes indirectly through market orientation to firm performance. In effect, our conceptual model heeds scholars' calls to understand "the dynamics of the development of the marketing function and its relationship to performance" (Verhoef and Leeflang 2009, p. 29).

#### The effect of intra-organizational dispersion on marketing's perceived influence

We argue that intra-organizational dispersion of marketing capabilities has a negative effect on marketing's perceived influence within the firm. Since influence is a subtle manifestation of power (Frazier and Summers 1984, 1986), the more powerful an organizational entity, the greater potential for influence they are likely to have (Frazier 1983; Payan and McFarland 2005; Venkatesh et al. 1995). Hence, in order to understand how dispersion impacts marketing's influence, we first examine the bases of power for the marketing function.

We argue that when marketing capabilities are intra-organizationally dispersed, this tends to reduce marketing's power base and thereby reduce its influence in the organization. There are two primary foundations for

our argument. First, intra-organizational dispersion diminishes benefits that would accrue to the marketing function's power base because it brings higher substitutability (Starr and Bloom 1994), reduces the centrality of its expertise, and thereby shrinks the perceived legitimacy of the marketing function. Thus, intra-organizational dispersion shifts the power dynamic within the organization toward empowering other functions as they gain access to deeper customer and competitive insights and enable greater contribution to marketing management. In effect, these importance resources, which comprise the basis for marketing's power, are effectively dispersed across the organization. When other functional entities serve as logical substitutes for the marketing function, it no longer remains the only function within the firm with market-related expertise and knowledge (Hickson et al. 1971).

Second, intra-organizational dispersion increases the challenges of being a knowledge integrator. As Hult (2011) notes, "the marketing organization is conceptualized as an institution for integrating market and marketing knowledge" (p. 519). As such, understanding the ways by which knowledge integration is enabled is critical, as knowledge integration provides a means for marketing to realize centrality of workflows, reduce its substitutability, and enhance its perceived expertise.

However, marketing's knowledge integration ability may be impacted in a number of ways, including by enabling coordination (e.g., priorities, scheduling, accountability), reducing compromise (e.g., less than optimal solutions), and reducing inflexibility (e.g., an inability to react, respond, act, or exit) (Porter 1985).

When capabilities are dispersed internally, marketing may find it difficult to coordinate knowledge integration because (a) tacit knowledge (of marketing capabilities) poses issues of codification and transferability between different functions, and (b) the ability of hierarchy to serve as a coordination mechanism is reduced (Granstrand et al. 1997; Langlois 1992) especially when marketing tasks may not be the priority for non-marketing functions. Other scholars have also noted the challenge of coordinating intra-organizational dispersion, indicating that "if everyone is doing the marketing, then no one is in charge and responsible for it." (Kotler and Reibstein 2013). Hence marketing may not be able to effectively integrate knowledge and provide creative solutions and thereby yield influence to other functions.

Third, intra-organizational dispersion may reduce marketing's ability to provide optimal solutions to marketing tasks (i.e., overcome compromise). In a centralized structure, the marketing function is responsible for all marketing tasks. As such, it is able to use its hierarchical power to stress finding the best solutions. When capabilities are spread intra-organizationally, the marketing function faces greater challenges in integrating the tacit knowledge (of marketing capabilities) from the various functions. As such, marketing would

have greater difficulty in crafting optimal solutions for the organization, as it would only be able to integrate what the nonmarketing functions deliver—which may not be high quality output. Non-marketing functions may not consistently deliver good output, because marketing tasks and processes may not be a priority for them, given that different functions have different goals (Becker and Lillemark 2006; Dewsnap and Jobber 2002).

Finally, under intra-organizational dispersion, marketing's ability to integrate knowledge would be lessened and thereby hinder its ability to assist the firm in coping with external uncertainty (i.e., overcome inflexibility). When marketing capabilities are spread across the firm, the marketing function faces greater challenges in integrating the tacit knowledge (of marketing capabilities) from the various functions. The interface literature (Homburg and Jensen 2007) notes the challenge in bridging the varying perspectives and mindsets of different functions within the firm. Further, research notes that functions across the firm have varying levels of knowledge and perspectives that may negatively impact planning and decision making (Dougherty 1992; Slotegraaf and Atuahene-Gima 2011). Unlike a centralized marketing function which would maintain a consistent mindset, language, and approach, a dispersed capability structure would reduce marketing's ability to integrate knowledge and provide flexible solutions in a swift manner. Lack of proper knowledge integration would negatively impact marketing department's perceived influence. Hence, we hypothesize:

**H1:** Intra-organizational marketing capability dispersion is negatively related to marketing's perceived influence within the firm.

#### Effect of inter-organizational dispersion on marketing's perceived influence

Contrary to what we propose for intra-organizational dispersion, we argue that when marketing capabilities are interorganizationally dispersed, it tends to have a net positive effect on marketing's influence in the organization. Given that the ability to access external knowledge is critical to enhancing the knowledge stores of the organization (Johnson et al. 2004), inter-organizational dispersion delivers the benefits of being a knowledge integrator. Dispersing to external partners augments the influence of the marketing function by enhancing its centrality and reducing its substitutability (Starr and Bloom 1994).

Marketing's role as a knowledge integrator becomes even more central when the function serves as a conduit for information flow from external partners. This role is crucial since it is the integration of multiple capabilities that allows firms to create, communicate, and deliver differentiated value in the marketplace (Srivastava et al.

1999)—a valuable role that has been well-documented in the context of inter-firm relationships (Achrol and Kotler 1999). This role also reduces the substitutability of the marketing function, as the firm may increasingly depend on marketing to direct the outside partners, especially in terms of how to best meet key objectives and deploy resources.

Additionally, when capabilities are dispersed externally, the efficiency of being a knowledge integrator is enhanced as marketing's ability to overcome compromise and be flexible compensate for any inefficiencies due to external coordination. The ability to overcome compromise goes up because the marketing function is no longer restricted to the boundaries of its own organization, and it can take a "no compromise" approach to finding external partners with capabilities that best meet its needs, resulting in the ability to "tap the superior skills" of these external partners (Carson 2007, p. 50). In doing so, the marketing function is able to gain access to broader perspectives and market understanding than it would have on its own, allowing it to focus on its core competencies and enhance its perceived expertise in the organization.

Second, inter-organizational dispersion may enable greater flexibility and thereby allow marketing to serve as a valued function that enables the firm to handle uncertainty. For instance, inter-organizational dispersion enables access to certain expertise and capabilities not contained in their own organizations, allowing firms to seize new market opportunities more swiftly (Carson 2007; Krasnikov and Jayachandran 2008; Vorhies and Morgan 2005) and in a less costly manner (Barney 1999). Further, this greater flexibility is manifested in other ways. By using external partners, the marketing function has more flexibility to terminate the contract of an external partner than it potentially possesses to uproot its own internal organizational setup for a similar activity (Barney 1999). Additionally, if an external partner's capability deliverables are found to be inferior or less cost-effective than other options, the marketing function could move to a new partner (Gilley and Rasheed 2000). As noted in the literature, the cost of abandoning or no longer accessing an external partner's capability is much less and plausibly occurs in a swifter manner than if the firm had developed the capability internally (Barney 1999). Hence, inter-organizational dispersion adds to marketers' flexibility by allowing them access to certain expertise and capabilities not contained in their own organizations, letting the firm seize new market opportunities more swiftly (Carson 2007; Krasnikov and Jayachandran 2008; Vorhies and Morgan 2005) and in a less costly manner (Barney 1991).

Further, knowledge integration may not be as heavily impacted by coordination of external partners. There are two main reasons for this. First, inter-organizational dispersion allows the marketing function to partner with specialized firms and high performing partners. These

partners can typically be expected to subscribe to outstanding professional ethics, and can be depended upon to deliver results on time. This partnering, therefore, not only allows for value-add by specialization (Moorman and Rust 1999) but also keeps coordination outlays in check. Second, external partners may possess certain levels of experience in partnering with other organizations. This may enable a means to coordinate tacit information transfer and absorption. Hence marketing will be able to effectively integrate knowledge and provide creative solutions, thereby gaining influence within the organization. Therefore, we hypothesize:

**H2:** Inter-organizational marketing capability is positively related to marketing's perceived influence within the firm.

The interactive effect of intra-organizational and inter-organizational dispersion on marketing's perceived influence

Simultaneous utilization of both intra- and interorganizational dispersion of marketing capabilities is a reality for many organizations. We examine this phenomenon by hypothesizing a buffering interaction between the two (Cohen et al. 2003, p. 285), and we suggest a positive interaction effect. Under the condition of high inter-organizational dispersion and high intra-organizational dispersion, marketing's role as a knowledge integrator becomes more vital, raising its centrality to the organization and lowering its substitutability, thereby enabling it to be strategically important in the connections, while still maintaining a "clear indication of who is responsible for the customer," (Verhoef and Leeflang 2009, p. 29). This enhances the department's legitimacy, and confers on the marketing function an expert status with authority on information flow from external partners.

Further, when both inter-organizational dispersion and intra-organizational dispersion are high, the marketing function's expertise is heightened, as it serves as the conduit to how external knowledge and internal knowledge is integrated and transmitted which helps its ability to manage coordination. By marketing serving this key role, other internal functions are also more likely to defer to its hierarchy of expertise.

Similarly, the marketing department is able to overcome issues of compromise, since the presence of professionally delivered external knowledge likely motivates other functions to deliver outputs of similar quality and consistency, as they now have a means to assess their own performance (McIvor 2008). Thus inter-organizational and intra-organizational dispersion create a milieu of greater quality and actions.

Additionally, the interaction of inter-organizational and intra-organizational dispersion enhances the marketing department's flexibility. That is, when a marketing capability has been dispersed within the organization but does not deliver results, the marketing function

can choose to access the capability from an external partner. Not only does interorganizational and intra-organizational dispersion increase flexibility, but it also enhances the marketing function's ability to cope and respond to environmental uncertainty created by competitor actions and changing customer needs. Thus, we hypothesize:

**H3:** Intra-organizational dispersion and inter-organizational dispersion will have a buffering interaction such that an increase in the level of inter-organizational dispersion will buffer the negative effect of intra-organizational dispersion on marketing's perceived influence.

Marketing's perceived influence and customer responsiveness

We suggest that the greater the marketing function's perceived influence within the firm, the higher the firm's customer responsiveness. Verhoef and Leeflang (2009) attribute the relationship between a marketing department's influence and market orientation to the ability of an influential marketing department to enable and create a market-oriented culture within the firm (Gebhardt et al. 2006). As such, influential marketing departments serve as guiding forces for the organizations to become more responsive to customers. Such a cultural force is an impactful mechanism for the firm's decision making (Homburg et al. 2007) since it provides organizational norms and values that "enable organizational members to rule out irrelevant alternatives quickly," thereby enhancing customer responsiveness (Homburg et al. 2007, p. 20).

We also suggest that a more influential marketing function provides access to a rich pool of customer-based resources that can aid in providing quick and flexible response capabilities for customer needs. Specifically, the literature notes that a marketing function can draw from its repository of "expertise employed in responding to customers" (Jayachandran et al. 2004, p. 220) such as market and customer understanding (Song et al. 2007).

Finally, firms with influential marketing functions will prioritize customer needs. When marketing possesses higher influence within the firm, the firm is more likely to exhibit a focus on customer issues and needs, as well as an understanding of the value of such efforts. Hence, we offer the following hypothesis:

**H4:** Marketing's perceived influence within the firm is positively related to the firm's customer responsiveness.

We conceptualize that the impact of responsiveness on business performance is mediated by both marketing strategy implementation success and relationship portfolio effectiveness. Customer responsiveness is a form of market sensing that effectively works through



both relational (i.e., retaining and attracting customers) and strategic forms (i.e., “thwarting competitors”; Day 1994), and meta-analysis re-affirms a number of mechanisms through which responsiveness could plausibly be converted to business outcomes (Kirca et al. 2005). We structure these mediating effect arguments in terms of two sets of hypotheses: (a) the effects of customer responsiveness on marketing strategy implementation success, relationship portfolio effectiveness, and business unit performance and (b) the effects of marketing strategy implementation success and relationship portfolio effectiveness on business unit performance.

#### The effects of customer responsiveness

*Marketing strategy implementation success* We propose that greater customer responsiveness is positively related to marketing strategy implementation success. We draw on the findings in the literature, which suggest that market orientation is related to effective strategy implementation (Krohmer et al. 2002). We argue that customer responsiveness provides a unifying focus that is critical to strategic implementation (Kohli and Jaworski 1990). Customer responsiveness focuses attention on prioritizing critical elements for execution, such as the customer metrics and goals used for marketing performance measurement. Similarly, the unifying focus of customer responsiveness signifies managerial commitment and provides strategic direction essential to strategic implementation effectiveness (Bonoma 1984; Noble and Mokwa 1999; Noble et al. 2002). Finally, responsiveness is a strategic action which can lead to competitive advantage (Ketchen et al. 2007), such as strategy implementation (Newbert 2007). Hence, responsiveness can enable strategy implementation effectiveness that is considered excellent, effective, and even exemplary within the firm and its industry. Thus, we hypothesize:

**H5:** Customer responsiveness is positively related to marketing strategy implementation success.

*Relationship portfolio effectiveness* We propose a positive relationship between customer responsiveness and relationship portfolio effectiveness. Relationship portfolio effectiveness describes the perceptions of the business unit’s portfolio of customer relationships (Johnson et al. 2004). Hence, it examines the customer portfolio as a group. Day (1994) notes that responsiveness is one possible pathway by which a firm provides value to its customer portfolio with increasing effectiveness. As customer responsiveness increases, it enables the firm to act rapidly to customer needs and desires. The ability of the firm to swiftly respond to customers and strengthen their products and services can create superior customer value across the portfolio (Kohli and Jaworski 1990; Narver and Slater 1990; Vijande et al. 2005). As value is created on an ongoing basis, the firm is likely to maintain a strong collection of ongoing relationships with

its customer base. Since maintaining a customer is less costly than acquiring a customer, the value of responsiveness results in greater effectiveness.

Additionally, customer responsiveness imbues the organization with an understanding of customers, specifically a collection of customer intelligence (Jaworski and Kohli 1993; Kohli and Jaworski 1990). Such intelligence is likely to include understanding of interactions with the customer base. This knowledge is an important asset, as it can be leveraged across all of the firm’s customer relationships (Johnson et al. 2004) and serve as a driver in creating customer value in an effective manner (Jayachandran and Varadarajan 2006). As such, firms with greater customer responsiveness are able to more effectively satisfy customers and build stronger aggregates of relationships. Therefore:

**H6:** Customer responsiveness is positively related to relationship portfolio effectiveness.

*Business unit performance* We hypothesize that customer responsiveness is positively associated with business unit performance. Responsiveness provides the firm with the ability to create superior solutions, which has been found to lead the firm’s financial effectiveness (Homburg et al. 2004). Similarly, results from meta-analysis demonstrate the effect of market orientation on firm performance (Kirca et al. 2005), and the literature demonstrates that customer responsiveness yields financial performance outcomes (Diamantopoulos and Hart 1993; Hult et al. 2005). Hence:

**H7:** Customer responsiveness is positively related to business unit performance.

#### Effects of marketing strategy implementation success and relationship portfolio effectiveness on business unit performance

The literature indicates that the ability to execute is inherently tied to performance, and that implementation of marketing strategies results in positive organizational returns (Bonoma 1984). Business units that can implement marketing strategies more successfully may be able to perform better due to their ability to attract more marketing investments (Rust et al. 2004). Superior execution also helps facilitate key outcomes, such as faster new product introductions (Noble and Mokwa 1999), which can enable heightened levels of performance. In addition, marketing strategy implementation success may be a reflection of superior marketing strategies, or better alignment of the marketing strategies with firm level strategies, all of which have been shown to result in better performance at the business unit and firm levels (Lee et al. 2006; Rao et al. 2004; Slater and Olson 2001). Therefore, we expect the successful implementation of marketing strategies is likely to improve the performance of the business unit.

**H8:** Marketing strategy implementation success is positively related to business unit performance.

Similarly, as relationship portfolio effectiveness increases, a positive effect on business unit performance should follow. The value of prioritizing the customer's wellbeing has been long noted in the marketing literature (Deshpande et al. 1993). The customer-oriented firm receives a number of advantages due to its strong portfolio of relationships (Saxe and Weitz 1982), including greater levels of business and personal performance (Keillor and Parker 2000). Because marketing's prevailing paradigm is centered on the value of business relationships, it seems reasonable to suggest a positive link between relationship portfolio effectiveness and business unit financial performance.

**H9:** Relationship portfolio effectiveness is positively related to business unit performance.

## Method

### Sample and data collection

Our sampling frame focuses on strategic business units in the manufacturing and service sectors within the business-to-business realm. Similar to other studies on marketing organizations, the focus of this study is at the SBU level (Homburg et al. 1999; Workman et al. 1998). The business units selected included a range of industries, including information technology, manufacturing, and services. Both the IT and manufacturing sectors are recognized for their use of leaner organizations and the potential use of other partners, through outsourcing or partnerships. Studies examining marketing capabilities have adopted a similar approach of using a breadth of industries (e.g., Song et al. 2007; Vorhies and Morgan 2005).

Our data were collected using an online survey conducted by a professional data collection firm. Online data collection methods have been used quite extensively within the recent marketing literature (e.g., Darke et al. 2008; Jones et al. 2008; Levav and McGraw 2009). Invitations to participate in the study were sent by the data collection firm to a sample of 2100 potential informants randomly selected within the business-to-business sector. Using screening criteria that ensured the informants served in a managerial capacity and were currently employed, 254 questionnaires were distributed online to prescreened informants who had agreed to participate in the study. Surveys were obtained from 158 respondents, all belonging to different firms. Six cases were dropped due to missing data, leaving a total of 152 useable responses (59.8% of those who received the questionnaires; 7.2% of the original sample).

Respondents were rewarded for participation in the study by the data collection firm.

Our approach used a single informant in each firm. To ensure the appropriateness of our single informant, we incorporated a number of checks. After receiving the surveys, we verified the appropriateness of the respondents as key informants based on their position within the firm and the number of years in that position. In addition, we included three questions in the survey to validate involvement and knowledge levels, as suggested by Campbell (1955). Key informants have been used in examinations of the marketing organization and marketing capabilities (Olson et al. 2005; Vorhies and Morgan 2005), and research has reinforced the validity of key informants' responses of performance-based outcomes (Morgan et al. 2004). Table 1 shows the characteristics of the sample.

**Table 1.** Sample characteristics

Respondent Profile	% of Total
Gender	
Male	43.4%
Female	56.6%
Age	
20–29 years	5.3%
30–39 years	17.8%
40–49 years	31.6%
50–59 years	31.6%
60 plus years	13.8%
Highest Level of Education Achieved	
High School	5.9%
Vocational/Technical	5.3%
Undergraduate	52.6%
Masters	32.9%
Terminal Degree (Ph.D., J.D., etc.)	3.3%
Number of Years with Firm	
1–5	40.8%
6–10	24.3%
Greater than 10	34.9%
Position	
Vice President; Executive Vice President; Associate Vice President	15.3%
Manager; Brand Manager; Product Manager; Marketing Manager;	65.3%
Director; Marketing Director; Business and Sales Development Director; Chief Marketing Officer	19.4%
Industry	
Information Technology	31.6%
Manufacturing	29.6%
Professional Services (legal, consulting)	23.0%
Other (building equipment, electronics, etc.)	15.8%

## Constructs and measures

Wherever possible, we tried to use or adapt existing measures for the constructs within the study. While there are scales for marketing capabilities, no measures were available for marketing capability dispersion. Therefore, to develop the measure for this construct, we first reviewed the related literature in marketing, management, and R and D to identify items that tapped into the dimensional domains of this construct. We also sought input from 15 marketing practitioners on marketing capabilities that were relevant to their organizations and might lend themselves to dispersion. Next, we obtained feedback from marketing scholars regarding the face and content validity of the items. Several of our scales that use the Semantic Differential format were modified from existing Likert scales. As we discuss subsequently, this was done to incorporate multiple scale formats in our survey to minimize the effects of common method bias (Rindfleisch et al. 2008). After revising the items based on this feedback, we pretested the scales with the fifteen marketing practitioners. The practitioners were asked to identify any inherent ambiguities and to evaluate the conciseness of the questions, the clarity of the scale items, and the overall structure and format of the questionnaire. Based on their input, we made a few minor changes to the survey instrument.

In developing our dispersion scale, we were cautious about the investment of time required by our respondents to complete the survey. Capron and Hulland (1999) describe the trade-offs between multiple item measures and the duration and commensurate difficulty to ensure response rates. Further, our goal was to incorporate some of the more commonly recognized capabilities (Morgan et al. 2009; Vorhies and Morgan 2005). Hence, our measures for the dispersion of marketing capabilities are based on six key marketing capabilities that were presented by Vorhies, Harker, and Rao (1999) and later updated by Vorhies and Morgan (2005): product development, pricing, channel management, marketing communications, market information management, and marketing planning. While a comprehensive list of marketing capabilities has yet to be identified, the use of these six capabilities was consistently confirmed in our discussions with managers during pretesting. Pretesting also confirmed the measures' content validity. In the survey instrument, the respondents were provided a description of each capability based on Vorhies and Morgan (2005), followed by an assessment of each type of dispersion for all the capabilities.

*Intra-organizational marketing capability dispersion* assesses the extent to which distribution of marketing capabilities spans across the business unit's functions and includes contributions made by non-marketing

employees from other departments and internal divisions. It is assessed using a seven-point Likert scale developed for this study. Respondents were asked to determine the extent to which non-marketing employees from other departments and internal divisions contribute to each of the capabilities.

*Inter-organizational marketing capability dispersion* measures the extent to which capabilities span across organizations. It is operationalized by a seven-point Likert scale developed for this study. Respondents were asked to determine the extent to which independent organizations, such as consultants, agencies and other firms contribute to each capability.

*Customer responsiveness* is the extent to which the business unit is able to react to customer-related changes (in terms of sensitivity and speed). It is operationalized by seven-point Semantic Differential scale adapted from the Likert scale developed by Homburg et al. (2007).

*Marketing's perceived influence* is the extent to which the marketing function is important to the organization (Moorman and Rust 1999). It is operationalized by using a seven-point Likert scale based on the work of Moorman and Rust (1999) and Verhoef and Leeflang (2009).

*Business unit performance* describes the extent of the business unit's performance. It is operationalized by a seven-point Likert scale adapted from the work of Morgan et al. (2009) and Vorhies and Morgan (2005).

*Marketing strategy implementation success* describes the extent to which the business unit considers the implementation of its marketing strategies effective. It is operationalized by a seven-point Semantic Differential scale that was developed based upon the construct proposed by Noble and Mokwa (1999).

*Relationship portfolio effectiveness* focuses on the business unit's relationships with its portfolio of institutional customers considered as a group. This construct is operationalized by a seven-point Semantic Differential scale. Two of the items in the scale are based on Johnson et al. (2004); the remaining two items are new and were developed for this study. These were changed based on the feedback received during the pretesting process as well as the recommendation to use differing scale formats to reduce common method bias, as we discuss subsequently.

## Controls

Based on prior literature (Verhoef and Leeflang 2009), we included the unit's business strategy, the innovativeness of the marketing department, and accountability of the marketing department, as control variables in our model to account for extraneous sources of variation in marketing's perceived influence.<sup>1</sup> The unit's *business strategy* is operationalized by the scale from Verhoef and

1. To determine if there were any industry specific effects, we examined the difference in our model variables between the service and manufacturing industries. Since there were no significant differences, we did not model industry type as a control variable.

Leeflang (2009). We provided descriptions of business strategies based on Porter's (1980) typology and asked the respondents to choose the strategy that best characterized their unit. The *innovativeness of the marketing department* is also adopted from Verhoef and Leeflang (2009). Respondents were asked to distribute 100 points over four departments in terms of the initiation of new product development. Marketing innovativeness was scored as the points distributed to marketing. The *accountability of the marketing department* is adopted from works by Moorman and Rust (1999) and Verhoef and Leeflang (2009). Accountability of the marketing department was also used as a control for the three outcome variables—business unit performance, marketing strategy implementation success and relationship portfolio effectiveness—as holding a unit accountable for its financial outcomes can be a key driver of these variables. We also used the size and age of the business units as additional controls of these three variables, since how large a SBU is and how long it has been in business can play a role in determining its ability to implement marketing strategy and develop effective relationships with partners, as well as impact its performance. Following Homburg et al. (2007), the business unit *size* is operationalized in terms of the number of employees in the unit. *Business unit's age* is based on the number of years the unit had been in existence and this operationalization is similar to what has been done in the prior literature (e.g., O'Sullivan and Abela 2007).

#### Construct dimensionality, reliability, and validity

We used a confirmatory factor analysis (CFA) to validate the measures and assess the dimensionality of the reflective scales in our study. We modeled all the observed items to load on their a priori hypothesized first-order factors. To reduce problems due to nonessential multicollinearity, as well as account for the multiple scale formats used, we standardized the observed items (Agustin and Singh 2005; Cohen et al. 2003, pp. 262–267). The CFA involved all reflective constructs in the model as well as the control variables. Model fit was adequate (Bentler and Bonett 1980; Browne and Cudeck 1993) with  $\chi^2 = 854$  (d.f. = 499); CFI = 0.94; RMSEA = 0.07. Further, all congeneric items loaded significantly on their specified factors and none of the measurement errors were correlated. This provided satisfactory evidence of convergence in measurement and dimensionality of the reflective constructs (Anderson and Gerbing 1988).

To establish the adequacy of our sample size for conducting a CFA analysis of all the constructs simultaneously, we used the power analysis procedure suggested by MacCallum, Browne, and Sugawara (1996). When the estimated model has at least 100 degrees of freedom, a minimum sample size ( $N$ ) = 132 is adequate to achieve a power level of 0.80 based on a close fit test.

Additionally, based on the degrees of freedom, the CFI and the RMSEA values obtained in our CFA model, we used the procedures outlined by Kim (2005) to calculate the minimum sample size required to test out model. This procedure established that our sample size was adequate for testing the CFA model.

We checked for discriminant validity using the nested model confirmatory factor analysis approach. Taking one pair of first-order factors at a time, we ran a series of constrained–unconstrained CFA model estimations. We first constrained the covariance between the factor pairs to 1 (implying no discrimination between the constructs), and then compared it to an unconstrained model in which the factors were allowed to co-vary freely. A significant difference in the chi-square values between the constrained and unconstrained models for the 1 degree of freedom difference, established discrimination between the two constructs (Anderson and Gerbing 1988). We repeated this procedure for all construct pairs and found significant chi-square differences for all the constrained–unconstrained model estimations. Additionally, consistent with the Fornell and Larcker (1981) approach, we compared the average variance extracted (AVE) from each construct pair with their squared factor inter-correlations. The AVE for each of the related factors was at least two times the squared factor correlation providing further evidence of discriminant validity.

To assess the reliability of the constructs, we computed their composite reliability (CR) scores (Fornell and Larcker 1981). The CR scores of all reflective constructs were greater than 0.70; and average variance extracted (AVE) met the 0.50 level recommended for all scales (Bagozzi and Yi 1988). Table 2 shows the summary statistics and the correlation matrix for the constructs.

#### Accounting for common method bias

We utilized a range of a priori approaches and post-hoc analyses to rule out the potential of common method bias to impact our results. First, from an a priori perspective, we incorporated the best practices described in the literature for reducing common method bias (Rindfleisch et al. 2008), including multiple scale formats for the independent and dependent variables. Second, we ensured anonymity to our respondents and developed the items in the constructs in a way to reduce ambiguity (Podsakoff et al. 2003). Third, we created proximal separation between the measures of the predictor and criterion variables, by introducing physical distance between these measures in terms of placement within the survey instrument (Podsakoff et al. 2003). Fourth, we utilized highly educated respondents, as over 85% of our respondents possess an undergraduate degree or higher, and over one-third of the sample received a master's degree or above (Rindfleisch et al. 2008).

**Table 2.** Correlations and summary statistics

	1	2	3	4	5	6	7	8	9
1 Inter-Organizational Dispersion	—								
2 Intra-Organizational Dispersion	0.47**	—							
3 Perceived Influence	0.22**	-0.04	—						
4 Customer Responsiveness	-0.03	-0.12	0.19*	—					
5 Marketing Strategy Implementation Success	-0.03	-0.03	0.29**	0.58**	—				
6 Business Unit Performance	0.20*	0.25**	0.21**	0.26**	0.50**	—			
7 Relationship Portfolio Effectiveness	-0.05	-0.03	0.14	0.56**	0.59**	0.38**	—		
8 Accountability	0.03	0.04	0.31**	0.16	0.37**	0.45**	0.23**	—	
9 Marketing Innovativeness	0.07	-0.08	0.24**	0.23**	0.12	-0.04	0.14	0.17*	—
Average Variance Extracted (AVE)	0.58	0.56	0.65	0.60	0.50	0.86	0.56	0.60	n.a.
Composite Reliability (CR)	0.89	0.88	0.85	0.84	0.83	0.95	0.84	0.80	n.a.

\*\*  $p < 0.01$ ; \*  $p < 0.05$  (two-tailed tests)

From a post-hoc perspective, we followed a number of procedures used in the literature to assess the effects of common method bias. First, we used Harman's one-factor test, which has been used within the marketing literature (Jayachandran and Varadarajan 2006; Salojärvi et al. 2010). We found that seven factors demonstrated an eigenvalue greater than one, and collectively the variables accounted for 73.66% of the variance. Next, we conducted a single-factor exploratory analysis. The lone factor accounted for 22.34% of the variance.

Second, based on the Unmeasured Latent Method Factor (ULMF) technique (see Podsakoff et al. 2012), we incorporated a common method factor into a CFA model. In this model, the items load on both their respective latent constructs as well as a common method factor. Doing so not only extracts common method variance, but it also offers the advantage of controlling for all systemic sources of bias that influence the relationships between constructs (Podsakoff et al. 2012). We used the estimated latent variable scores from this CFA model to test the hypothesized structural model as we discuss in the next section. These a priori and post-hoc procedures that we followed for minimizing and controlling common method variance ensure that we have accounted for common method bias.

## Analysis and results

To test the hypothesized relationships, we estimated a structural path model using the Latent Variable Scores Approach (LVSA) based on the procedure proposed by Joreskog (2000). This method has been used in recent marketing literature (Ye et al. 2012) and allows for the modeling of complex variable interactions. The interaction terms, which are computed as the product terms of

the latent variable scores in LVSA, have been shown to produce similar path estimates, as in the method when measurement and structural models are run simultaneously, and product indicant terms are computed by multiplying pairs of observed variables (Schumacker 2002). LVSA allows for control of potential bias due to common method variance, as the latent variables scores can be estimated from a CFA model that incorporates an unmeasured latent method factor. In addition, since only a structural path model is estimated, it is less complex, allowing for the use of smaller sample sizes, compared to the method where both the structural and measurement models are estimated simultaneously.

We used EQS to test our conceptual model using LVSA. The latent variable scores were estimated from a CFA model that incorporated an unmeasured latent method factor to account for common method variance as discussed earlier. The results are shown in Table 3. The fit indices ( $\chi^2 / \text{d.f.} = 68.24/48$ ,  $p < 0.05$ ; CFI = 0.94, RMSEA = 0.05 with a 90% confidence interval of 0.02 to 0.08; and AOSR = 0.04) suggest a good model fit (Bentler and Bonett 1980; Browne and Cudeck 1993).

Pertaining to our hypotheses, we find a significant, negative relationship between intra-organizational dispersion and marketing's perceived influence (H1:  $b = -0.18$ ,  $p < 0.05$ ). Additionally, we find inter-organizational capability dispersion is positively related to marketing's perceived influence (H2:  $b = 0.17$ ,  $p < 0.05$ ). This shows support for H1 and H2.<sup>2</sup> The interaction effect of inter-organizational and intraorganizational dispersion is also as hypothesized—inter-organizational dispersion buffers the negative effect of intraorganizational dispersion on marketing's perceived influence as evident from the significant positive interaction between the two dispersion terms (H3:  $b = 0.16$ ,  $p < 0.05$ ).<sup>3</sup> This provides support for H3.

2. At a reviewer's request, we grouped the capabilities into architectural and specialized marketing capabilities (cf. Morgan, Kaleka, and Katsikeas 2004) and examined their differential effects on marketing's perceived influence. We found no significant differences in effects.

3. In a buffering interaction, the two predictor variables have coefficients that are opposite in sign and an interaction term that is positive (Cohen et al. 2003, pp. 285–286).

**Table 3.** Results

Hypothesized Model Paths <sup>a</sup>	Standardized Coefficients ( <i>t</i> -value) <sup>b</sup>
H1: Intra-Organizational Dispersion → Marketing's Perceived Influence	-0.18 (-2.28)*
H2: Inter-Organizational Dispersion → Marketing's Perceived influence	0.17 (2.09)*
H3: Intra-Organizational Dispersion × Inter-Organizational Dispersion → Marketing's Perceived Influence	0.16 (2.18)*
H4: Marketing's Perceived Influence → Customer Responsiveness	0.21 (2.58)*
H5: Customer Responsiveness → Marketing Strategy Implementation Success	0.58 (9.16)**
H6: Customer Responsiveness → Relationship Portfolio Effectiveness	0.53 (7.86)**
H7: Customer Responsiveness → Business Unit Performance	.ns
H8: Marketing Strategy Implementation Success → Business Unit Performance	0.24 (2.54)*
H9: Relationship Portfolio Effectiveness → Business Unit Performance	0.17 (1.97)*
Control Variables	
Accountability → Marketing's Perceived Influence	0.39 (5.41)**
Marketing Innovativeness → Marketing's Perceived Influence	0.15 (2.14)*
Business Strategy → Marketing's Perceived Influence	.ns
Accountability → Marketing Strategy Implementation Success	0.26 (4.07)**
Firm Age → Marketing Strategy Implementation Success	.ns
Firm Size → Marketing Strategy Implementation Success	.ns
Accountability → Business Unit Performance	0.37 (5.27)**
Firm Age → Business Unit Performance	.ns
Firm Size → Business Unit Performance	0.20 (2.94)**
Accountability → Relationship Portfolio Effectiveness	0.15 (2.16)**
Firm Age → Relationship Portfolio Effectiveness	.ns
Firm Size → Relationship Portfolio Effectiveness	.ns
Fit Indices	
$\chi^2$ (d.f.)	68.24 (48 d.f.)*
Comparative Fit Index (CFI)	0.94
RMSEA (90% Confidence Interval)	0.05 (0.02 to 0.08)
Average Off-Diagonal Standardized Residual (AOSR)	0.04
Variance Explained in the Dependent Variables ( $R^2$ )	
Marketing's Perceived Influence	0.26
Customer Responsiveness	0.04
Marketing Strategy Implementation Success	0.42
Business Unit Performance	0.37
Relationship Portfolio Effectiveness	0.33

\*\*  $p < 0.01$  (two-tailed test); \*  $p < 0.05$  (two-tailed test)

a. Though not hypothesized, we found that intra-organizational dispersion also had a significant positive direct effect on business unit performance ( $b = 0.16$ ,  $t$ -value = 2.21,  $p < 0.05$ )

b. As a cross-check, we also computed the Satorra-Bentler robust statistics which provided similar results

The fourth hypothesis is also confirmed. Marketing's perceived influence is positively related to customer responsiveness (H4:  $b = 0.21$ ,  $p < 0.05$ ). With respect to mediation hypotheses, we find that customer responsiveness is positively related to marketing strategy implementation success (H5:  $b = 0.58$ ,  $p < 0.01$ ) and relationship portfolio effectiveness (H6:  $b = 0.53$ ,  $p < 0.01$ ). But customer responsiveness does not have a significant effect on business unit performance (H7). Lastly, we find that marketing strategy implementation success has a significant positive effect on business unit performance (H8:  $b = 0.24$ ,  $p < 0.05$ ), as does relationship

portfolio effectiveness (H9:  $b = 0.17$ ,  $p < 0.05$ ). This shows that the effects of customer responsiveness on business unit performance are fully mediated by marketing strategy implementation success and relationship portfolio effectiveness.

To rule out model misspecification error, we utilized the Lagrange Multiplier test computed by EQS to check for the presence of additional paths that might be significant but were not hypothesized in the model. This test revealed that intra-organizational dispersion had a significant positive direct effect on business unit performance ( $b = 0.16$ ,  $p < 0.05$ ).

## Discussion

In this study, we examined the simultaneous dispersion of marketing capabilities across two boundaries and evaluated their effects on marketing's perceived influence, as well as their downstream effects on customer responsiveness and organizational effectiveness outcomes. Our empirical results bring greater clarity and unique insight to the discussion regarding marketing capability dispersion and marketing's role within the organization. Not only do our findings make several theoretical contributions, but they also have important managerial implications.

### Theoretical contributions

First, the capability-based focus of our study is notable as it provides a unique contrast to the previous dispersion literature examining marketing activities (Krohmer et al. 2002; Tull et al. 1991). We suggest that the configuration of marketing capabilities provides strategic insight into the role dispersion plays in facilitating the influence of marketing and areas of competitive advantage (Krasnikov and Jayachandran 2008). Current business practices and scholars note that organizations are increasingly dispersing their capabilities across functions and external partners (Day 2011; Webster et al. 2005). Yet whether all forms of dispersion possess the same implications is absent from these discussions. Relatedly, our application of the capabilities perspective of dispersion is unique to the literature. By doing so, we move the understanding of dispersion forward by suggesting that in order to gauge the performance consequences of dispersing multiple capabilities, it is imperative to study the interconnectedness of capabilities across and within the firm. Further, we shed insight into the advantages and potential disadvantages of dispersing capabilities within and outside the firm.

Our study distinguishes also between the two forms of dispersion. The simultaneous examination of the individual effects of intra- and inter-organizational marketing capability dispersion is a unique contribution to the literature. Not only does the inclusion of an inter-organizational boundary contribute to the extant literature, as inter-organizational dispersion has been notably absent from the literature (e.g., Homburg et al. 1999, 2000; Tull et al. 1991; Workman et al. 1998), but our results also demonstrate that the effects of each form of dispersion on influence are indeed distinct. Hence, the *form* of dispersion matters. Further, the unique effects of each form of marketing capability dispersion are re-affirmed as we controlled for key determinants of marketing's influence (Verhoef and Leeflang 2009), previously documented in the literature (e.g., accountability, innovativeness, and business unit strategy).

Second, our results illustrate that when marketing capabilities are intra-organizationally dispersed, the marketing function's perceived influence is diminished. In

effect, marketing appears to lose its influence, as its valued capabilities, and perceived expertise, are distributed across the organization. This finding provides further empirical support to a qualitative examination on marketing dispersion and the impact of intraorganizational dispersion (Webster et al. 2005). Relatedly, our results demonstrate a direct positive relationship between intra-organizational dispersion and performance. This finding illustrates a unique trade-off not currently outlined in the literature. When marketing capabilities are intra-organizationally dispersed, marketing may lose influence; however, the firm may achieve improved financial performance, perhaps due to the efficiencies provided by a leaner, cross-functional structure. Hence, our results provide evidence that although the dispersed structural configuration of the firm's marketing capabilities may fundamentally contribute to firm performance, it could be detrimental to the marketing function's influence.

Further, we find support that inter-organizational dispersion has a positive effect on marketing's perceived influence. We suggest that marketing functions are increasingly integrating their external partners into their marketing processes (McGovern and Quelch 2005), allowing the marketing function to demonstrate its value as the knowledge integrator and enhancing its perceived influence. This finding provides a unique contribution to the literature and highlights that not all forms of dispersion reduce marketing's influence (Webster et al. 2005); it may indeed indicate that marketing's role lies in its ability to orchestrate key business processes and the knowledge integration surrounding them (Srivastava et al. 1999). Hence, our results bring forth a nuanced view of marketing's role as that of knowledge integrator (Hult 2011) and suggest a fruitful path for future research efforts in further examining this role.

Third, we examined the interactive relationship between inter-organizational dispersion and intra-organizational dispersion on marketing's perceived influence. We found a buffering interaction between these two variables (Cohen et al. 2003) and therefore plotted the interaction (Figure 2). While intra-organizational dispersion is negatively related to influence, when it is combined with inter-organizational dispersion, its negative effect is buffered. As such, high levels of intra-organizational dispersion combined with high levels inter-organizational dispersion appear to ensure that marketing plays a strong integrating role in the organization. Two potential explanations for this are: (a) under the combination of high inter-organizational and high intra-organizational dispersion, marketing's ability to integrate internal and external knowledge creates a higher level of expertise; (b) with both configurations at relatively high levels, the internal and external capability providers now have a means to compare and assess their own performance (McIvor 2008). When this situation occurs, compromises in performance of the capabilities are effectively attenuated, and the centrality of marketing as well as its ability to integrate knowledge enable greater perceived influence.

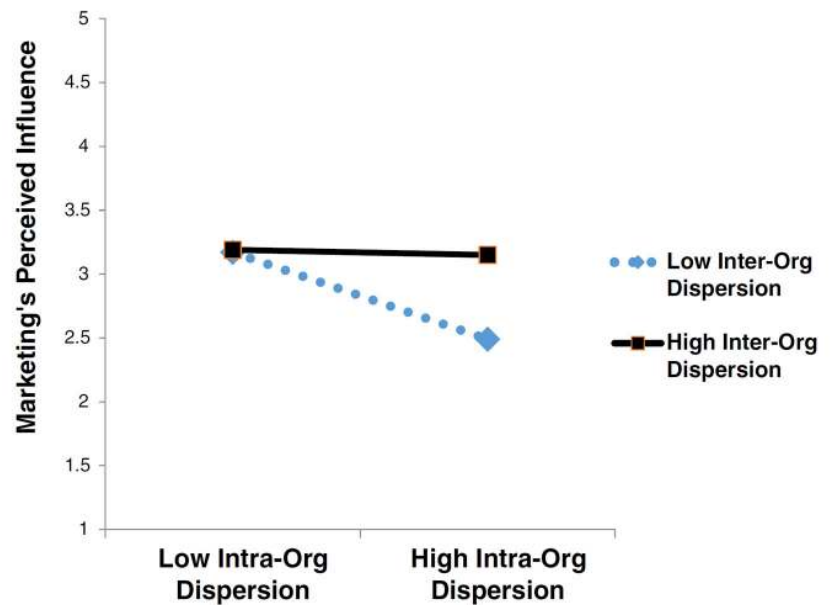


Figure 2. Interaction

Hence our study adds to the literature by showing a unique effect due to this buffering interaction.

Fourth, our findings provide credence to the value of integrating a strategic action component into resource based view examinations (Hult et al. 2005). We included customer responsiveness as the strategic action within our model. Customer responsiveness served as a pathway between marketing's perceived influence and business unit performance. Thus, we contribute by showing that in addition to market orientation (Verhoef and Leeflang 2009), the effects of marketing's perceived influence on business unit performance can occur indirectly through increased customer responsiveness. As such, we meet the challenge to develop empirical research "devoted to understanding the dynamics of the development of the marketing function and its relationship to performance." (Verhoef and Leeflang 2009, p. 29), and we illustrate the effects dispersion has on marketing's influence and on pathways toward strategic actions, such as customer responsiveness, that are important.

#### Managerial implications

The primary managerial implication of our study is the actionable assessment of the impact of dispersed marketing capabilities. Because dispersion of marketing is often a non-structural dimension of the marketing function's design (Workman et al. 1998), the dispersion of marketing capabilities may not be formally specified through a firm's documented or mandated procedures. Hence, the organization of marketing capabilities may occur through the evolution of the firm, its decisions on partner selection, and other internal and external considerations. As such, a dispersed configuration may take shape without the much-needed strategic foundation. We suggest that the potential for such configurations

to evolve rather than be controlled may be indicative of the challenges faced by marketers today. Practitioners continue to underscore the division between the potential value of marketing capabilities and their perceived value within the minds of senior executives (CMO Council 2006). Sans a focus on marketing capability configuration, marketers may be continually challenged to demonstrate the value of their marketing capabilities to senior management. For instance, we can envision a scenario where senior managers charge marketing to disperse its marketing capabilities intra-organizationally due to the need for leaner and more cost effective organization (Webster et al. 2005). However, the commensurate impact may challenge the ability of the marketing function to influence the firm.

For marketing managers, our results indicate that interorganizational dispersion may not be something to fear. The inter-organizational dispersion of marketing capabilities provides an opportunity for the marketing function to integrate the knowledge sources of its partners while still maintaining its influence within the firm. Enabling these inter-organizational capability structures may be one way to access and harness the capabilities of external entities. Additionally, marketing managers may not approach such access with trepidation, as our results appear to indicate that in order to enable the integration, the firm's marketing function plays a key role.

For practitioners, we also highlight new insights regarding customer responsiveness. Our findings suggest that an internally dispersed marketing structure may actually impair the organization's customer responsiveness. Simply, intra-organizational dispersion negatively impacts marketing's influence. Without this influence, the ability to successfully maintain and manage the unit's customer responsiveness as well as the ability to realize the entire gambit of financial gains may be limited.



## Limitations and directions for future research

A number of research pathways are available for future research. Many of the opportunities for research emanate from the limitations of the study. Our data were collected from marketing managers in the United States. We understand that the outcomes of marketing dispersion are country-specific (Krohmer et al. 2002) and that country effects could also apply to the dispersion of marketing capabilities. We acknowledge this as a limitation of our study and suggest future research could examine the robustness of these results in other countries.

In this study, we have limited our examination to six major marketing capabilities. The number and different types of marketing capabilities could be expanded in future research. Also, our measurements of dispersion are new to the literature, and opportunities for improvement exist. Further, elements of cross-functional collaboration, marketing competence, as well as task complexity could be integrated as moderating conditions. A number of additional examinations could further complement the study's results. For instance, the use of longitudinal data would aid in understanding the development of a phenomenon. An examination focused on a specific industry could eliminate other spurious effects, and greater sample sizes would provide greater power to examine smaller effect sizes. Additional forms of the influence of marketing are also worth examining. For instance, it would be interesting to see how dispersing marketing capabilities affects senior management's perception of the marketing function (O'Sullivan and Abela 2007).

Further, our examination makes the assumption that the marketing function serves as the conduit of information from and orchestrator of external partners. Future examinations could determine whether the outcomes would change if other departments (i.e., non-marketing functions) manage the knowledge integration function. This exploration may impact customer responsiveness and the downstream outcomes. Lastly, since the focus of our study was to examine the effects of dispersion, rather than how to manage dispersion, we did not examine the different types of technologies and technological capabilities and their potential use for managing issues related to organizing and coordinating a dispersed environment. Further, one could tease apart the various forms of intraorganizational and inter-organizational dispersion. For instance, some firms may choose to contract an external firm, while others may choose a joint alliance (such as a consortium) to extend their capabilities across external boundaries. Additionally, an inter-organizational perspective also opens opportunities to marketing's influence in the network of providers as well as network analysis. These pose a number of interesting avenues for future research.<sup>4</sup>

## Conclusion

The value of understanding marketing dispersion has been widely documented within the marketing and practitioner literature. This study shows how different forms of dispersion impact strategic outcomes for organizations. In a broad manner, dispersion can lead to strategic and relational outcomes as well as financial performance; however, we do illustrate some consequences to the marketing function. We believe our literature review, theoretical framework, and model plot a pragmatic path to conduct empirical research on the subject and broaden the inquiry of this important phenomenon. Further, we suggest conceptual arguments that provide direction to both academicians to advance the study of dispersion, and to practitioners to highlight the value of understanding the structure of their marketing capabilities and their effects.

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## Appendix

### Marketing Capabilities Dispersion

*Description of each capability based on Vorhies and Morgan (2005), was provided in the questionnaire.*

*Intra-Organizational Dispersion Seven-point Likert scale; No Extent, High Extent*

To what extent do non-marketing employees from other departments and internal divisions contribute to:

*Inter-Organizational Dispersion Seven-point Likert scale; No Extent, High Extent*

To what extent do independent organizations, such as consultants, agencies and other firms contribute to the unit's:

1. Marketing information management capability
2. Channel management capability
3. Marketing communication capability
4. Product development capability
5. Pricing capability
6. Marketing planning capability

### Perceived Influence of Marketing

*Adopted from Moorman and Rust (1999); Verhoef and Leeflang (2009)*

*Seven-point Likert scale; Strongly agree; Strongly disagree*

In our business unit, the marketing department (function):

- Is considered more influential than other departments
- Tends to dominate other departments in decision making
- Is considered more important than other functions by the unit's management

4. We thank the anonymous reviewers for many of these thoughts.

**Customer Responsiveness**

Based on the Likert scale of Homburg et al. (2007).  
Seven-point Semantic differential scale

The business unit's responsiveness to customers:

- Rapidly responds to their needs/ Slowly responds to their needs\*
- Slowly implements customer initiatives/ Quickly implements customer initiatives
- Sensitive to customers' desired outcomes / Insensitive to customers' desired outcomes\*
- Rapidly reacts to their changing needs/ Slowly reacts to their changing needs\*

**Marketing Strategy Implementation Success**

Based on the Likert scale of Noble and Mokwa (1999)  
Seven-point Semantic differential scale

The business unit's overall implementation success of marketing strategies

- Considered best in industry / Considered worst in industry\*
- Worse than major competitors/ Better than major competitors
- Acceptable for business unit/ Unacceptable for business unit\*
- Exemplified mediocrity/ Exemplified excellence
- Exemplified effectiveness/ Exemplified ineffectiveness\*

**Relationship Portfolio Effectiveness**

Based on Johnson et al. (2004);

Seven-point Semantic differential scale

In general, the majority of relationships with your business customers.

- Inefficient / Efficient
- Productive/ Unproductive (\*)
- Unsatisfactory / Satisfactory
- Effective/ Ineffective (\*)

**Business Unit performance**

Adapted from Vorhies and Morgan (2005)

Seven-point Likert scale; Clearly worse; Clearly better

Relative to your competitors how has your business unit performed in...?

- Return on sales (ROS)
- Business unit profitability
- Return on investment (ROI)

**Business Strategy**

Scale from Verhoef and Leeflang (2009)

Check one of the following generic Business Strategies that is most applicable to your business unit

- Cost leadership: strategy to obtain the lowest costs in the market.
- Differentiation: focusing on being better in different features of the product/service that are important to customers.
- Cost focus: targeting a relative small segment in the market that is cost-consciousness
- Differentiation focus: targeting a relative small segment in the market that desires a unique and good product and that is willing to pay a higher price for this.

**Marketing Accountability**

Based on Scale from Moorman and Rust (1999) and Verhoef and Leeflang (2009)

In our business unit, the marketing department (function):

- Is effective at linking their activities to financial outcomes
- Shows the financial outcomes of their plans
- Pays little attention to financial outcomes of their activities\*

**Marketing Innovativeness**

Based on Verhoef and Leeflang (2009)

What is the percentage of introduced new products in the last 5 years that were initiated by the following department?

Please divide 100 points across four departments: (1) R and D, (2) marketing, (3) sales, and (4) other.

The degree of marketing innovativeness was calculated by using the points assigned to marketing department.

**Firm Size (employee number)**

Based on Homburg et al. (2007)

Less than \$25 million = 1; \$25 to \$49 million = 2; \$50 to \$99 million = 3; \$100 to \$199 million = 4; \$200 to \$499 million = 5; \$500 to \$999 million = 6; \$1 billion to \$2 billion = 7; More than \$2 billion = 8

\*Reverse coded

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