

CROSS-FUNCTIONAL LINKAGES BETWEEN MARKETING AND THE OTHER BUSINESS FUNCTIONS IN AN INDUSTRIAL ORGANIZATION

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În ciuda importanței lor, legăturile dintre marketing și celelalte funcții ale unei organizații industriale au fost în general neglijate și relativ neexploatate. Acest articol trece în revistă importanța funcției de marketing într-o organizație industrială, oferă o privire de ansamblu asupra legăturilor și relațiilor dintre aceasta și celelalte funcții din cadrul unei organizații industriale. Modelul de analiză dezvoltat în acest articol se bazează pe cercetarea și evaluarea unui număr de peste 20 de cercetări empirice care au fost publicate în literatura științifică de specialitate.

Despite their importance, the linkages between marketing and other functional areas of an industrial organization are neglected and relatively unexplored. This article reveals the importance of marketing in an industrial organization, and presents an integrative view on the links and relations between marketing and the other business functions in an industrial organization. The analysis framework developed in this article is based on the research and evaluation of more than 20 empirical studies that were published in well-known academic journals.

Keywords: industrial organization, marketing, business functions, links and interrelations between business functions.

1. Introduction

It is well known that theoretical developments in marketing have relied heavily on the behavioral and management science. Concepts from economics, psychology, sociology, cultural anthropology, communication research and political science have often served as the basis for many marketing concepts and theories[1]. Similarly, statistical tools, and research methods from mathematical

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economics and psychology as well as modelling approaches and techniques of operation research have served as the impetus for the current set of tools used by marketing research and scientists. In contrast to this strong interdisciplinary orientation, which characterizes current research and theory in marketing, the marketing literature has neglected the theoretical and research implications of the interrelationships between marketing and other business functions [2].

The interface between marketing and various business functions takes two major avenues [3]. First, in developing a business plan, it is essential to coordinate the marketing component with the other functions of the organization, in other words the marketing plan should be coordinated with the financial, production, procurement, personnel, R&D plans and the short and long term corporate strategies and objectives. Furthermore, marketing plans should be consistent with the financial and accounting perspectives of the firm, be in agreement with the organization's personnel and procurement procedures and aimed at achieving the corporate objectives [4]. Second, it is essential to incorporate marketing inputs in the other corporate plans (e.g., financial, production, procurement, R&D and personnel) as well as the overall short and long term plans of the firm [5]. At the 2003 CMO Summit, marketing leaders stressed that marketing should be an engine of growth and profitability for the organization.

Starting from this reality and considering the fact that market and marketing orientations are becoming increasingly present in the structuring and management of an organization [6], the importance given to marketing as integrative function within the organization and as an element of permanent connection with the external economic environment [7], the major objective of this paper is to briefly outline some of the major interdependencies between marketing and other business functions and to suggest some of the implications of these interdependencies.

2. Identification and description of marketing activities

Before identifying and describing the interdependencies between marketing and other business functions, we have to establish the marketing activities developed and performed by the marketing function.

Marketing activities are related to the stages of the marketing plan. Because marketing plans are developed at strategic and tactical level, marketing activities should be identified as strategic and tactical ones. This type of classification is relevant but only during the time period when these activities are performed, how often they are developed, staff and information resources used to deal with development and implementation of these activities [8].

It is obvious that the marketing activities may be numerous and varied, depending on the size of the organization, the short-term medium and long term goals, the importance of marketing within the organization and the developments and conditionings of the external environment (customer needs, number, structure and actions of competitors, developments in economic and business environment). The starting point in identifying the main marketing activities of an industrial organization is the general structure of a classic marketing plan, as presented in table 1 [9].

Table 1

The main steps of the marketing plan and the related marketing activities

The main steps of the marketing plan	Marketing activities involved	Description of marketing activities
Marketing Audit (internal and external)	Marketing Planning; Market Research	Obtaining, interpreting and presenting data about the business environment, the market, consumers, competition and internal marketing results.
Identifying marketing opportunities	Marketing Planning	Identifying key opportunities, threats, strengths and weaknesses to develop a competitive advantage.
Setting marketing objectives	Marketing Planning	Defining marketing and financial objectives (sales, market share, profit, etc.).
Defining marketing strategies	Marketing Planning	Presenting the marketing approach to achieve objectives
Marketing program actions	Marketing Planning; Product, portfolio and brand management; New product development process management; Price and Distribution channels management; Marketing communications.	Presentation of the detailed marketing program that has to be undertaken to achieve the objectives.
Budgeting the marketing plan	Marketing planning	Allocating financial resources to marketing activities to achieve desired results.
Marketing activities control	Marketing Planning; Controlling, monitoring and taking corrective actions	Describing how the marketing control activities will be performed.

3. Links and interrelations between the marketing and other business functions

3.1. The importance of links between the functions of an industrial organization

An important task facing the organization when it wants to develop a business plan is to coordinate and integrate plans of various functional areas in order to achieve desired objectives. In many cases, these plans of an organization's functions are developed in isolation, independent of each other, without knots at the input level. Unfortunately, the integration process appears only after the organization has completed its plan.

To achieve integrated plans of an organization's functions, their development should be coordinated since the initial phase so that each function of the organization has to know and understand what the others make. In addition, when developing plans for each function, each and every one must understand the impact of these actions on customers and the potential response from competitors.

Far too often, the responses from customers and competitors are seen as the sole responsibility of marketing. But if we accept the definition of an organization [10] as a set of activities aimed to generate value for the customer, then each function of the organization has to evaluate every action and its impact on the organization's value chain, on its clients and competitors. A comprehensive understanding of the interrelationships between marketing and the other business functions requires predominantly recognition of the importance of identifying and understanding the nature and magnitude of these of interrelationships and conditionings [11].

3.2. Marketing and Finance

All marketing plans should include a major financial dimension. Evolution of cost and profit (for the brand, product, product line, etc.) expressed in monetary units or percentage of sales, budgets needed to implement strategies and marketing plans are all necessary components of the marketing plan. Budgeting and profitability analysis are also key aspects of marketing planning and control, which implies financial tools [12].

Many of the marketing decisions are and should be viewed as investment decisions. Whenever a new product decision is made, financial instruments and criteria should be used to evaluate the investment [13]. This type of evaluation of marketing decisions should not be limited to new products and should include decisions on advertising, promotion, price and distribution (virtually all elements of the marketing mix).

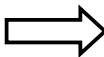


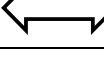

The link between marketing and finance is not limited to the use of financial input when developing marketing strategies and plans. The development of any financial plan involves capital requirements, cash flow analysis, credit and other financial policies that require marketing inputs. Such inputs, especially those related to sales and revenues forecasts that are listed in different marketing plans are essential for any financial planning [14].

Moreover, a marketing approach to financial decisions offers a new perspective usually lacking in the specialized financial literature. Consider, for example:

- The utilization of the annual financial reports and other reporting documents as elements in a communication campaign addressed to the financial community;
- The evaluation of responses related to changes in price, payment methods, discounts and credit;
- The application of financial performance indicators to relevant market segments and/or certain products;
- The impact of different marketing activities (example – launching new products) on investors' expectations and, consequently, on the market price of the shares.

All these links and interrelationships between the activities performed by marketing and finance are presented in table 2:

Table 2

Links in interrelations between Marketing and Finance		
Marketing Activities	Type of relation	Finance Activities
Market evolution forecast; Sales evolution forecast.		Capital requirements & Financing needs Cash Flow Analysis
Marketing Planning and establishing marketing activities (marketing mix)		Capital requirements & Financing needs
Controlling and monitoring marketing activities; Product management decisions		Define financial profit
Decisions about pricing policies (marketing mix)		Establishing credit policies for different categories of clients
Integrated marketing communication activities (marketing mix)		Reporting financial results

3.3. Marketing and Production

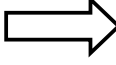
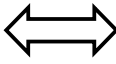
The link between marketing and production is a dual one. On one hand, production capabilities determine the number and type of products which can be marketed, and, on the other hand, a more accurate prediction of sales forecast for each product and product line is essential for efficient production operations [15].

Taking into account the fluctuations and uncertainties in the demand of most products and the difficulties they create in achieving efficient production operations, management can undertake two major strategies: a) change the production capacity by changes in current resources (overtime, 2nd and/or 3rd shift, etc.), improved inventory management, subcontracting, etc.; b) influence the nature, level or timing of demand in agreement with the production capacity constraints. This latter strategy can be obtained by using specific marketing strategies such as advertising, sales promotion, pricing, product (by adding or removing products from the portfolio). Implementing such strategies requires detailed information about the market responses to such strategic moves [16].

The interdependency between marketing and production is most evident in the development of new products. The relationship between the design of new products and production facilities is based on extensive market research based estimates of the demand for the new products, time and space distribution. Moreover, since a new product can cannibalize an existing product (or products), estimates of the impact of this phenomenon must be made to adjust the production schedule for existing products [17]. To understand the nature of interrelations between marketing and production it is necessary to understand the basic conflicts between these two functions of an organization. Production function strives for efficient production cycles (long runs, relatively few and simple designs and reasonable quality criteria). Marketing, on the other hand, is looking for short production cycles, many models and high standards of quality.

The compromise between these potential sources of conflict between production and marketing involves considerable financial efforts from the company. It is thus desirable that the specific solution should be based explicitly on the analysis of costs and benefits involved. Both functions should attempt to answer questions like "the investment in a very rigorous system of quality is a profitable one or will the company better invest in some other activities?". Clearly, both marketing and production need to co-exist so that a firm can do the right thing (by the marketing function) and the thing right (by the production function) [18]. Connections and interrelations between marketing and production activities are presented in table 3.

Table 3

Links and interrelations between Marketing and Production		
Marketing Activities	Type of relation	Production Activities
Market evolution forecast (market research) Sales evolution forecast (market research)		Efficiency of production activities; Production capacity planning.
Developing new products, Product portfolio management		Production capacity planning, Production capabilities identification

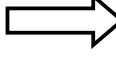
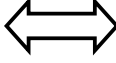
3.4. Marketing and Procurement

Procurement function has become, in periods of shortage of raw materials, one of the most important functions of an industrial organization. Many companies were forced to modify their products to cope with the lack of raw materials or replace them with more easily obtained or cheaper.

Marketing research regarding the degree of consumer acceptance of these products with modified characteristics is an important input for efficient planning of procurement activities. On the other hand, procurement research aimed at identification and evaluation of new materials and sources of supply can benefit, in many cases, from closer links with marketing research, which is generally at a more advanced level of development [19].

Marketing planning requires input from the procurement plans to introduce new materials or anticipated changes in production activities due to changes in supply of various raw materials [20]. Ties and the type of interrelations between marketing and procurement activities are presented in table 4:

Table 4

Links and interrelations between Marketing and Procurement		
Marketing Activities	Type of relation	Procurement Activities
Market research regarding the degree of acceptance of new materials		Procurement of new materials and equipments
Marketing research regarding the identification of new suppliers of raw materials		Identifying new suppliers of raw materials

3.5. Marketing and Research & Development

The Research & Development (R&D) effort of any organization must be linked very closely to the marketing and product development efforts of the organization. Ignoring the links between R & D and marketing has resulted in many technology oriented companies developing products that are the engineer's dream and the marketer's nightmare. To avoid an R&D effort which is detached

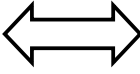
from relevant marketing input, it is essential to understand the interrelationship between the two [21].

The major link between R&D and marketing revolve around the new product development efforts of the organization [22]. Each of the new product development stages, from idea generation to the final product development stage, requires close interaction between marketing and R&D. Even the product design stage, which traditionally has been viewed as the sole domain of R&D, can benefit from marketing research inputs on the product features most desired by various target market segments and the respondent's trade offs among various product features [23].

The marketing – R&D interface should recognize the potential contribution of each. Marketing research can rarely find innovative new product ideas. It can, however, provide insight consumers' unsolved problems and needs, assess their reactions to product concepts, and help the engineers in the generation and evaluation of new product ideas.

Realistic expectations and an organizational climate which encourages the interface between the two functions and stimulates innovation are essential ingredients for successful new product development efforts. Ties and interrelations between marketing and research & development are presented in table 5:

Table 5

Links and interrelations between Marketing and Research & Development		
Marketing Activities	Type of relation	Research & Development Activities
Market research regarding market acceptance of new products, identify unmet or latent needs		Developing new products

3.6. Marketing and Personnel

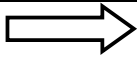
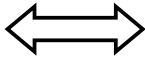
The Personnel department of the organization is concerned with hiring, training and management of the appropriate marketing personnel. Although aided in this function by marketing management, the primary responsibility for the marketing personnel process is, in many companies, in the hands of the personnel department [24]. Marketing should collaborate with the personnel department in developing job descriptions, screening candidates and designing training programs and incentive systems.

Furthermore, marketing research, as a specialized marketing activity, could provide valuable help in the design and implementation of a number of personnel research projects. For example, a discriminant analysis can be conducted on the characteristics of the 'successful' vs. 'unsuccessful' marketing

personnel to aid the recruiting and training functions; a conjoint analysis study can be conducted to establish the relative importance of various features of a compensation system [25].

Of special interest are some recent efforts to establish the value of the human capital of the firm. The possibility of adding a human capital item to the company's balance sheet is being explored. If accepted and found to be implementable, it could have wide reaching implications to all the functions of the company [26]. All these connections and interrelations between marketing and personnel function are presented in table 6:

Table 6

Links and interrelations between Marketing and Personnel		
Marketing Function Activities	Type of relation	Personnel Activities
Market Research		Research and internal evaluation of personnel
Develop and implement marketing plans and activities		Developing job description, recruitment, employee assessment, training programs

4. Conclusions

The dependency of many marketing decisions on considerations involving other business functions, although widely recognized by marketing practitioners, has been largely ignored in the academic literature and research and has been left to the business policy literature. Yet, effective and efficient marketing decisions require the incorporation of the considerations of other, non-marketing, business functions in the design and implementation of marketing research, marketing models, marketing planning and control systems, management information systems, marketing strategies and marketing organization. In the end, we have to make a step forward to understand that there are situations in which all the interactions between the functions are not necessarily productive. This is because functions and activities of an organization have sometimes different perspectives and interests [1], [27], and some of these are presented in table 7.

Taking into account these differences in the perspective of marketing and other functions of an organization, it is important to systematically evaluate the possible outcomes of such interactions. Basing marketing decisions and activities not only on marketing considerations but also on relevant considerations from other business functions while keeping up to date with developments in these areas could provide new guidelines to many of the basic and applied marketing research efforts.

Table 7

Marketing Perspective vs. Other Business Functions' Perspectives

Function	Function Perspective	Marketing Perspective
Finance	Rational arguments based on investment decisions; Fix, stable budgets; Prices must cover costs.	Marketing decisions based on intuitive and rational arguments; Flexible and adaptable budgets; Prices that allow market development.
Production	Long period of time for design; Few products and designs; Standard components; Long production time and large production series; Rare product changes; Standard production orders; Acceptable level of control.	Short period of time for design; Customized components and products; Short time for production preparation; Small production series & product range; Frequent changes of models and products; Innovative product design; High level of quality.
Research & Development	Fundamental research; Intrinsic Quality; Functional Attributes.	Applied research; Perceived quality; Attributes generating benefits & emotions.

It would also offer new concepts and methods which marketing could borrow from and adapt. Greater interface between marketing and other business disciplines would not only enrich this discipline, but could also lead to greater relevance of the results of research in marketing.

This article puts for the first time face to face the marketing function and the other business functions and determines the type of links and relationships between them, the mutual way of influencing each other and, as well, the different perspectives of these functions. Their knowledge is particularly important for practitioners when consider performance evaluation methods for various functions and for the organization as a whole and for marketers when develop marketing plans, justify their actions and budgets and assess the performance of the marketing function. Future research directions are related to establishing the correlation between marketing performance and the performance of other functions and between marketing performance and the overall performance of the organization.

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