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THE ROLE OF SALES AND MARKETING IN MARKET-ORIENTED COMPANIES

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Since little is known about whether both marketing and sales functions pay off in market-oriented companies, this research analyzes the interaction between market orientation and the departmental power of marketing and sales within the firm. Data collected across five industries on the marginal effect of marketing's departmental power on business performance show that market-oriented companies benefit from a strong marketing function, but a powerful marketing department cannot compensate for low levels of market orientation. Surprisingly, the power of sales impedes successful market orientation implementation. This has important implications for future sales management research. We highlight the significance of these findings for both theory and practice.

Marketing scholars have long shown a strong interest in the role of marketing within the firm (e.g., Day 1992; Homburg, Workman, and Krohmer 1999; Moorman and Rust 1999; Varadarajan 1992; Webster, Malter, and Ganesan 2005). The discussion emerged in the early 1990s with the movement toward thinking of marketing less as a function and more as a set of values and processes in terms of an organization-wide market orientation (Kohli and Jaworski 1990; Moorman and Rust 1999; Narver and Slater 1990) and has reappeared on the agenda with the recent economic crises. Since organization-wide market orientation is imperative in today's difficult economic environment and is considered a shared responsibility throughout the organization, the prominence of the marketing department has been challenged in various ways. Marketing practitioners are more than ever under pressure to demonstrate their value for the firm. Marketing's perceived lack of accountability has especially undermined its existence as a distinct capability within the firm (Rust et al. 2004). In light of this, previous studies provide support for justifying marketing expenditures (e.g., Homburg, Artz, and Wieseke 2012; Rust et al. 2004); however, the specific role and influence of the marketing subunit in market-oriented companies has not yet been clarified. In fact, research on this topic has found mixed results, which we aim to shed new light on with this study. Furthermore, it is surprising that the role of sales in market-oriented companies has received limited attention in research. While there is growing interest in the interface between marketing and sales (e.g., Homburg and Jensen 2007; Homburg, Jensen, and Krohmer 2008; Hughes, Le Bon, and Malshe 2012; Rouziès et al. 2005), to the best of our knowledge, no research has to date examined the prominence of sales versus that of marketing within the firm. Given that sales and marketing in isolation or together can be powerful or weak, we aim to gain new insights on the role of marketing and sales. Since little is known about whether both marketing as well as sales functions pay off in market-oriented companies, we analyze the interaction between market orientation and the departmental power of marketing and sales within the firm. We draw on prior conceptualizations of power (e.g., Gaski 1984; Nath and Mahajan 2011) and regard departmental power as the subunit's ability or capacity to influence rather than actually alter their peers' behavior in the organization (Gaski and Nevin 1985).

In particular, we address the following research questions: (1) How does the power of marketing and sales interact with market orientation and affect business performance? (2) How is power distributed between marketing and sales units? (3) What are the effects of competitive strategy, market orientation, and innovativeness on departmental power? Our investigation extends previous research in two major ways. First, we explicitly distinguish between marketing and sales when investigating the relationship between departmental power and market orientation. Second, we examine the interaction between the power of marketing and sales and market orientation to test whether powerful functions have reinforcing or weakening effects on market orientation's impact on performance. The results of our study demonstrate that high levels of market orientation require a strong marketing

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function, whereas—surprisingly—the power of sales units affects business performance negatively in market-oriented companies. This effect indicates an inadequate adoption and implementation of the market orientation concept by sales departments, which has important implications regarding the implementation of the marketing concept for marketing as well as sales academia and practice.

Our paper is organized as follows. In the next section, we present and discuss the theoretical background of our study. Thereafter, we present our conceptual framework and derive hypotheses, discuss important aspects of the methodology, and present the key results of our empirical study. The paper concludes with a discussion of the results and their implications.

CONCEPTUAL FOUNDATION

Departmental Power

The phenomenon of power is a central element in understanding organizations (Pfeffer and Cialdini 1998) and is widely discussed in the scientific literature. It has been shown that different organizational entities differ in their power, expressed in the subunit's ability or capacity to influence other peers' behavior within the organization (Homburg, Workman, and Krohmer 1999). These power differences can be explained by drawing on strategic contingency theory (Hickson et al. 1971; Hinings et al. 1974). This theory suggests that departmental power in organizations depends on the ability to deal with environmentally derived uncertainties, the organization's ability to replace departmental activities with alternatives, and the degree to which a department is connected to the system via its activities. High levels of these attributes characterize a strategic contingency. Hence, a department possesses power if the control of strategic contingencies leads to other departments' dependency and if one specific department has the ability to control these contingencies better than another. Thus, the strategic contingency theory focuses on structural sources of power and is not concerned with organization members' psychological attributes as explanations of power. Similarly, Pfeffer (1981) and Salancik and Pfeffer (1974) argue that the source of departmental power can be derived from the control of resources critical to the organization as a whole. Departments managing valued resources for which there are no substitutes, and on which others depend, are thus more powerful. In other words, subunits in charge of critical, scarce resources are more powerful.

The Role of Marketing and Sales

Several conceptual and empirical articles have focused on selected factors affecting marketing's role within the market-oriented company (Homburg, Workman, and Krohmer 1999; Moorman and Rust 1999; Verhoef and Leeflang 2009) as well as on the marketing subunit's impact on strategic decisions (Anderson 1982; Nath and Mahajan 2008; O'Sullivan and Abela 2007; Rust et al. 2004; Varadarajan 1992). Kohli and Jaworski (1990) argue that a functional marketing subunit impedes the implementation of market orientation. They therefore question marketing's relevance in the boardroom. In contrast, Moorman and Rust (1999) claim that establishing a marketing function results in specialized marketing knowledge, which in turn contributes to a company's performance beyond that explained by its market orientation. They argue that marketing's value is based on the degree to which it develops the knowledge and skills required to connect the customer to the product, thus contributing to financial accountability. They also find empirical support for this line of arguments. Homburg, Workman, and Krohmer (1999) investigated marketing's influence within the company and tested hypotheses that systematically relate marketing's influence to specific determinants. Their results indicated that the marketing function has a substantial influence within the organization and that marketing's influence is related to external, internal, and institutional determinants. Verhoef and Leeflang (2009) studied the influence of the marketing department and its relationship to market orientation and performance in the Netherlands. While they found that market orientation mediates the performance impact of marketing's influence, they did not find a direct link between marketing's influence and business performance. However, when qualifying the findings of Verhoef and Leeflang (2009) in a subsequent study of seven industrialized countries, Verhoef et al. (2011) found evidence of a significant relationship. Nath and Mahajan (2011) explored marketing's influence at the board level. They did not find a direct relationship between marketing's influence and business performance; instead, they found that marketing's influence at the corporate level can be positive or negative, depending on the degree of top management team divisionalization and firm diversification. These results indicate that there are circumstances in which marketing has more or less influence at different firm levels.

In order to shed new light on the mixed results of previous research, we investigate the interaction effect between marketing's departmental power and market orientation. As Slater and Narver (1994) pointed out, three major components of market orientation can be identified—customer orientation, competitor focus, and cross-functional coordination. Since the sales function is involved with at least the first two components, it is remarkable that the sales department has often been neglected in research on the interplay of departmental power and market orientation. More precisely, there is a large overlap in the resources that marketing and sales control (Guenzi and Troilo 2007). Therefore, we also analyze the role of sales in market-oriented companies. Moreover, several studies have emphasized the importance of shared market knowledge as the crux of market orientation (e.g., Day and Nedungadi 1994; De Luca and Atuahene-Gima 2007; Jaworski and Kohli 1993; Kohli and Jaworski 1990). Since sales employees have knowledge, skills, and relationships that are specific to the market segment they cover, the information provided by the sales function is crucial for the organization-wide adoption of market-oriented behavior (Cespedes 1996; Nath and Mahajan 2011). In particular, salespeople play an essential role in identifying and defining market opportunities for their company (Evans et al. 2012).

This study thus analyzes the effects of the power of both marketing and sales on performance as well as their powers' interaction with market orientation. This perspective is very important since market orientation entails the integration of marketing as well as sales (Narver, Slater, and MacLachlan 2004). Furthermore, we aim to explain different power levels of marketing and sales through different strategic orientations. In the following section, we elaborate on the conceptual framework.

HYPOTHESES DEVELOPMENT

Marketing's and Sales' Interaction with Market Orientation

Researchers have long stressed the importance of an organization-wide orientation toward market and customer needs (Kohli and Jaworski 1990; Verhoef and Leeflang 2009). This is in line with previous empirical studies and meta-analyses that show a positive and direct effect of market orientation on firm performance (e.g., Cano, Carrillat, and Jaramillo 2004; Deshpandé, Farley, and Webster 1993; Jaworski and Kohli 1993; Kirca, Jayachandran, and Bearden 2005; Narver and Slater 1990). Moreover, it is evident that organizations will be in a stronger position to succeed in the marketplace if they leverage their market-based resources and capabilities efficiently (e.g., Dutta, Zbaracki, and Bergen 2003; Morgan, Vorhies, and Mason 2009; Srivastava, Shervani, and Fahey 1998; Vorhies and Morgan 2005). Capabilities relating to market-based resources are usually associated with the marketing and the sales function and include capabilities such as product management, pricing, selling and customer-linking, communication, and channel management capabilities (e.g., Vorhies and Morgan 2005). Since sales and marketing play a coordinating role in the implicit and explicit connections between customers and the company, the relationship of marketing and sales to other parts of the organization might be crucial to the effective functioning of the market-oriented company (Hughes, Le Bon, and Malshe 2012).

To improve firms' strategies and decisions, marketers must provide timely and relevant information regarding opportunities for growth (Marketing Science Institute [MSI] 2012). While the integration and management of market knowledge was highlighted as one of MSI's research priorities for 2010–12, research by Homburg, Jensen, and Krohmer (2008) also demonstrates the relevance of market information for business performance. By classifying the existing marketing and sales configurations in 337 European companies, Homburg, Jensen, and Krohmer show that the more successful clusters are characterized by intensive market knowledge. Furthermore, they identify five empirical archetypes of the interface between marketing and sales. Interestingly, the marketing department has a moderately strong position in the most successful cluster relative to its position in other clusters, indicating the importance of a powerful marketing unit in addition to its generation of in-depth market knowledge. Consequently, marketing's power is highly relevant for firms that emphasize the generation of specialized market knowledge, which highly market-oriented companies do. The rationale behind this is that effective organization-wide market orientation involves the coordination and integration of specialized market knowledge as well as capabilities to transform this knowledge into customer value, which is usually the responsibility of the marketing department.

Thus, we believe that simultaneously emphasizing a firm's market orientation and its marketing department's power will increase business performance. This reasoning is in line with Pfeffer (1992), who claims that a distinct organization-wide behavior—in this context, market orientation—is encouraged if powerful functional groups promote it within the organization. Accordingly, Verhoef and Leeflang (2009) argue that highly market-oriented companies tend to have stronger marketing departments and vice versa, thus emphasizing the importance of a dual culture. In line with this reasoning, we assume that the positive effect of market orientation on business performance (as evidenced by numerous empirical studies, e.g., Cano, Carrillat, and Jaramillo 2004; Deshpandé, Farley, and Webster 1993; Jaworski and Kohli 1993; Kirca, Jayachandran, and Bearden 2005; Narver and Slater 1990) will be reinforced by the increased, simultaneous prominence of the marketing function as reflected in its power. We therefore hypothesize a positive interaction effect between market orientation and marketing's power on business performance:

> *Hypothesis 1: The interaction between the departmental power of marketing and market orientation is positively associated with business performance.*

Since customer orientation constitutes an important facet of market orientation (Narver and Slater 1990), the sales function represents an important subunit—in addition to the marketing function—within the market-oriented firm by performing the boundary-spanning role of linking the company to its customers (Barnes et al. 2006; Futrell and Sager 1982; Homburg and Jensen 2007). Therefore, we believe that simultaneously emphasizing market orientation and the power of sales will increase business performance through the timely anticipation of shifts in consumer preferences, behavior, and values, and organization-wide responsiveness to changing conditions.

By assuming positive interaction effects for both marketing and sales with market orientation, we follow research results on the interface between marketing and sales. While marketing has been characterized as more long-term and product oriented than sales, sales has been described as more short-term oriented and more oriented toward customer relationships (Cespedes 1995; Homburg and Jensen 2007; Rouziès et al. 2005). Contrary to the common view that marketing and sales units' different orientations are disadvantageous, Homburg and Jensen (2007) show empirically that it is precisely these differences that enhance market performance. Furthermore, although the best-performing cluster identified by Homburg, Jensen, and Krohmer (2008) is characterized by a moderately strong marketing department in comparison to the other clusters, the second-best-performing cluster is characterized by a moderately powerful sales function, combined with a high level of marketing's market knowledge. These results also indicate that marketing and sales units can complement one another. Drawing on these findings, we believe that market orientation's successful implementation is likewise enhanced by emphasizing complementary perspectives. Hence, we argue that the effective implementation of market-oriented behavior involves not only the organization of all marketing instruments but also the management of customer connections and knowledge, and, therefore, in addition to a product advocate, a powerful customer advocate is also essential (Merlo and Auh 2009; Verhoef and Leeflang 2009). This position has been confirmed by a set of field interviews we conducted with marketing and sales experts that indicate the benefit of considering both perspectives. Thus, we propose the following:

> *Hypothesis 2: The interaction between the departmental power of sales and market orientation is positively associated with business performance.*

Effect of Competitive Strategy, Innovativeness, and Market Orientation on Departmental Power

Several researchers confirm that there is a large degree of variation in the power of firms' subunits (e.g., Hinings et al. 1974; Homburg, Workman, and Krohmer 1999; Perrow 1970; Piercy 1986). Consequently, although we expect the power of both marketing and sales departments and market orientation to show positive interaction effects on business performance, the power might be spread between the marketing and sales units. This can be explained by contingency theory, which gives emphasis to the context of organizational departments and suggests a differentiated response to diverging contextual demands (Ambos and Schlegelmilch 2007). In our context, this indicates that the power of marketing and sales becomes more meaningful, depending on the context in which the subunits operate. In particular, we test for contingent effects by incorporating three determinants of the power of marketing and sales that previous studies have tested in a related context: competitive strategy, innovativeness, and market orientation.

Walker and Ruekert (1987) find that firms that follow different generic business strategies adopt different structural designs. Similarly, Vorhies and Morgan (2003) study the relationships among marketing organization structure, business strategy, and performance and demonstrate that different business strategies often require different marketing organization structures. Both of these studies suggest that for each strategic orientation, an ideal marketing organization exists in which the configuration of structural and task characteristics enables the implementation of the business' strategy in a way that leads to superior performance. Thus, Vorhies and Morgan (2003) adopt the perspective that a fit between the organizational structure of a business and its strategic type leads to superior performance. Since departmental power is also usually considered a structural phenomenon (e.g., Nath and Mahajan 2011), we believe that this perspective is also useful for understanding the relationship between competitive strategy and departmental power. However, unlike Walker and Ruekert (1987) and Vorhies and Morgan (2003), we do not assume that there are contingent relationships between departmental power and competitive strategy. Rather, we frame business strategies as antecedents of functional power. This is because we expect that different strategic orientations lead to the varying importance of different functional capabilities (Homburg, Workman, and Krohmer 1999).

In our conceptual framework, we concentrate on Porter's (1980) distinction between a differentiation and a low-cost strategy, as Homburg, Workman, and Krohmer (1999) found that these two strategies best reflect the way managers think about competitive strategy. Differentiation strategy refers to the extent to which firms compete by adapting their products and services to complex customer requirements (Porter 1980). For firms following this strategic approach, complex marketing capabilities such as market research, competitor benchmarking, and customer relationship management are critical (Homburg, Artz, and Wieseke 2012). Since the exploration of market insights is typically a marketing department core competency, the analyses of market players, customers, and competitors that the marketing department provides could be considered highly important if the business unit pursues a differentiation strategy. However, to be able to provide relevant analyses, the marketing department is highly dependent on the sales function since usually the sales function is the owner of in-depth knowledge on the market, customers, and competitors as a consequence of its activities in the field. Since salespeople are in a unique position to identify market intelligence and other critical data (Ingram et al. 2005), sales may also play a pivotal role in firms following a differentiation strategy. Moreover, firms are increasingly realizing the importance of sales–service differentiation strategies, indicating that the quality of the sales organization's contacts with the customer may be an essential source of competitive advantage, and, thus, help to differentiate from rivals in the future (e.g., Bradford et al. 2010; Hunter and Perreault 2007; Ulaga and Eggert 2006; Ulaga and Reinartz 2011). This leads us to hypothesize positive relationships between a differentiation strategy and the power of marketing as well as sales:

Hypothesis 3: A differentiation strategy is positively related to the departmental power of marketing.

Hypothesis 4: A differentiation strategy is positively related to the departmental power of sales.

A low-cost strategy requires the aggressive construction of efficient scale facilities, tight cost controls, and cost minimization in all areas (Porter 1980). Consequently, expensive marketing activities take a back seat in companies accentuating a low-cost strategy. Miller and Friesen (1986) ascertain that Porter's (1980) low-cost strategy is similar to Miles and Snow's (1978) defender strategy. Miles and Snow report that marketing does not usually include activities such as research and promotion in defender firms, therefore marketing ranks rather low in terms of power. This is also evidenced in the study by Verhoef and Leeflang (2009), who show that a pronounced cost leadership strategy is associated with marketing having less influence. Thus,

Hypothesis 5: A low-cost strategy is negatively related to the departmental power of marketing.

Conversely, if marketing activities are reduced to a minimum, sales employees' customer contacts gain strongly in importance. In this case, such contacts are the main gateway to the customer, which means that most customer-related information will be gathered during the sales employees' meetings with customers. Although a low-cost strategy is rather internally oriented, market knowledge is still of crucial importance; therefore, the sales unit's access to this knowledge strengthens its position in low-cost firms. Hence, we hypothesize that:

Hypothesis 6: A low-cost strategy is positively related to the departmental power of sales.

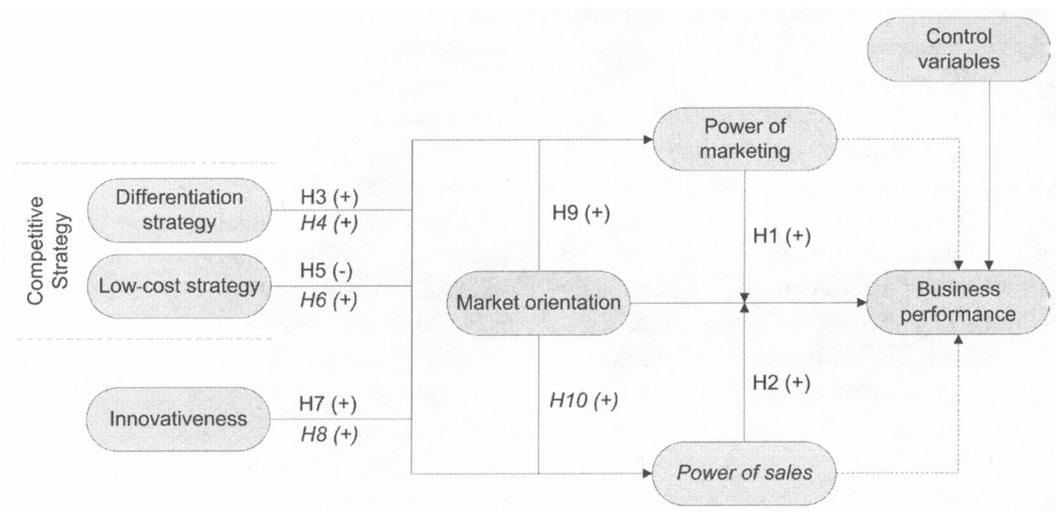
Innovativeness refers to the degree to which a business unit is willing to adopt or implement new ideas, products, or processes successfully (Hurley and Hult 1998). High levels of innovativeness increase the need to identify market opportunities quickly and correctly (Nath and Mahajan 2008). As firms target new product markets and segments strongly, their success relies heavily on the efficient development and deployment of market- and customer-related capabilities (Nath and Mahajan 2008). Thus, the efforts made to study evolving customer needs, wants, and behavior, as well as to translate this knowledge into the development of new products, are critical aspects in firms emphasizing innovative behavior. Since marketing and sales units usually control such crucial activities, their power is expected to increase with increasing levels of innovativeness according to the strategic contingency theory (Hickson et al. 1971; Hinings et al. 1974; Pfeffer 1981). Therefore, we expect more powerful marketing units in innovative firms, given marketing's competencies in analyzing market data and customer insights as well as its ability to transform customer needs into new products. Furthermore, we argue that sales may also play an essential role in the innovativeness of firms as it can initiate new product developments based on customer insights gained during meetings or negotiations with customers. The need to integrate marketing as well as sales in new product development processes has been shown by Ernst, Hoyer, and Rübsaamen (2010), who showed that new product development project performance is enhanced if marketing and sales cooperate with research and development at different stages of the new product development process. Given these findings and drawing on strategic contingency theory, we believe that marketing's as well as sales' power increases with increasing levels of a firm's innovativeness, as those two functions control several critical resources required for successful innovations. Therefore, we hypothesize the following:

Hypothesis 7: A business unit's innovativeness is positively related to the departmental power of marketing.

Hypothesis 8: A business unit's innovativeness is positively related to the departmental power of sales.

Market orientation involves multiple departments sharing information and engaging in activities to meet customer needs (Kohli and Jaworski 1990). While market knowledge plays a critical role in a firm's aspiration to enhance market orientation, relevant information must be gathered and disseminated to the various subunits and managers in the most appropriate form in order to enhance its use (Menon and Varadarajan 1992). Marketing's and sales' value is therefore found to be a function of the degree to which they develop market knowledge and skills in connecting the customer to the product. In line with these arguments, empirical evidence shows that marketing's perceived influence in particular is positively associated with market orientation (Verhoef and Leeflang 2009). Thus, we postulate the following hypotheses:

Figure 1
Conceptual Framework



Hypothesis 9: A business unit's market orientation is positively related to the departmental power of marketing.

Hypothesis 10: A business unit's market orientation is positively related to the departmental power of sales.

Figure 1 illustrates our research framework and the hypotheses to be tested.

METHODOLOGY

Data Collection and Sample

To test our framework and hypotheses, we conducted a cross-sectional survey in Germany. We pretested the questionnaire with a small sample of marketing and sales managers as well as academics, which resulted in minor changes to the wording of items and modified instructions on how to answer the questionnaire.

The field interviews and literature review show the importance of selecting industries that have a large customer base and highly professional marketing and sales activities. Based on these criteria, the automotive, cosmetics, electronics, financial services, and food industries were chosen for this study. The sample was drawn from the top 200 companies in terms of revenue in each industry. Since our objective was to examine the power effects of marketing and sales on the market orientation–performance link, preliminary telephone calls were made to verify that the responding strategic business unit (SBU) had both a marketing and a sales department. Furthermore, we ascertained the respondents' positions by conducting a telephone identification of the key informants based on addresses obtained from a commercial list provider. The targeted key informants included chief executive officers, marketing managers, and sales managers. The names of 758 executives were obtained through this procedure. These executives were then targeted by means of a personalized e-mail containing an embedded link to the online questionnaire. As an incentive to participate, we offered a benchmarking report as well as the chance to win a book on a top management topic. The respondents were asked to specifically refer to their SBU or, if the company had only one SBU, to the company.

We obtained 153 responses (a response rate of about 20 percent), of which 152 were usable. Since a response rate of 15–20 percent is considered the average for these types of surveys (Menon, Bharadwaj, and Howell 1996), our response rate is considered satisfactory. The respondents were senior managers, most of whom were second-tier executives. Of these respondents, 60 responses came from marketing managers and 51 from sales managers, 17 responses came from members of the executive board, and 24 responses came from other managers. The industry-wide representation of respondents in our sample is as follows: automotive (n = 38), cosmetic industry (n = 20), electronics (n = 26), financial services (n = 29), and food (n = 39).

To assess whether our sample showed differences in industry distribution compared to the initial sample, we conducted a χ^2 homogeneity test. The results indicate no significant differences in the distribution of the two groups.

We tested nonresponse bias by comparing the indicator values of the early and late respondents (Armstrong and Overton 1977). The data set was divided into quartiles according to the number of days from the initial mailing until receipt of the returned questionnaire. Since only 3 out of 48 indicators showed significant (p < 0.01) differences between the early and late respondents, we concluded that nonresponse bias is not a problem in our data.

Common method variance can bias findings if both the independent and dependent measures are obtained from the same source, as in this study. We thus first conducted a statistical check for common method variance with Harmon's single-factor test (Podsakoff et al. 2003). If common method bias is a serious problem, a single factor should emerge or one general factor should account for most of the variance. A principal components factor analysis of all the measures yielded 12 factors with eigenvalues greater than 1.0. The largest factor accounted for less than 19 percent of the variance. This indicates that common method variance is unlikely to be a major concern in our research model (Menon et al. 1999). Second, we collected financial performance data from a secondary database to validate our self-reported business performance measure. We obtained the EBITDA (earnings before interest, taxes, depreciation, and amortization) for 39 firms of the year in which the survey was conducted as well as for the subsequent year. The results reveal significant correlations between the objective and perceptual performance measures ($p < 0.05$). Third, we found two significant interaction effects in our framework that could not be explained by common method bias, as the informants could not have guessed the complex relationships involved. To conclude, there are no indications of common method problems in our data.

Measures

With the exception of our core constructs, the power of marketing and sales, we adapted scale items from the existing literature and slightly modified them to match our conceptualization. We measured all the constructs on seven-point Likert scales; two items were reverse coded. We applied reflective measurement models for all of our constructs since all of the observed variables (and their variances and covariances) can be classified as manifestations of the underlying constructs (Bagozzi and Baumgartner 1994).

Market Orientation

Our market orientation measure includes nine items adapted from the scale by Deshpandé, Farley, and Webster (1993) that measures the extent to which the subunit is market focused and sets customer service and satisfaction as its primary goals.

The Power of Marketing and Sales

Departments that have resources aligned with the critical needs of the organization are less replaceable, more central in the organizational workflow, and will enjoy greater departmental influence than other departments (Hinings et al. 1974). Therefore, we conceptualize our focal constructs, *power of marketing* and *power of sales,* as the degree to which both departments can influence other peers' behavior within the organization, and thus the processes and decisions focal to the firm.

We developed a new scale based on an extensive literature review and interviews with managers and academics. In a first step, we conducted in-depth interviews with marketing and sales managers and asked the participants the question, "What comes to mind when you think about departmental power within the firm?" before eliciting more details. Based on the results of these interviews and an extensive literature review, we identified nine items that were deemed to be related to departmental power. In a second step, we asked academic experts to evaluate these indicators. The discussion clarified that only five of the nine items were directly connected to departmental power. Hence, the final measurement scales for the departmental power of both marketing and sales consist of five items referring to their role within the organization: the department (1) implements customer relationship management, (2) has a member on steering committees, (3) possesses information crucial for members of the board, (4) has responsibility for long-term decisions, and (5) has overall influence in the SBU. The corresponding Cronbach's alphas of 0.90 (power of marketing) and 0.86 (power of sales) indicate high degrees of internal consistency, and thus, this selection of items is adequate for our purposes.

Business Unit Performance

Four items adapted from Reinartz, Krafft, and Hoyer (2004), who based their selection of items on those used by Deshpandé, Farley, and Webster (1993), serve to measure business performance in terms of attaining higher market share, revenue growth, profitability, and overall performance.

Corporate Strategy

Differentiation and low-cost strategy measure the degree to which the SBU emphasizes these two strategic orientations. The items used to assess strategic emphasis originate from Homburg, Workman, and Krohmer (1999), who based their scale on the items applied by Dess and Davis (1984) and Kim and Lim (1988).

Innovativeness

We measured innovativeness with items adapted from Olson, Slater, and Hult (2005), who had adapted a scale developed by Hurley and Hult (1998). These items assess the degree to which a business unit is open to innovation and thus advocates innovative behavior.

To control for variance across different industries, we entered the type of industry as a control. This enabled us to account for mean differences in business performance across industries. Furthermore, we included competitive intensity and market turbulence as well as technological turbulence as controls for business performance. The Appendix provides a list of our scale items and the literature on which we built these.

Measurement Analysis

In order to achieve content validity, we conducted a pretest with both managers and academics. A principal component analysis confirmed the unidimensionality of our constructs. We maintained a high degree of individual item reliability in all cases. In addition, the item loadings resulting from structural equation modeling ranged between 0.47 and 0.98. Most of the loadings are greater than 0.70. We assessed the adequacy of the measurement model by evaluating the Cronbach's alpha and composite reliability. All of the alpha scores are greater than 0.65 and the composite reliability is greater than 0.70 for all the constructs. The Appendix presents the measures used in the study and their item reliability and construct reliability. Finally, we assessed the discriminant validity on the basis of the criterion proposed by Fornell and Larcker (1981). The results indicate that there are no problems with respect to discriminant validity. Table 1 shows the standard deviations and means of constructs as well as the correlations between the constructs. The correlations as well as the variance inflation factors (VIF ≤ 2.0 for all exogenous constructs) indicate no signs of multicollinearity problems.

RESULTS

Descriptive Results

Research by Homburg, Jensen, and Krohmer (2008), Homburg, Workman, and Krohmer (1999), and Piercy (1986) emphasize a large degree of variation in the influence of marketing and sales. In our paper, power of sales and marketing are treated as separate phenomena since they can both be high/low, but they can also be prominent at different levels (low/high or high/low). To deepen the understanding of these variations, we divided the sample into groups by classifying the companies according to the power of marketing and sales using a median split. More specifically, we differentiated between the companies characterized by powerful versus nonpowerful marketing as well as sales departments and explored whether the resulting four groups differ with regard to selected descriptive variables. We calculated the average score per group of these items and found that the four firm types differ significantly—on the basis of Waller–Duncan ratio *t*-tests—regarding the variables included in Table 2.

Interestingly, the four groups did not show significant differences in business performance, demonstrating that diverse configurations of marketing and sales power can be equally successful, depending on the environment in which a firm operates. Market performance is highest if both marketing and sales are powerful. However, these findings are not really surprising, considering that market performance is measured by items pertaining to achieving customer satisfaction or retaining customers—activities that are emphasized by powerful marketing and sales functions. This result is in line with Homburg, Jensen, and Krohmer (2008). The authors show that the highest market performance is achieved if sales (versus marketing) power is moderately low in comparison to the other identified clusters. Homburg, Jensen, and Krohmer report a mean value of 3.15 for their power index in this cluster. This index is based on items measured on five-point differentials, where 3 indicates that both departments are responsible for market-related activities and are thus equally powerful. In other words, the finding does actually mean that the best-performing firms are characterized by sales and marketing departments with almost similar degrees of power, while the lower-performing firms are characterized by less balanced degrees of power between marketing and sales. Our results also show that strong marketing and sales functions are prevalent in a highly competitive environment, indicating that the interplay between a product and a customer advocate is crucial for performance in this setting. In such companies, decisions tend to be made at high hierarchical levels and the hiring of experts is imperative for performance. Thus, expert knowledge, the generation of both market and customer insights, as well as well-grounded decision making are essential in companies operating in highly competitive and price-sensitive markets.

Conversely, the configuration of weak marketing and sales departments is common in firms and industries facing moderate levels of price competition, operating in a less competitive environment, and emphasizing formalized decision making. In such rather traditional organizations, the generation of specialized market knowledge and quick responsiveness to customers' evolving needs are not the focus, due to limited latitude in pricing and rather homogeneous products or services across the competitors. This is typically the case in industries offering products or services that all people need to use, such as bank accounts or health insurance. Companies with less powerful marketing functions and dominant sales departments are usually companies facing intense price wars with their competitors. Thus, the sales employees' negotiation skills are essential for these companies' performance, and marketing can be interpreted as operational support of the powerful sales department. In our study, sales dominance is common in the automotive industry, which is in line with the research findings of Homburg, Jensen, and Krohmer (2008).

Marketing units dominating sales can be found in the cosmetics industry, which is known for its expensive marketing campaigns. Being responsible for the high budget allocated to

Table 1
Descriptive Statistics: Means, Standard Deviations, Correlations, and AVEs

	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Market Orientation	5.37	0.83	0.44									
2. Power of Marketing	4.79	1.50	0.28***	0.73								
3. Power of Sales	5.96	0.90	0.35***	0.04	0.63							
4. Business Performance	4.88	1.07	0.37***	0.03	0.05	0.76						
5. Differentiation Strategy	5.21	1.02	0.26***	0.29***	0.09*	0.17**	0.50					
6. Low Cost Strategy	5.03	1.19	0.28***	–0.02	0.32***	0.26***	0.18**	0.59				
7. Innovativeness	5.14	1.10	0.55***	0.51***	0.32***	0.20**	0.36***	0.16*	0.67			
8. Competitive Intensity	5.85	1.41	0.07	0.02	0.29***	–0.11	–0.09	0.14*	0.05	0.59		
9. Technological Turbulence	4.49	0.95	0.17**	0.11	0.02	0.13	–0.04	0.06	0.20**	–0.02	0.71	
10. Market Turbulence	4.07	1.09	0.24***	0.20**	0.16*	0.12	0.10	0.21**	0.26***	0.26***	0.23***	0.47

Notes: SD = standard deviation. The off-diagonal elements indicate correlations. The diagonal elements indicate the average variance extracted (AVE). *** $p < 0.01$ (two-tailed); ** $p < 0.05$ (two-tailed); * $p < 0.10$ (two-tailed); $n = 152$.

Table 2
Descriptive Results

Prominence of Marketing and Sales	Marketing and Sales as Subordinates (n = 42)	Marketing Rules (n = 34)	Sales Rules (n = 34)	Dual Leadership of Marketing and Sales (n = 42)
Power of Marketing	Low	High	Low	High
Power of Sales	Low	Low	High	High
Industries in Which This Configuration Is Strongly Represented	Financial services, electronics	Cosmetics	Automotive	Food
Formalized Decision Making	High	Low	Moderate	Moderate
Decision Authority at Low Hierarchical Levels	High	High	High	Low
Employee Encouragement for Self-Dependent Behavior	Low	Moderate	Moderate	High
Hiring of Experts	Low	Low	Moderate	High
Price Competition in the Industry	Moderate	Low	High	High
Competitive Intensity	Low	Low	Moderate	High
Market Orientation	Low	High	High	High
Market Performance	Low	Moderate	Moderate	High

such campaigns strengthens the prominence of marketing in these companies, while sales has a less strategic role to play.

It is worth noting that market orientation is high if at least one of the departments is powerful—either marketing or sales, or even both. Companies that do not have a powerful marketing or sales department are less market oriented. These findings indicate that there is a dual relationship between market orientation and the power of marketing and sales, which we investigate in more detail in the subsequent section, especially with regard to business performance.

Model Results

To test the hypothesized relationships depicted in Figure 1, we used partial least squares (PLS) structural equation modeling, specifically, SmartPLS 2.0 (Ringle, Wende, and Will 2005). PLS estimation was chosen for two reasons: First, PLS considers all the path coefficients simultaneously (thus allowing the analysis of direct and indirect relationships) and estimates multiple individual item loadings in the context of a theoretically specified model rather than in isolation (White, Varadarajan, and Dacin 2003). Second, PLS is preferred over maximum likelihood estimation approaches when the sample size is relatively small, as is the case in our study. Hence, we consider PLS an appropriate estimation technique for our purposes. The interaction terms were calculated following the approach suggested by Chin, Marcolin, and Newsted (2003), which is a common procedure for specifying interaction effects in PLS models. The interaction effects were calculated using the product-indicator approach, that is, by multiplying each of their manifest variables separately with each manifest variable of the interacting construct.

In Table 3, we report the beta coefficients and significances for the structural model along with the R^2 for each endogenous construct, as indicated by the PLS analysis. The overall model fits the data well, having an R^2 of 0.31 for business performance. The predictive relevance of the model was tested by means of the Stone-Geisser test (Q^2). The Q^2 value for business performance is positive (0.24) and indicates a sufficient level of predictive relevance (Fornell and Bookstein 1982).

More specifically, our results confirm previous research by finding a strong positive relationship between market orientation and business performance ($\beta = 0.45, p < 0.01$). We find a positive, weakly significant interaction effect of marketing's power and market orientation on business performance ($\beta = 0.30, p < 0.10$), which is consistent with H1. Since we find a negative direct effect of marketing's power on business performance ($\beta = -0.16, p < 0.05$), but a positive interaction effect with market orientation, we conducted a post hoc analysis (described subsequently) to test whether the direct negative effect of marketing's power holds when the marginal effect is calculated.

Next, our results fail to support H2 because we find a weakly significant, negative interaction effect of sales' power and market orientation on business performance ($\beta = -0.20, p < 0.10$), which is not in line with our proposed direction. Thus, H2 is not supported. Regarding the performance impact of sales' power, we do not find a significant direct relationship between the power of sales and business performance.

The results do not support H3 and H4 regarding the impact of a differentiation strategy on the power of marketing and sales. However, as postulated, we find a weakly significant negative relationship ($\beta = -0.12, p < 0.10$) between a low-cost strategy emphasis and the power of marketing (H5). Strong

Table 3
Results of Hypotheses Tests

Investigated Relationship	Expected Direction	Standardized Path Coefficient	Overall Finding
Market Orientation → Business Performance	+	0.45***	As expected
Power of Marketing → Business Performance		–0.16**	
Power of Sales → Business Performance		–0.02	
Power of Marketing × Market Orientation → Business Performance	+	0.30*	H1 supported
Power of Sales × Market Orientation → Business Performance	+	–0.20*	H2 not supported
Differentiation Strategy → Power of Marketing	+	0.10	H3 not supported
Differentiation Strategy → Power of Sales	+	–0.02	H4 not supported
Low Cost Strategy → Power of Marketing	-	–0.12*	H5 supported
Low Cost Strategy → Power of Sales	+	0.24***	H6 supported
Innovativeness → Power of Marketing	+	0.48***	H7 supported
Innovativeness → Power of Sales	+	0.19**	H8 supported
Market Orientation → Power of Marketing	+	0.02	H9 not supported
Market Orientation → Power of Sales	+	0.19**	H10 supported
Control Variables			
Industries			
Industry 2 (Financial Services) → Business Performance		0.16**	
Industry 3 (Automotive) → Business Performance		0.03	
Industry 4 (Food) → Business Performance		0.11	
Industry 5 (Cosmetics) → Business Performance		0.21***	
Competitive Intensity		–0.15*	
Technological Turbulence		0.05	
Market Turbulence		0.01	
R^2 (Power of Marketing)	0.28		
R^2 (Power of Sales)	0.20		
R^2 (Business Performance)	0.31		

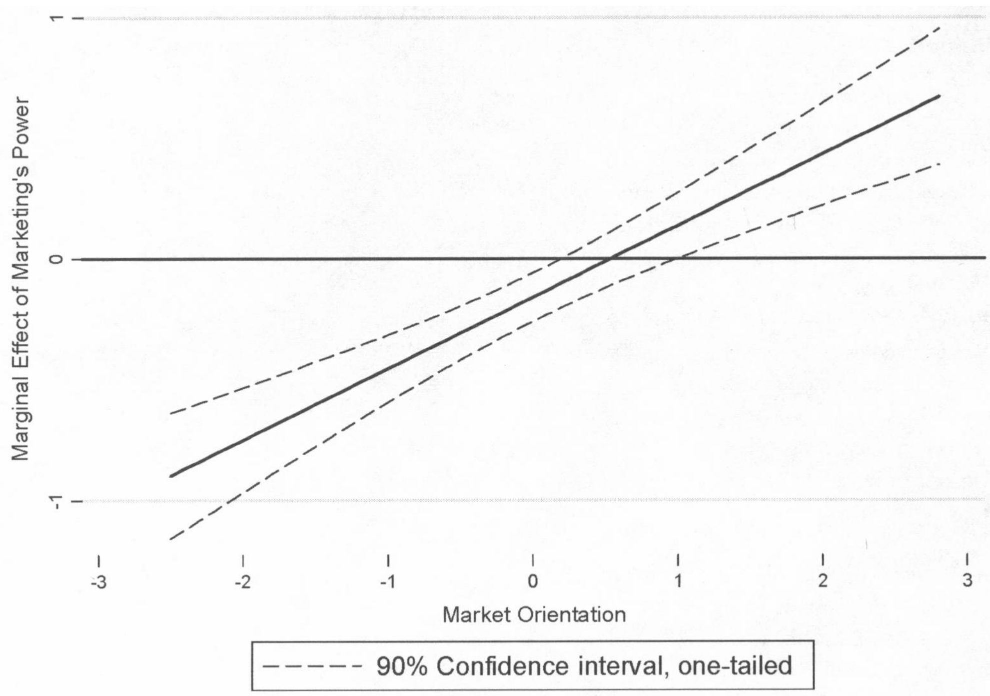
Notes: We calculated *t*-values through a bootstrapping routine with 500 samples. *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$ (one-tailed); $n = 152$.

evidence was found for H6, in which we posited that a low-cost strategy has a positive effect on the sales unit's power ($\beta = 0.24, p < 0.01$). Similarly, in support of H7 and H8, a business unit's degree of innovativeness is positively related to the power of marketing ($\beta = 0.48, p < 0.01$) as well as to sales ($\beta = 0.19, p < 0.05$). Interestingly, our results do not support H9 regarding the relationship between market orientation and power of marketing. However, we find support that market orientation has a positive effect on the sales unit's power ($\beta = 0.19, p < 0.05$). We included control variables for the type of industry, competitive intensity, technological turbulence, and market turbulence. We find significant relationships between the financial services ($\beta = 0.16, p < 0.05$), cosmetics ($\beta = 0.21, p < 0.01$), and business performance industry dummies. Furthermore, we find that competitive intensity has a weakly significant negative effect on business unit performance ($\beta = -0.15, p < 0.10$). No significant effect was found for technological or market turbulence.

We conducted a series of additional analyses to verify the robustness of our empirical findings. First, a multigroup analysis was conducted to compare the equality of the structural paths of the marketing and sales respondents (Bradley, Pridmore, and Byrd 2006). The multigroup analysis revealed that only three structural paths differed significantly ($p < 0.01$) across the marketing and sales respondents. Those paths were *low-cost strategy*, which had a stronger negative effect on the power of marketing in the sales respondent data set, *innovativeness*, which had a stronger positive effect on the power of marketing in the sales data set, and the interaction effect of sales' power and market orientation, which had a stronger negative effect on business performance in the marketing data set. The extensive similarities of the results in the two data sets indicate that our findings can be generalized across sales and marketing executives.

Second, a two-step approach based on Hausman's (1978) suggestions was undertaken to analytically test for any endogeneity problems in the relationship between a differentiation strategy and the power of marketing, as well as in the relationship between market orientation and the power of marketing (Wooldridge 2009, p. 528). The first step consisted of using

Figure 2
Marginal Effect of Marketing's Power on Business Performance



regressing differentiation strategy on all the exogenous variables. In the second step, we included the residuals resulting from step 1 in an ordinary least squares (OLS) regression along with other predictors to explain the power of marketing. The coefficient for the step 1 residual values was insignificant ($\beta_{res} = 0.10$, $p = 0.74$), indicating that reverse causality is not an issue in the relationship between a differentiation strategy and the power of marketing. In order to analytically test for endogeneity problems in the relationship between market orientation and the power of marketing, we used the same two-step approach. The coefficient for the residual values from step 1 was insignificant ($\beta_{res} = 0.49$, $p = 0.22$), indicating that reverse causality is also not an issue in the relationship between a firm's market orientation and the power of marketing.

Post Hoc Analysis of the Marginal Effect of Marketing's Power on Business Performance

Since we found that the power of marketing has a negative direct effect on business performance but a positive interaction effect with market orientation, we calculated the marginal net effect in order to test whether marketing's power damages business performance or not. The solid sloping line in Figure 2 indicates how the marginal effect of marketing's power on business performance changes with the degree of market orientation.

As one moves from relatively low levels to relatively high levels of market orientation, the marginal effect of marketing's power on business performance becomes positive. Since about 56 percent of our sample is highly market oriented, this finding is very important for the majority of companies as it confirms that a powerful marketing department can positively contribute to business performance beyond the main effect of market orientation. However, in companies that are less market oriented, marketing's departmental power might affect business performance negatively because in such settings the interaction between market orientation and the power of marketing does not outweigh the negative direct effect of marketing's power. In other words, a powerful marketing department cannot compensate for low levels of market orientation, and only shows a positive performance impact if companies are characterized by a pronounced level of market orientation.

DISCUSSION

Theoretical Implications

Our research was designed to analyze the current prominence of the marketing and sales functions in companies. It has widely been argued that the marketing function has lost its budget, head count, and influence due to several of the activities previously categorized as marketing tasks currently being dominated by the sales department. A major objective of this study was therefore to investigate the prominence of the marketing and sales departments in firms with different degrees of market orientation. Furthermore, we analyzed the impact of innovativeness, strategic determinants, and market orientation on the power of marketing and sales, and we postulated that these two departments interact positively with market orientation with regard to business performance. Based on the results, this paper has important theoretical and managerial implications.

We believe that our study contributes to the understanding of the current role that marketing and sales play in market-oriented companies as, to our knowledge, this is the first simultaneous empirical investigation of the power of marketing and sales and their powers' interaction with market orientation. Furthermore, our results help clarify some of the mixed results of previous research regarding the role of functional marketing. While several authors have argued that the process-based marketing perspective (market orientation) and the functional group marketing perspective are mutually exclusive (e.g., Kohli and Jaworski 1990; Webster, Malter, and Ganesan 2005), our results show the opposite. Although we found that marketing's power has a negative direct effect on business performance, the analysis of the marginal effect underlines the positive performance impact that a powerful marketing subunit has in highly market-oriented companies. Thus, the effective implementation of market-oriented behavior is reinforced by a powerful marketing function in order to generate and coordinate specialized market knowledge, as well as marketing's capabilities to transform this knowledge into customer value. Conversely, it does not make sense to risk suffering the negative direct performance consequences of powerful marketing if market orientation is not a firm's focus. This does not mean that such firms are not market oriented at all, but they are not required to be as market oriented as other companies because of the environment in which they operate. If this is the case, powerful marketing departments would simply mean a waste of resources. Thus, greater power of marketing can be good or bad, depending on the strength of the firm's market orientation.

Contrary to our expectations, we found a negative interaction effect of sales' power and market orientation on business performance. We argued that marketing and sales units complement one another by inducing market-oriented behavior through their emphasis on different aspects of the market orientation concept. However, our results show that the two functions do not work hand in hand to improve market orientation's positive effects on business performance. Based on post hoc interviews with marketing and sales executives, as well as ex post rationalization, we assign different explanations to this unexpected finding. On the one hand, a review of our responding business-to-business firms shows that they have a rather strong background in sales and have just started to shift their emphasis toward a more pronounced market-oriented perspective. In such companies, we speculate that sales' negative impact on the association between market orientation and performance is simply an effect of firms in transition, particularly in those transitioning from function to process, from an isolated to a cross-functional activity, and from an operational to strategic activity (Menguc, Auh, and Kim 2011; Storbacka et al. 2009). However, our interviewees indicate that there is a moderate degree of inherent goal conflict between sales departments and organization-wide concepts such as market orientation. Different time horizons (short versus long term), thought worlds, deviating compensation systems, and other factors reinforce these goal conflicts. Our descriptive results in Table 2 also indicate that powerful sales organizations are most likely to be found in market segments characterized by fierce price competition. In such environments, sales units need authority to negotiate prices. At the same time, as price competition usually affects company performance negatively, a distinct market orientation is not able to outweigh this effect. Finally, the contradictory nonsignificant effect of market orientation on power of marketing needs to be discussed. While several authors emphasize that a positive association is meaningful, we speculate that firms with distinct market orientation across the organization do not need powerful marketing units, whereas for companies with low degrees of market orientation, a strong marketing department is necessary to substitute for a lack of competitive orientation or market intelligence across the organization. Longitudinal data is necessary to further investigate whether this ex post rationalization is valid. Overall, we believe that these interesting findings will stimulate future research activities.

Managerial Implications

Our empirical findings have important managerial implications. Through our finding that the marginal effect of marketing's power on business performance is positive in highly market-oriented firms, we confirm that the marketing function plays a crucial role in implementing and successfully managing pronounced market orientation in companies. In other words, our results imply that market orientation and a strong marketing function are mutually dependent. Therefore, top managers should strengthen the marketing function if they aim to align the whole organization with the market, thus improving business performance. However, this might not be the appropriate strategy in all environments. In less competitive industries with moderate price rivalry and highly formalized decision-making processes, market orientation is hardly helpful in improving business performance. In these contexts, a powerful marketing function could even damage business performance, and managers should ensure that the marketing unit does not become too strong. Thus, managers need to align the power of the marketing function with the desired degree of market orientation, since greater power is not always better.

As for the strategic determinants' impact on departmental power, the power of sales is positively related to a strong emphasis on low-cost strategies, while the power of marketing is negatively affected, thus confirming our hypotheses. These results suggest the need for a strong sales function in companies pursuing a low-cost strategy, which seems appropriate in price competitive industries, while marketing activities are less important in such cost-sensitive environments.

Interestingly, we do not find support for a positive association between a more pronounced differentiation strategy and the power of sales and marketing units. One could argue that firms differentiating from their competitors by adapting their products and services to customer needs require powerful sales and marketing units to implement such a strategy, while other firms not following such an approach need strong marketing and sales departments to overcome the lack of differentiation of products and services with intense communication and customer interaction. However, our empirical study does not provide any evidence for such nonlinearities. We speculate that more pronounced differentiation strategies require more professional sales and marketing players and activities rather than more powerful boundary-spanning departments. However, this aspect was not considered in our study and requires further investigation.

Furthermore, our study indicates that the sales function is undergoing transformation and just now realizing the importance of intraorganizational knowledge sharing. Salespeople's behaviors, which make knowledge available in a form that can be understood, absorbed, and processed by other members of the organization, are especially important for cross-functional collaboration and communication, which are, in turn, essential elements for organization-wide market orientation (Flaherty and Pappas 2009; Weitz and Bradford 1999). In order to improve salespeople's knowledge-sharing behavior, the sales force should be integrated into the strategic decision-making process (Ahearne et al. 2012) and also needs to assume a more active role in market-related decisions.

Increased collaboration between marketing and sales units fosters sharing a vision and objectives, and this results in superior market performance (Troilo, De Luca, and Guenzi 2009). In particular, increased communication between marketing and sales helps to ensure the comparison of different thought worlds so that mental models of both subunits are challenged (Guenzi and Troilo 2006), which in turn could also help to better align salespeople's behavior with market orientation. This is line with Guenzi and Troilo (2006), who argue that effective integration between marketing and sales positively affects the generation and dissemination of market intelligence, and thus market orientation.

Finally, we propose that firms should adjust their compensation and control systems to promote the implementation of market orientation in sales departments, among other things by incorporating performance metrics such as customer satisfaction and customer loyalty (Weitz and Bradford 1999). When compensation and control systems align with the firm's strategic orientation, salespeople are more likely to be encouraged to simply follow corporate strategy (Krafft et al. 2012).

Limitations and Conclusion

There are several limitations to our study that suggest further avenues for research. First, we use single informant reports for the independent and dependent variables. Although our results do not indicate any common method bias problems, future research should validate our findings using multiple data sources. Second, the selection of distinctive marketing and sales departments excludes hybrid organizational configurations (e.g., cross-functional structures or fully integrated sales and marketing units), particularly in smaller companies or business units. Thus, the study of marketing's and sales' power should be extended to different organizational configurations to identify the impact of organizational configuration on the implementation of market orientation. Third, although we conducted a test for the endogeneity of a differentiation strategy as well as a market orientation and its effects on marketing's power, we found no indication of endogeneity problems. Further studies are needed to investigate the time dynamics and contingencies regarding these variables. Fourth, we use cross-sectional data from several industries in Germany. Expanding to the international context and incorporating longitudinal data is recommended to test the generalizability of our findings.

Despite these limitations, our study represents an important contribution to the literature on the role of marketing and sales within the firm. More specifically, this study contributes to the literature (1) by emphasizing that powerful marketing departments are of crucial importance in highly market-oriented companies, (2) by arguing that the adoption and implementation of the market orientation concept in sales departments has just started, and (3) by identifying internal contingencies that lead to different levels of power with regard to marketing and sales. The negative role that the power of a sales unit plays with regard to market orientation especially calls for additional investigation. Future research on the adoption and implementation of the market orientation concept in sales departments seems to be particularly valuable. Furthermore, the characteristics and behavior of salespeople within influential sales departments should be examined in more detail. Research that sheds light on these phenomena is needed to further improve our understanding of how the more or less prominent roles of marketing and sales units can contribute to company performance.

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APPENDIX
CONSTRUCTS MEASUREMENT ITEMS

Construct/Measure	Loading	Cronbach's Alpha	Composite Reliability
Market Orientation (7 = strongly agree, 1 = strongly disagree) (adapted from Deshpandé, Farley, and Webster 1993)		0.83	0.87
We have routine or regular measures of customer service.	0.65		
Our product and service development is based on good market and customer information.	0.72		
We know our competitors well.	0.69		
We have a good sense of how our customers value our products and services.	0.80		
We are more customer focused than our competitors.	0.76		
We primarily compete on the basis of product or service differentiation.	0.53		
The customer's interest should always come first, ahead of the owner's.	0.51		
Our products/services are the best in the business.	0.53		
Our business primarily exists to serve customers.	0.67		
Power of Marketing (7 = strongly agree, 1 = strongly disagree) (new scale)		0.90	0.93
The implementation of our customer relationship management is coordinated by the marketing department.	0.60		
The marketing department serves on our strategic steering committees.	0.87		
The marketing department has access to information that is crucial for the executive board's strategic decisions.	0.91		
The executive board confers with the marketing department concerning long-term decisions.	0.92		
All in all, the marketing department has strong influence within our business unit.	0.93		
Power of Sales (7 = strongly agree, 1 = strongly disagree) (new scale)		0.86	0.89
The implementation of our customer relationship management is coordinated by the sales department.	0.74		
The sales department serves on our strategic steering committees.	0.74		
The sales department has access to information that is crucial for the executive board's strategic decisions.	0.82		
The executive board confers with the sales department concerning long-term decisions.	0.78		
All in all, the sales department has strong influence within our business unit.	0.87		
Business Unit Performance (7 = clearly better, 1 = clearly inferior) (adapted from Reinartz, Krafft, and Hoyer 2004)		0.89	0.93
Relative to your competitors, how does your SBU perform concerning			
Overall performance.	0.89		
Attaining higher market share.	0.90		
Attaining revenue growth.	0.90		
Profitability.	0.79		
Differentiation Strategy (7 = high extent, 1 = little extent) (adapted from Homburg, Workman, and Krohmer 1999)		0.75	0.83
To what extent does your business unit emphasize the following activities?			
Competitive advantage through superior products.	0.68		
Building up a premium product or brand image.	0.81		
Obtaining high prices from the market.	0.63		
Advertising.	0.66		
All in all, our business unit pursues a differentiation strategy.	0.74		
Low Cost Strategy (7 = high extent, 1 = little extent) (adapted from Homburg, Workman, and Krohmer 1999)		0.77	0.85
To what extent does your business unit emphasize the following activities?			
Pursuing operating efficiencies.	0.71		
Pursuing cost advantages in raw material procurement.	0.84		
Pursuing economies of scale.	0.83		
Gaining market share through aggressive pricing of our products.	*		
All in all, our business unit pursues a low cost strategy.	0.70		

(continues)

Construct/Measure	Loading	Cronbach's Alpha	Composite Reliability
Innovativeness (7 = high extent, 1 = little extent) (adapted from Olson, Slater, and Hult 2005)		0.88	0.91
Management actively seeks innovative ideas.	0.86		
Innovation is readily accepted in program/project management.	0.88		
Individuals are penalized for new ideas that don't work. (r)	0.58		
Innovation is perceived as a chance in our organization.	0.90		
All in all, our business unit is very innovative.	0.85		
Competitive Intensity (7 = high extent, 1 = little extent) (adapted from Jaworski and Kohli 1993)		0.65	0.81
Competition is cutthroat in our industry.	0.75		
Anything that one competitor can offer can be readily matched by others.	0.74		
Price competition is a hallmark of our industry.	0.81		
Technological Turbulence (7 = high extent, 1 = little extent) (adapted from Jaworski and Kohli 1993)		0.88	0.91
The technology in our industry is changing rapidly.	0.87		
Technological changes provide big opportunities in our industry.	0.91		
A large number of new product or services ideas have been made possible through technological breakthroughs in our industry.	0.77		
Technological developments in our industry are rather minor. (r)	0.81		
Market Turbulence (7 = high extent, 1 = little extent) (adapted from Jaworski and Kohli 1993)		0.68	0.70
In our kind of business, customers' product preferences change quite a bit over time.	0.50		
Our customers tend to look for new product all the time.	0.47		
Our business unit competes in a dynamic market environment.	0.98		

Notes: (r) = Reverse-coded item. * Dropped item.