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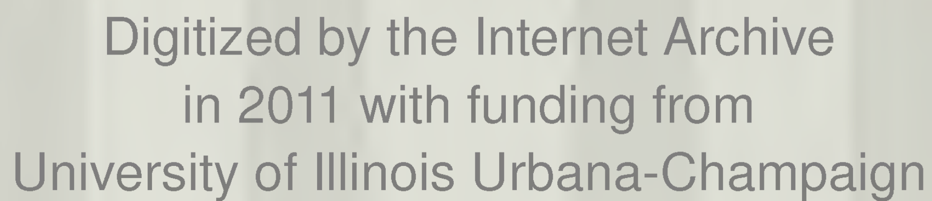
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MARKETS, MARKETING, AND ORGANIZATIONAL COMPETENCE

Abstract

This article focuses on marketing from an organization and management point of view. The organization is seen as the focal point in a multitude of markets and quasi-markets. Competence--and in particular how its distinct competence is appreciated by its constituencies finalized through customer relationships is of crucial importance for organizational survival and growth. The relevance of marketing for organizational competence is highlighted.

INTRODUCTION

While we have a well established managerial school of marketing thought (Sheth and Gardner 1982), we really do not have a tradition in marketing thought of exploring marketing organizations. While inter-organizational aspects of channel management have provided a rich and varied conceptual basis for the study of one aspect of marketing organization (cf. Reve and Stern 1985), still many organizational aspects remain unexplored. There are undoubtedly numerous explanations for this void. But for whatever reasons, it is our belief that the study of marketing organizations is not only a valid topic, but also desirable, particularly as we examine the interface between marketing management and organizational strategy.

It is our belief that one of the primary, if not the major linkage of the organization to its environment is through the multiple of markets and quasi-markets in which it participates. If this position is valid then, to a large extent, the level of organizational competence has the potential to be strongly influenced by the marketing management system of that organization. This point of view is not to be seen as another argument as to which functional area is most important. Rather, it is intended to provide the conceptual logic linking that aspect of organizational competence related to customer relationships to an understanding of markets and quasi-markets as the major linkage to its environment.

The following premises guide our thinking about organizations:

- Organizations can be viewed as open, behavioral systems

- Competency is a prerequisite for organizations to exist
- Marketing competency is one of the major sources of the organizational competency
- Marketing activities are the major link to the organization's environment
- Marketing is a process of exchange of products and values
- Exchanges (transactions) presuppose relationships
- Organizations operate in both output and input markets
- Marketing management is primarily the discipline of managing markets.

Using these premises, we propose to show that the organization is embedded in a multitude of markets and quasi-markets. It follows from this, that the marketing organization must reflect the markets in which the organization currently is embedded as well as future markets.

The term "marketing" has been used in at least three different meanings, e.g., 1) marketing as a management orientation or discipline, 2) marketing as a science, and 3) marketing as an ideology (cf. Arndt 1980). In this paper, we are primarily concerned with the first meaning. It is our contention, however, that there is or should be a relationship between marketing management and the knowledge base on which it rests, i.e., theories, models, concepts, methods and techniques (cf. Nagel 1961) as dealt with in the marketing literature. More recently, however, prominent scholars have voiced concern that the marketing discipline seemingly is on the "wrong track." In their extensive examination of scholarly marketing developments, Meyers et al. (1979) came to the conclusion that the impact of this theoretical effort on marketing

management to be almost negligible. Based on interviews with top management, Webster (1981) expresses serious concerns regarding the usefulness of marketing for business. Prominent marketing scholars such as Howard (1983) and Bartels (1983) have also expressed doubts concerning the usefulness of marketing perspectives for business as reflected in recent marketing developments. Moreover, a recent study conducted by The Conference Board (1984) demonstrates that few--if any--persons with a marketing background succeed in becoming the corporation senior executive. Hopefully, this gain between the promise of marketing management and the contributions of its theories, models, concepts and technologies can be closed.

In order to position our contribution we will start focusing on 1) the open system paradigm and 2) organizational competence which represent the point of departure for the discussion to follow.

OPEN-SYSTEMS AND ORGANIZATIONAL COMPETENCE

There is almost universal agreement that organizations are open systems. As open, behavioral systems they interact with, influence and are influenced by environmental forces. Moreover open systems--and thus organizations--import and transform energy. Organizations are also assumed to give ing some "treatment" in the process of transforming the energy as it passes through. At the very general level most organizations may be regarded as an input-throughput-output system (cf. Katz and Kahn 1965 for detailed discussion). The open-system perspective applies to any business organization. Inputs such as raw materials, labor, and services are transformed into product and

service offerings. In order to achieve long-run survival, which often is regarded as a predominant goal, the organizational output has to be exchanged to acquire continuous supply of energy, i.e., a feedback loop is assumed between output and input (cf. Thompson 1967). This perspective will also hold for most nonbusiness organizations too. Environmental support will in some way or other be related to the organizational output. If no students attend or graduate from the public supported school, the support will be withdrawn.[2]

The open system perspective also implies that organizational performance is of crucial importance, which is closely related to organizational effectiveness, explicated by Pfeffer and Salancik (1970) as:

> Organizational effectiveness is an external standard of how well an organization is meeting the demands of the various groups and organizations that are concerned with its activities. ...The most important aspect of this concept of organizational effectiveness is that the acceptability of the organization and its activities is ultimately judged by those outside the organization. (p. 11)

Thus Drucker's (1973) quest for emphasis on doing the "right things" versus that of doing "things right" is exactly that of organizational effectiveness, i.e., emphasizing activities appreciated by relevant actors outside the organization.

Several environmental factors and forces may exert influence on the organization. Important influences in the organizational microenvironment are suppliers, regulatory forces, competitors and buyers. Extentions to include macro-environmental forces reveal that important forces might be customers' customers, suppliers' suppliers, future competitors which may influence present competitors and thus the

organizational position; interest groups which may influence relevant regulatory forces and so on (cf. Achrol et al. 1983; Kotler 1984).

Customers, actual as well as potential, are of crucial importance, in particular to business organizations. Sufficient support from customers or clients is the basic reason being for organizational survival and growth. This is in not a new idea to marketers. The emphasis on "marketing orientation" and "customer satisfaction," underscores the importance of organizational customers.

The Importance of Organizational Competence

Competence is needed to meet the demand of customers and other constituencies. This implies that organizations possess the knowledge, skills and resources which are needed to meet such requirements. The organization will be surrounded by competitors trying to attract the same customers. Thus organizational success depends on its relative competence compared to the competence of its competitors in meeting customer's demand. Of particular importance is the organizational distinctive competence, i.e., competence related to activities that the organization can do equally well or better than any of its competitors in the environment(s) in which it operates (cf. Selznick 1949; Snow and Hrebiniak (1980). McKelvey and Aldrich (1983) conceive the organizational competence to consist of several elements of knowledge, "comps," i.e., "the elements of knowledge and skill that, in total, constitute the dominant competence of an organization ..." (p. 112). All organizations have some specific distinct competence, if not, they will be unable to survive for any length of time (for recent and lucid discussion see Henderson 1983).[3]

From the organization's point of view a major task is to make use of its competence in the best possible way, i.e., in a way that is the most appreciated by its constituencies on which the organization depends. Thus, adequate use of the "dominant" competence, i.e., the most salient competence in determining the organizational ability to survive and prosper (cf. McKelvey and Aldrich (1983)), is of crucial importance.

Alderson's (1958) emphasis on differential advantages stresses the importance of employing the competence in a way that is the most beneficial to the organization. In a similar vein, Porter's (1980) definition of competitive strategy as "positioning a business to maximize the values of the capabilities that distinguish it from its competitors" (p. 47) assumes an optimal use of competence from the organization's point of view. From a marketing point of view this is also of importance. Employing the organizational competence to satisfy customer need is relevant as far as it is compatible with organizational goals, which often implies survival, growth and profit (as reflected in the open-system paradigm). An important question deriving from the above discussion to be dealt with later on is: "How can marketing knowledge contribute to competence relevant for the organization?"

MARKETING MANAGEMENT

Marketing management consists of two concepts, "marketing" and "management." Marketing's key role is to link the organization to its environment in a way that is beneficial to the organization. The

various marketing activities to be performed are thus consistent with the open-system paradigm as far as they relate to continuous "import of energy" needed for survival. Most definitions of "organization" emphasize intended, purposeful behavior.[4] Some authors stress that organizations are designed "to operate technologies impractical for individuals to operate" (Thompson 1967, p. 15). Frequently assumed organizational characteristics are division of labor, power and communication responsibilities, substitution of people and "... the presence of one or more power centers which control the efforts and direct them towards goals" (Etzioni 1964, p. 3), thus the hierarchical structure is reflected in organizational charts.

Insert Figure 1 about here

Marketing activities may be conducted at any level of the organization. The bank president negotiating a long term agreement with an important client and the clerk or the teller serving a bypassing client may both be conceived as conducting marketing relevant activities. Type and composition of activities are, however, assumed to vary across organizational levels. At the very top, strategy formulation and non-repetitive, planning and major decision-making tasks are assumed to be of major importance. At the lower levels activities to implement top-level decisions will be predominant, and the fraction of repetitive activities will as well be considerably higher at the lower levels in the organization.

Management and Marketing

Management involves a process of influence between leader and follower to attain goals (cf. Hollander 1985, p. 485). Management is believed to be of crucial importance as it guides and directs organizational activities, and may thus play an important role in organizational success. Marketing activities may be conducted at the organization top level (cf. Figure 1, part a). The stated concerns about the role of marketing for top management may indicate that top management is not--or only to a modest extent--is involved in such activities (cf. Figure 1, part b), or that the present marketing knowledge is irrelevant for at the top management.

Marketing is mainly viewed as one of several business functions (cf. Wind 1981). Top management, however, relates to all business functions, as it represents the concerted blend of the various activities which should determine the organizational success. In a recent article on marketing and strategic planning, Anderson (1982) concludes: "... marketing must negotiate with top management and other functional areas to implement strategies" (p. 243), which easily may lead to the belief that top management does not perform marketing-related activities (cf. Figure 1, parts a and b). Based on the organizational dependence on its environment and the fact that marketing's prime task is to relate the organization to its environment, such an interpretation should, however, be doubted.

MARKETING AND EXCHANGE

Through the writings of Bagozzi (1975) and Kotler (1984) marketing is commonly conceived as exchange, or more correctly, as a subset of exchange, as reflected in the following:

> ...Marketing is a social process by which individuals and groups obtain what they need and want through creating and exchanging products and values with others (Kotler 1984, p. 4).

It should, however, be noted that several of the early contributors to marketing thought, including the contributors of Butler, Copeland, and Converse in the first decades of this century, plus the influential work of Aldersen in the '50s and '60s to marketing theory, recognized marketing as exchange (for overview see Bartels 1976). Kotler (1984, p. 8) defines exchange as "...the act of obtaining a desired product from someone by offering something in return," and claims that the following conditions have to be met:

- at least two parties have to be present,
- each party has something that might be of value to the other party,
- each party is capable of communication and delivery,
- each party is free to accept or reject the offer,
- each party believes it is appropriate or desirable to deal with the other party.

The above definition emphasizes conditions assumed appropriate for successful exchanges (such as implicitly assuming "trust"). Polyani (1944) makes a distinction between three modes of exchange: reciprocal, redistributive and market exchange. By definition, marketing assumes the market exchange mode; i.e., exchanges are allocated

through markets. A market in a neoclassical sense is often thought of in terms of a large number of exchange partners. The impersonal aspect of the market is often stressed, "... it is important to emphasize the abstract and impersonal nature of market exchange (Poliani 1944, p. 5).[5]

One of the most fundamental assumptions in marketing thought is the interaction of buyers and sellers in the market with exchange as the outcome. Markets are traditionally characterized by the numbers of buyers and sellers, e.g., monopoly, oligopoly, pure competition (as described from the sellers point of view).

Insert Figure 2 about here

This fundamental assumption has many implications, often overlooked in the marketing literature.

The number of buyers and the importance of the individual buyer is of basic interest to marketers. In a market consisting of a multitude of potential buyers, as will be the case for most consumer products, the relative importance and the unit contribution from each buyer is modest. This, of course, will influence the value of specific information on the individual buyer (cf. Houston 1986), and will influence the choice of marketing techniques and activities as well. In situations as reflected in cell 8, marketing techniques such as advertising and large-scale marketing research often will apply. Moreover, most marketing textbooks seemingly have a bias as they tend to conceive of marketing as it applies to situations as reflected in cell 8 (or cell 9). Most marketing textbooks also emphasize marketing methods and

techniques that are particularly relevant for mass markets (cf. cell 8). Good command over such methods and techniques is, of course, important to the company, and may constitute an important part of its competence. Choice of and implementation of such activities are, however, not conducted by top management, but rather as depicted in Figure 1 (parts a and b) at the lower levels in the organization.

Even in situations as depicted in cell 8, marketing may be of major concern for top management. The ongoing Coke-Pepsi battle is one example of top management involvement in major marketing decisions. Recent lead stories in Business Week (1986), such as "Pepsi's Marketing Magic: Why Nobody Does It Better," and "Marketing's New Look" (19897), focussing on the improved strategic position of Campbell Soup, clearly demonstrates that marketing skills are of prime concern, as well as these skills are believed to be an important part of the company's distinct competence.

Marketing as dealt with at the organizational top is often related to strategic issues, viewed together with other business functions, as well as taking into account various organizational features and the impact on the company's performance. Such a close linkage to other business functions, and with a top management flavor is, however, not the way marketing is dealt with in the leading marketing textbooks, even though such an orientation recently has been discussed (cf. Biggadike 1981; Day and Wensley 1983; Wind and Robertson 1983). The emphasis on methods and techniques probably tend to direct the attention away from management towards applications of tools taking place at lower levels in the organization.

Marketing is also of importance in situations as described in other cells in Figure 2. Much of industrial marketing takes place in situations as described by cell 5 or 6, and even by cells 1, 2, and 3. The change from the "invisible hand" to the "visible hand" (Chandler 1974) indicates that such markets are real and do exist. When American computer firms are marketing their products to China or USSR, the situation is primarily as described by cell 2 or 3, and trade between countries is often best captured by the cell 1 situation.

As the number of potential buyers decreases, the importance of each customer will increase. Information about each potential customer will be important, and the marketing techniques will be different from what is the case on mass markets. In markets with few customers, as often will be the case when operating in industrial and/or international markets, negotiation skills will be of the utmost importance, a topic almost left out in marketing textbooks. Moreover, as each customer increases in importance, the individual customer, and thus marketing, is increasingly becoming a top management concern. Top managers are agents (cf. Pratt and Zeckhauser 1985) and they will--in an opportunistic way--pay attention to factors believed to be attributing to the company's performance, e.g., the few important customers, as company performance will be used as a measure by principals and others to judge reward and monitor managers.

RELATIONSHIPS

Organizations operate in markets to make transactions. Transactions represent outcomes of exchange processes, and link the organization to its environment. Of particular importance are transactions

with customers. Such transactions are needed to secure input for survival and growth--as emphasized by the open system perspective. A transaction is an agreement of "the set of goods to be transacted and an assignment of rights and obligations of each party within the transaction" (Salancik and Leblebici 1985, p. 10).

The above quote (as well as the above definition of exchange) deserves some additional comments. Exchanges and transactions presuppose relationships. It may definitely take time, skill and economic resources to locate and establish relationships with exchange partners. This, of course, is recognized by any industrial seller and company entering an international market. Thus creating and maintaining a relationship is costly, as reflected in company's sales and marketing expenditures. A created relationship may ease future transactions, and thus creation of relationships may be seen as marketing investments (cf. Anderson 1980). Moreover, relationships tend to "stabilize" and direct exchanges, and may be of importance as reflected in the emerging marketing network-paradigm (for recent and thorough discussion see Thorelli 1984). Moreover, position in, ability to maintain and create relevant networks--in which relationships with customers and other constituencies--may be seen as an important part of the organizational competence.[6]

The relational aspect of transactions as emphasized above may also be viewed in the perspective of transaction costs, as asset specificity can be related to investment in exchange relationships, such as investing in specific skills or equipments necessary for the relationship to work (cf. Williamson 1981, p. 555).

Markets, as dealt with in introductory textbooks in economics, represent the one extreme in coordinating economic activities. Costs associated with creating relationships are overlooked in economics, and only to a modest extent explicitly taken into account in marketing. Coordination through hierarchies, i.e., internalizing transactions, such as transactions between the fully integrated producer and distributors, represents the other extreme of coordinating transactions (cf. Williamson 1975). Most marketing relationships may be characterized along the continuum from "market" to "hierarchy." The long-lasting relationships between the producer and his industrial buyer, or between the advertising agency and its client, reflect adjustments, investments in terms of time, skill and money, making the relationship work, and (thus representing a way of coordinating the activities someplace in between the pure market or hierarchy solution). Thus many of the markets in which organizations operate are not markets in the pure sense, but may rather be characterized as "quasi-markets" (or quasi-integration)!

It was stated above that the set of goods to be transacted had to be agreed upon. In many cases this will be unproblematic. In routine transactions, such as buying a package of cigarettes or a newspaper, the goods (i.e., the product and money) are agreed upon. In the words of Alderson (1958), negotiations are implicit, they represent "fully negotiated transactions."

Often the exchange media to be transacted are <u>not</u> completely agreed upon. What the consultant shall do, and what the client is going to pay, need not to be specified in detail before the closure of

a contract, likewise the contract between an advertising agency and the advertiser.

Macneil (1985) claims that discrete exchanges, i.e., detailed specification of what to be exchanged, (as often is assumed in the marketing literature), "... play ... a very limited and specialized function in any economy, no matter how market-oriented that economy may be" (p. 485). This has lead to the notion of "relational contract," i.e., an agreement (contract) is established in order to exchange and thus coordinate a continuous stream of activities (cf. Macneil 1985). This will often be the case in relationships between organizations and customers. The long-lasting relationships which are so common in industrial and international markets, but which also are very common in the individual consumer's life, as reflected in his relationship with his or her bank, medical doctor, insurance company--and even with the local grocery store, may thus be seen to some degree to include--even though often implicit--an element of the relational contract.

Thus from a marketing point of view it is of tremendous importance to understand relationships, and the impediments to relationships. Unfortunately have only a minor role in the basic MBA marketing course (cf. Levitt 1983 for excellent discussion). From the discussion above it follows that the exchange media--in the extreme case--does not have to be specified in any detail before the contract is made. This is in contrast to the marketer's well known product/market matrix which presupposes the product to be existing, and implicitly is assuming that discrete transactions represent the exchange model.

Establishment and maintenance of relationships are based on mutually beneficial expectations from the actors involved, e.g., expectation that the involved parties will be better off by staying in the relationship.

THE ORGANIZATION AS THE FOCAL POINT IN MARKET RELATIONSHIPS

When looking at marketing from an open system perspective, it is evident that the primary focus has been almost solely on markets where the organizational output is exchanged, i.e., in output markets. This focus is easy to explain, as the organizational competence is finalized through its output market(s), i.e., transactions with its customers. From an organizational competence point of view, performance in output market(s) represents the acid test for the firm, and therefore the attention paid to the customer(s) is important, which is also reflected in the past success of the "marketing orientation."

Firms, however, also operate in other markets. They make transactions with suppliers, employees and financial institutions. The predominant marketing focus, however, has been on output markets. When Kotler (1984) contends that

> marketing means working with markets to actualize potential exchanges for the purpose of satisfying human needs and wants (p. 13),

this has primarily meant the "market" defined as "all the potential customers claiming a particular need or want who might be willing and able to engage in exchange to satisfy that need or want" (p. 12).

There has, however, been some recognition that other markets than output markets are important, as emphasized in the article "Buying is Marketing Too" (Kotler and Levy 1974). Of course, buying is a basic element in marketing, as competence in buying will be finalized through product offerings exchanged in output markets. In other words, competence in buying--as well as operating in other markets--implies competence reflected in competitiveness and performance in output markets. Modest attempts have been made to link performance in output markets to behavior in other markets (cf. Grønhaug and Bonoma 1980). It is easy to grasp that the success of J. C. Penny & Company and Sears, Roebuck & Company to a substantial degree is related to competence in buying, i.e., operating in input markets. This will also be the case for many companies marketing industrial products. The Volvo car, for example, consists of parts bought from more than 2,000 suppliers. The ability to find, select and monitor suppliers will thus be of crucial importance for the quality of the product offered, and thus the organizational performance. In sum, firms operate in many markets, and the competence to operate in these markets will as well be reflected in organizational performance and market success. Such relationships have mostly been overlooked in the marketing literature, with a few exceptions (cf. Kotler and Levy 1974; Wind 1979; Grønhaug and Bonoma 1980, as well as the emerging network perspective, cf. Håkansson 1982; Thorelli 1986), which is astonishing as Lyon (1933) in his writings on marketing, more than 50 years ago, emphasized:

> A common but fallicious theory is that it (marketing) is concerned chiefly if not wholly with finished goods and is the activity of a specialized class of middlemen or that is limited to adding time, place, and possible utilities to complex goods.

He further emphasizes that market includes the whole process including "movement of raw materials, labor negotiations, and securing financial resources as well" (p. 133).

Marketing has in several ways exhibited a <u>one-eyed</u> perspective on markets. By limiting attention to output markets only, important markets in which the organization operates and may influence its success are overlooked. Moreover, managers are assumed to, and are paid for, coordinating various activities, which include operating in <u>several</u> markets. Marketing has the perspective to one subset of all markets in which the organization operates. There has also been a tending to overlook how interrelationships between operations in various markets contribute to organizational performance--and marketing success. Consequently, the discipline of marketing has paved the way to becoming a "servant discipline"[7] of minor interest for top managers as expressed in the concerns of marketing's importance to managers, as stated at the outset of this article. However, we contend that the organization should be seen as the <u>focal</u> point (cf. Evans 1982) embedded in a variety of markets and exchange relationships. Furthermore, organizational performance in <u>the</u> market, where it is confronted with competitors in its effort to attract and service customers, will be related to performance in other market relationships as well.

ORGANIZATIONAL MARKET RELATIONSHIPS REVISITED

In order to more fully explore organization-market relationships, we will use the dimensions of the transaction listed in Figure 3 as a point of departure.

Insert Figure 3 about here

Transactions play a dominant role for organizations. The dimensions shown in Figure 3, are related to transactions viewed from the perspective of the individual organization. Each organization has some specialized output. This specialized output requires a service to be transacted in order to allow for continuous input (and output) for survival as emphasized in the open-system paradigm (cf. Thompson 1967). _Specialization_, however, is a core element in order to achieve organizational competence. Transactions allow for specialization, and may thus be seen as a a prerequisite for organizational competence (Leblebici 1985). The impact on the search for organizational competence of the various transactional dimensions as shown in Figure 3 will be emphasized in the following discussion.

Role in Transactions: A transaction represents an agreement between at least two parties. At least two roles have to be played, the seller role and the buyer role. As noted above, marketing has mainly focussed on transactions from the _seller's_ perspective. Markering has, so to say, identified itself with the seller's role, and often--as noted by Arndt (1976)--conceived the buyer as an "object." The emphasis

on the buyer as reflected in the voluminous literature on buying behavior has mainly been to understand the buying unit, so that the seller's role can be more effectively executed.

The organization, however, repetitively plays the buyer's role, and this role is played out in a variety of markets. Moreover, the skills of playing the buyer's role are invariably related to performance and how well the organization may play the seller role (Kotler and Levy 1974; Grønhaug and Bonoma 1980; Håkansson 1982).

Number of Actors: The organization--in either the buyer's or seller's role--may operate in markets with many or few actors (cf. Figure 2). When numbers of actors are few, prices usually have to be negotiated. Negotiations usually require specific skills which are highly valued by top-management as well as in the political world. In marketing thought, however, negotiatins are seemingly not emphasized at all, although its importance has been repeatedly emphasized by earlier marketing scholars (cf. Alderson 1958). Neither is there any doubt that in industrial and international markets negotiations are an important part of the marketing process, requiring training and skills that are highly valued (cf. Graham and Sano 1984). Moreover, when the exchange partners are few and/or important, negotiations and transactions become of top management concern.

Number of Transactions: In marketing the focus often is on the single purchase, i.e., on one transaction. However, inspection of most consumer behavior textbooks will indicate a strong emphasis on the purchase, even though sequences of purchases are emphasized, as dealt with in "brand loyalty." Often, however, the firm, irrespective of

playing the buyer or seller role, will be interested in <u>repetitive</u> transactions. The focus on brand loyalty reflects such a perspective. In contrast to the repetitive transaction focus, i.e., repetition of the same type of transactions, we find a complex set of transactions. This set of transactions may be the result of a specific agreement with resulting strategic implications for the organization. Such efforts are made to gain control, as well as to reflect transaction cost considerations. Making such arrangements wisely requires unique skills and resources. The specific transaction agreements consequently influence organizational competence and performance, and may influence marketing performance as well. Moreover, such considerations can also be turned the other way around. As performance in output markets represent the organizational acid test, it should be a marketing task to conceive how performance in this (these) market(s) can be improved by organizational operations in other markets.

<u>Exchange Media and Relationships</u>: Marketing thought usually assumes that the exchange medium exists, contact with the buyer is made, and the transaction is completed, as reflected in the traditional spot market. In some cases exchange media are present, but relations are absent, as when approaching a new geographical market. This is of tremendous importance in international and industrial marketing, as well as in organizational efforts to finance investments, hire the best staff and find suppliers.

Except for one paradigm looking at markets as "networks" emphasizing the importance of <u>relation-building</u> (cf. Thorelli 1984, Hutt et al. 1986), very little has been done so far in this respect. The

emerging perspective in viewing marketing as an investment (Anderson 1980) may be seen as a step in the right direction. Investment in relationships are equally important as investments in products, services and promotional activities (cf. Johanson and Mattson 1985, Dwyer et al 1987). Even in this research effort, only a few contributors have recognized the firm as the focal organization (Evans 1972) operating in many markets. For any top manager and politician, "networking" with the multitude of constituencies, which parallels operating in many markets, is probably the most important part of their jobs (cf. Naisbitt 1982). From this follows that relationships may have value per se, which is easy to grasp when thinking in terms of the resources needed to build a relationship.

Still a question needs to be asked. When the large organization is marketing convenience goods to millions of households or individual consumers (e.g., households and buyers), they (the consumers) are repeatedly conceived of as buyers. And--of course--they represent the ultimate demand, and thus a major driving force in the market. Some, in particular very large organizations have internalized their intermediaries, i.e., they have used the "hierarchical" exchange mode (cf. Williamson 1979) to gain control, reduce transaction costs, to win competitive advantages. This solution, however, requires resources, often not possessed by their smaller counterparts. The market mode of making transactions may thus be imposed by lack of adequate resources. In such cases, (even though households and customers represent the ultimate consumers), their buyers will be a limited number of intermediaries, representing their access to the intended ultimate market(s).

In such cases, ability to negotiate and handle these exchange partners may determine market success. Thus, even for organizations aiming at consumer markets, an important key to success may be related to relation building skills. One way to view this approach to exchange and media is by once more referring to Figure 2. For firms accessing consumer markets through intermediaries, cell 5 or 6 probably represents a better description of their marketing situation, than do cells 8 or 9 (as often, implicitly assumed in marketing textbooks).

In Figure 4 relationships and exchange media are crossclassified, and each of the dimensions dichotomized as present and absent respectively.

[Figure 4 about here]

Cell 1 is related to "traditional" marketing, where the product/ services are available, and some prior relationships exist. Cell 3 is equivalent to the new market situation, or the penetration situation where new buyers are sought within the home geographical area, as reflected in the well-known "product-market" matrix, where relations have to be built in order to enhance exchange. Thus such situations are well-known in marketing, even though strategies for building relationships have not been the prime focus, at least not as dealt with in leading marketing textbooks.

Cell 2 is an important case in "real life," but only to a modest extent dealt with in the marketing literature. In cases where relationships exist, and may continue to exist this is due to continuous adaptation of exchange media. Relationships may exist between producers and intermediaries over decades, as they do for banks and their

customers, for advertising agencies and clients. The reason for such continued relationships, however, is continuous adjustments of exchange media, as demonstrated in studies of long lasting industrial relationships (cf. Håkansson 1982).

Cell 4 represents an interesting case. Neither relationship nor exchange media exist. But someone may "see an opportunity." In marketing, this has been recognized as "opportunities in new markets" (diversification). An intriguing question is: What to emphasize first, the exchange media or the relationship?

In "real world" it is often observed that people and organizations meet--they "click"--and the relationship comes first. Thus the creation of relationships often represents the point of departure for the creation of challenging new opportunities. Again, creation of relationships is a crucial aspect of creating markets, as recognized by the "networking" corporate executive, but downplayed in present marketing textbooks.

Combining Markets: Marketing is performed to create value added. Porter (1985) has recently emphasized the value chain, i.e., by performing various activities, values may be added. Organizational success is related to selecting and combining activities so the organization benefits the most from the activities in which they engage. Values may be added by combining markets. "System selling" is one such example demonstrating that by combining components sold in different markets, such as by combining computer hardware, software, and computer training and maintenance, value may be added, and improve the strategic position of the firm (cf. Mattsson 1984).

Such combinations of markets may be extended in several directions. The organization, say a car producer may increase the attractiveness of its product offerings by combining its products with services from a financial institution, easing the consumer's financing of such a major purchase, and thus making the product offering more attractive. This may result in increased competitiveness, which may be conceived as competence appreciated by the buyers. The recent Allegis effort, i.e., United Airline's effort to link "all facets of travel," represents an extreme example in this respect (USA Today, 1987).

The buyer's appreciation of the products and services offered is the crucial test of the organizational performance as reflected in the "marketing concept" (cf. Kotler 1984, p. 22). Due to the importance of customer evaluations a major marketing task should be to uncover how the organizational performance may be improved by combining market relationships. Such moves to combining markets are well known in the "real world," but hard to trace in contemporary marketing textbooks. Moreover, teaming up with suppliers, financial institutions, competitors by long-term agreements or through acquisitions have important implications for the organizational competence and its strategic position. The lack of marketing considerations in such important decisions and commitments has also been noted: "... In many cases, top management considerations for the strategic development of the firm are void of explicit marketing considerations. Financially guided mergers and acquisitions are surprisingly the rule, rather than the exception" (Wind 1981, p. 247).

Insert Figure 5 about here

Figure 5 shows a few examples of potential consequences of combining markets.

a) Close relationship (agreement) with a specific number of suppliers may add to better control and/or lower transaction costs, which may improve competitiveness. Contact with specific suppliers may also allow to establish specific qualities or offerings, making it possible to serve demanding, but profitable market niches.

b) Alliances with noncompetitors may allow for increased competitiveness by offering more attractive assortment in the present geographical market, by using present buyer-relationships to increase sales, by allowing present products to be offered to the alliance customers, as well as combining the offerings to entering new markets. (cf. Part II in Figure 5).

c) Combination with, say financial institutions, may, as emphasized above, attribute to improved product offerings, and may as well be exploited as discussed above (b).

d) Competitors as well may be turned into alliances. More than 20 year ago Adler (1966) introduced the notion of "symbiotic marketing," which represents the case where the individual organization is too small, lacks economic resources, is afraid of the risk, or lacks know-how to exploit an emerging marketing opportunity. By teaming up with competitors--and thus turning them into alliances--both the organization and its competitor

may be better off. In a true sense this represents "marketing," as such joint efforts--if successful--are appreciated by the organization's customers. Again, from a marketing point, the ability to conceive, or imagine (cf. Levitt 1985), and create such alliances might be a major marketing task, as it may attribute to improved marketing performance (cf. Porter 1985, Chap 6).

Place and Reaction Time: Markets, as reflected in contemporary marketing, are often thought of as place-bound allowing for detailed analysis of potential buyers. Any market research textbook emphasizes proper sampling, valid measurement and so forth. Several markets are not place-bound, but may, however, be mediated through place-bound institutions. This is the case for much of international trade, and for many financial markets. Moreover, transactions in such markets often allow for limited decision time, making much of marketing research methodology as taught in the classroom, obsolete (Grønhaug and Graham 1987). The relational part, i.e., the person/institution who can link the exchange-partners, is playing the marketing creator role. New short time markets, as measured in time and place are created as opportunities occur, such as international barters, where one party has to transact a boat loading of possible goods. An unpleasant observation is that marketing research and marketing in the traditional sense, as emphasized in leading marketing textbooks, virtually play no visible role in such important markets.

INTERNAL MARKETING

The internal organization itself may be conceived as a "market," i.e., a market of members. The importance of motivating members creating shared values and concerted efforts to gain peak organizational performance has long been recognized by managers. "Organizational culture," defined by Schein (1985) as the:

> basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously, and that define as a basic "taken for granted" fashion of an organization's view of itself and its environment (p. 6)

has recently received considerable attention through the popular writings of Peters and Waterman (1982), Pascale and Athos (1981), and others. The basic premises behind these writings are that "organizational culture" is of crucial importance in guiding and directing organizations, as detailed steering of the individual member in the organization often is impossible and/or too costly (cf. Wilkens and Ouchi 1983). This has led some marketers to conceive the internal organization as a market place, where important marketing tasks are to convey information, increase knowledge, change attitudes and create shared values among the organizational members to arrive at concerted, motivated activities (cf. Arndt 1983).[8]

MARKETING REVISITED

In Figure 3 eight transactional dimensions were shown, each of which were dichotomized. By combining the various dimensions, it is easily seen that $2^8 = 256$ combinations exist. In reality the number of combinations far exceeds this number, as dichotomizing the dimensions represents a crude simplification.

When contrasting marketing as emphasized in marketing textbooks with the various dimensions, it is observed that:

- the seller role is mainly emphasized;
- number of buyers (actors) are usually assumed to be many;
- the single transaction is focused;
- exchange media and relationships are assumed both present and absent but usually not dealt with simultaneously (cf. Figure 4);
- most emphasis is on the single output market, and almost no emphasis has been devoted to combining market;[9]
- place-bound, low reaction time is implicitly assumed in most of the marketing literature.

Thus only a few of the possible number of combinations of transactional dimensions are dealt with in the present marketing literature. In "real world" firms operate in markets that cover other combinations of transactional dimensions as emphasized in the preceding discussion.

There may be several reasons for the restricted marketing perspectives as reflected in much of the contemporary marketing literature (which may as well contribute to explaining present concerns about marketing's role as noted at the outset of this article).

One reason is that marketing has traditionally been preoccupied with, and should be preoccupied with the "market" conceived as actual and potential buyers. As emphasized throughout this paper, however, organizational performance as reflected in customer's acceptance is highly dependent on the organizational behavior and performance in other markets as well.

Another reason is that marketing has for a long time been a borrowing discipline (cf. Cox 1964). The concepts and theories borrowed

are based on perceptions of usefulness and potential contributions to the field, but will also impact which phenomena will be addressed and how they are emphasized (cf. Zaltman et al. 1982). Perceptives and concepts emphasized in marketing have changed over time (cf. Sheth and Gardner 1982). For instance, cognitive aspects, as reflected in contemporary consumer behavior (cf. Assael 1987; Peter and Olson 1987), heavily borrowing from cognitive psychology, have become an important aspect of marketing. Such knowledge is of importance to marketers, in particular, as a basis for designing marketing strategies directed towards mass markets, done by marketing specialists. Such insights are probably less important when confronted with markets characterized by few potential exchange partners, where personal relation-building skills are the most needed.

A third reason is that marketing has, to a substantial degree, been preoccupied with mass markets. The majority of marketing tools, such as advertising, large scale surveys, and detailed insights about the distant consumer, implicitly assume mass markets. We are not saying that marketing thought has not recognized the importance of personal relations, negotiations and so forth. What we contend, however, is that the efforts and developments of tools and techniques to date have primarily had a mass marketing orientation. Such approaches and techniques will often be less appropriate in the situation of few buyers and sellers as often found in industrial and international marketing contexts.

An additional point is that true organizational competence is not always easy to see, evaluate, or to copy. In other words, managers

often have a biased view of what constitutes the distinct competence of their organization. Moreover, members of the organization often disagree upon what constitutes organizational competence, as perceptions are subjective and influenced by individual and structural factors (cf. Weick, 1979 for a lucid discussion).

Several writers have recently focused on marketing as a source of knowledge to strategy, which is assumed to be a top management task. Wind and Robertson (1983) have identified limitations in present market orientation such as a fixation with the brand as the unit of analysis; failure to examine synergy in the design of marketing programs, short run orientation, lack of rigorous competitive analysis, and lack of an integrated strategic framework (and other limitations as well) p. 13. Day and Wensley (1983) have directed attention--interestingly in the present prospective--towards "...the dominant orientation towards customers" (p. 81), which they claim "... has deflected attentions from the pursuit of competitive advantage (p. 81). And Biggadike (1981), in assessing 64 marketing knowledge contributions identified by AMA's Commission on the Effectiveness of Research and Development for Marketing Management (Myers et al. 1979), contends: "... I judge that about 60 percent have not made a contribution. ...: Some knowledge is ... at the functional level; other knowledge was derived from a narrow unit of analysis; ..." (p. 623). However, in spite of these objections, marketing knowledge may--and often does constitute an important part of the organizational knowledge. It may, however, be the case that much of this knowledge is possessed and employed by lower level organizational members (as shown in Figure 1 part a) and b)). The many mistakes

in acquisitions as reflected in the lead article "Splitting Up ..." (Business Week 1985) underscores this point, leading the article author(s) to emphasize the need for careful examination of organizational competence as appreciated by the market.

Marketing and Market Relationships

By looking at the organization as the focal point in sets of interrelated and quasi-markets relationships, the focus of marketing knowledge probably will change in the direction of top management's recognition, concerns and utilizations of marketing thought and knowledge. Moreover, such a change of focus may contribute to improved competitive analyses (cf. Wind and Robertson 1983, p. 3), as well as improving the organizational pursuit of competitive advantages (cf. Day and Wensley, 1983, p. 81). In fact, a very important point is that marketing is the function which is the most preoccupied with external relationships, i.e., linking the organization to its ever-changing environment. Marketing knowledge is to a substantial degree related to organization-environment relationships of crucial importance for the organization and hence competence. Thus an important challenge is to identify sources of distinct competence in the discipline of marketing, and how this competence ought to be applied.

Recent efforts by researchers in emphasizing the potential of perspectives such as the political economy paradigm (Arndt 1983; Stern and Reve 1985); the network paradigm (cf. Thorelli 1986), the marketing as politics paradigm (cf. Huff et al. 1986) and the renewed focus on symbotic marketing (cf. Varaderjan and Rajaratraman 1986) are noteworthy,

and should, according to the present authors, be seen as steps in the right direction.

BACK TO THE BOARDROOM?

The concern with present marketing thought and practice as noted by The Conference Board (1984), Bartels (1983), Howard (1983), Webster (1981), is partly related to the declining prestige of marketing as reflected in occupational positions possessed by marketing people, and expressed doubts of marketing usefulness by and for managers.

Based on our above discussion, however, it is seemingly evident that by limiting the focus on markets to one subset of all markets in which the organization operates, marketing becomes a highly specialized function. No doubt that this specialized function is important, but limited, specialized functions do not belong in the boardroom. What does belong in the boardroom is the broader concept of markets and market relationships as discussed above.

The present authors hold the opinion that marketing should do what it is assumed to do, cope with markets. The consequences of this perspective is that the organization should be considered _the focal_ point operating in a variety of markets, some of which are present and some must be created, and some allow for considerable decision time, and some for quick decisions only. Marketing management is primarily the discipline of _managing markets_.[10] Such a change of perspective will be beneficial in several ways. It will apply to the top managers prime need. It will force marketing to take into account problems related to limited numbers of actors (buyers), short time for decisions, and the need for relation-building and negotiation skills.

Marketing has borrowed heavily from other disciplines over the years (cf. Cox 1964), where the earlier borrowing from economics, seemingly has shifted towards borrowing from psychology (Arndt 1981), as reflected in present consumer behavior research. The concepts and perspectives borrowed and applied will influence both the phenomena captured, and these are perceived and the managerial actions taken as well (cf. Zaltman et al. 1982). By making marketing a market discipline, the relevance of various conceptualizations should be examined in order to capture the market problems in an appropriate way. Moreover, by making marketing a market discpline, more emphasis will be on environmental variables, i.e., a focus which coincides with marketing's prime purpose. Recently Reve and Stern (1985) stated "Today we know much more about the internal economy of marketing channel systems than we know how channel dyads adapt to changing environmental conditions. Likewise, we know more how individuals in organizations behave than how organizations behave in collectives," and they continue "... more research should be devoted to environmental variables and how organizations adapt to or are dominated by external forces." (p. 297). We completely agree. By making marketing a market-oriented discipline, it will focus upon what it is supposed to do, market relationships of crucial importance for organizational competence and performance.

Footnotes

[1]The question regarding constituencies is important as it will impact focus and appreciation of the discipline. For enlightening discussion see Anderson and Tatcher (1986).

[2]Some organizations are self-sufficient; the satisfaction of the organizational needs do not depend on nonmembers (e.g. a bridge club). From a marketing management perspective, such organizations are of almost negligible importance. (cf. Houston 1986).

[3]The competitive situation described as "pure competition" represents a situation where none of the competing firms have distinct competence of value to the market.

[4]Some authors have emphasized that behavior due to non-purposeful behavior is taking place, as reflected in "garbage can models" of decision-making (cf. March and Olsen 1984, for recent overview).

[5]It has been recognized that besides market exchanges, also reciprocal and redistributive changes are taking place in modern societies. Codere (1968) even claims the fraction of market exchanges of all exchanges taking place to be declining (p. 57).

[6]This point of view is shared by authors from disciplines such as organization theory (Aldrich and Whetten 1981), strategy (Thorelli 1986), and marketing (Johansen and Mattson 1985), as well as trend-tracing literature (Naisbitt 1982).

[7]The term "servant technique" is borrowed from Kornhauser and Lazarsfeld (1955) who made a distinction between "master" and "servant" research techniques, where conceptualization and research designs representing the former and statistical techniques and "number crunching" the latter.

[8]"Internal marketing" has become a standard notion in contemporary Scandinavian marketing practice and writings.

[9]This exceeds the perspective of portfolio building as a risk reducing device, mainly emphasizing number of and relationships between products offered and markets served.

[10]In a recent marketing textbook, a similar point of view is introduced under the notion "management of markets orientation" (Park and Zaltman 1987, p. 7).

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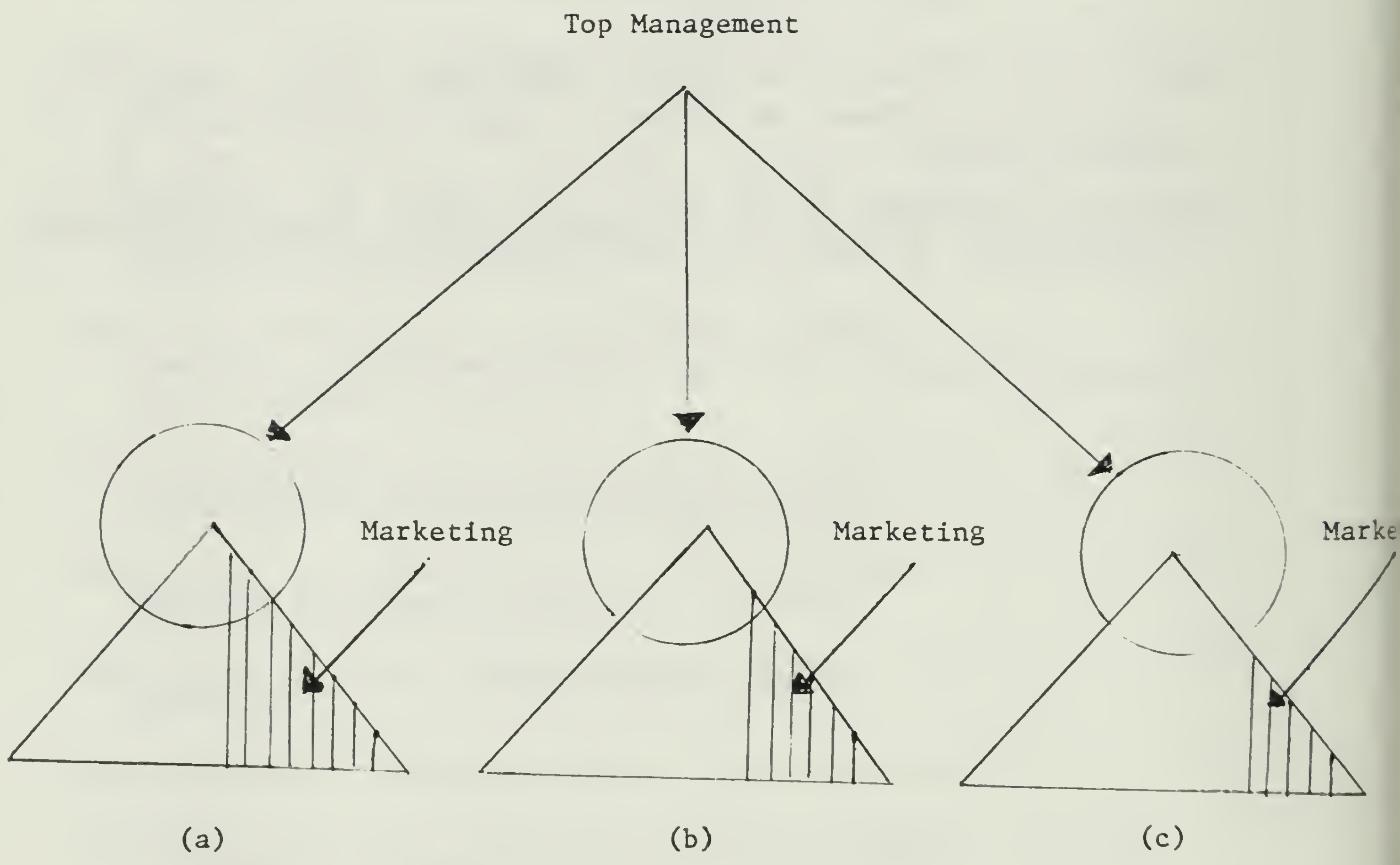


Figure 1: Top Management and Marketing
(adapted from Holbek-Hanssen 1978)

Sellers:

Buyers:	One	Few	Many
One	1	2	3
Few	4	5	6
Many	7	8	9

Figure 2. Number of Buyers and Sellers

Figure 3

Transactional Dimensions

Dimensions	Attribute Examples
Role	Buyer, Seller
Number of Actors	Few, Many
Transactions	One, Many
Exchange Media	Present, Absent
Relation	Present, Absent
Number of Markets	One, Many, (e.g., combination of markets)
Reaction Time	Low, High

Exchange Media:

		Present	Absent
Relationships:	Present	1 Established Market Relationships	2 Opportunity Through Relationships
	Absent	3 Opportunity Through Media	4 New Exchange Media, New Relationships

Figure 4. Exchange Media and Relations

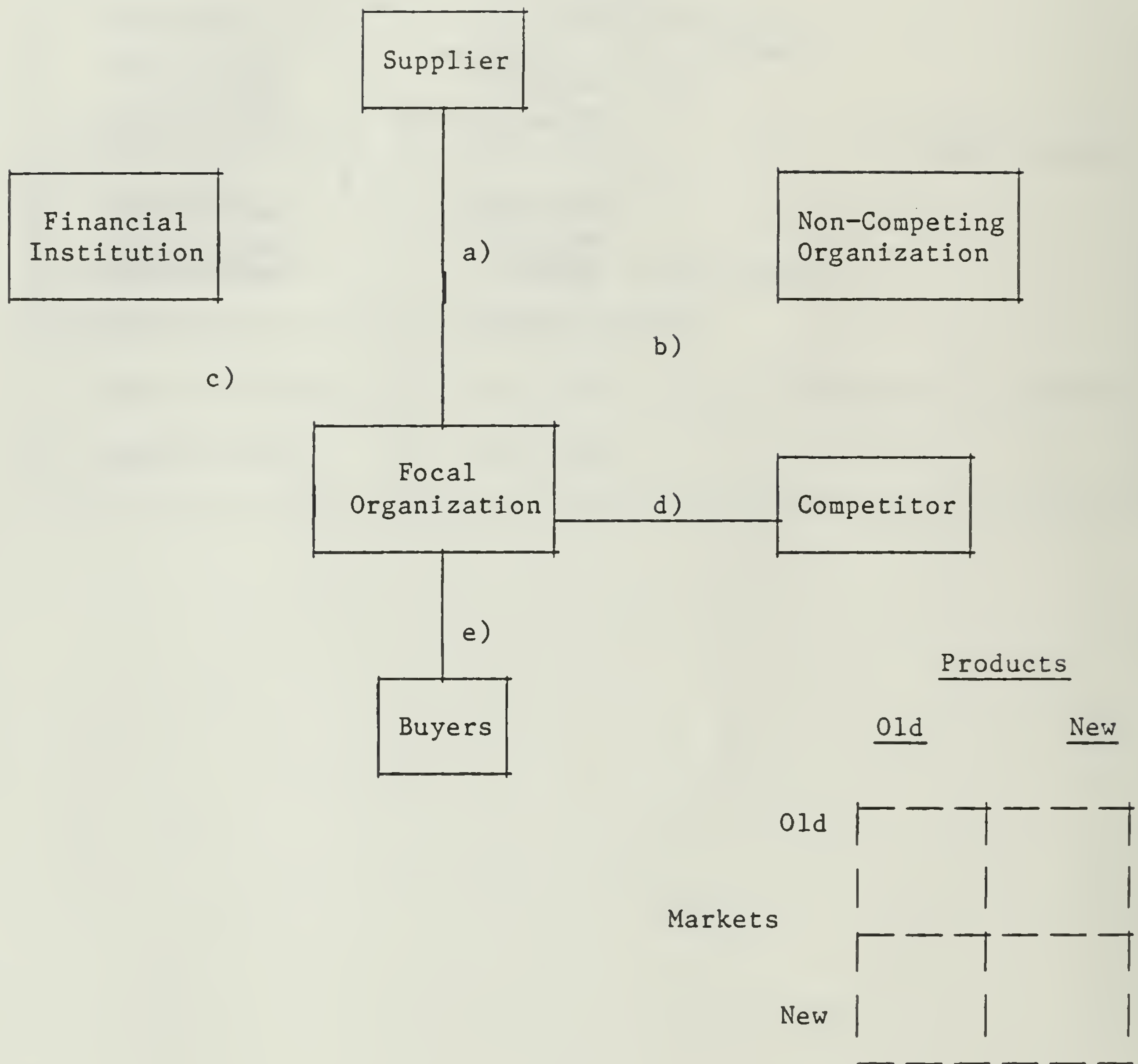
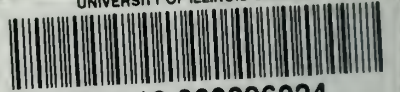


Figure 5. Combining Markets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