Frederick E. Webster, Jr.

The Changing Role of Marketing in the Corporation

New organization forms, including strategic partnerships and networks, are replacing simple market-based transactions and traditional bureaucratic hierarchical organizations. The historical marketing management function, based on the microeconomic maximization paradigm, must be critically examined for its relevance to marketing theory and practice in the 1990s. A new conception of marketing will focus on managing strategic partnerships and positioning the firm between vendors and customers in the value chain with the aim of delivering superior value to customers. Customer relationships will be seen as the key strategic resource of the business.

FOR the past two decades, some subtle changes in the concept and practice of marketing have been fundamentally reshaping the field. Many of these changes have been initiated by industry, in the form of new organizational types, without explicit concern for their underlying theoretical explanation or justification. On the academic side, prophetic voices have been speaking (Arndt 1979, 1981, 1983; Thorelli 1986; Van de Ven 1976; Williamson 1975) but seldom heard because, representing several different disciplines, they did not sing as a chorus. More basically, perhaps, few listeners were ready to hear the message or to do the intellectual work necessary to pull the several themes together. Like the Peruvian Indians who thought the sails of the Spanish invaders on the horizon were some phenomenon of the weather and did nothing to prepare themselves for attack (Handy 1990), marketers may ignore some important information in their environment simply because it is not consistent with their past experience.

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The purpose of this article is to outline both the intellectual and the pragmatic roots of changes that are occurring in marketing, especially marketing *management*, as a body of knowledge, theory, and practice and to suggest the need for a new paradigm of the marketing function within the firm. First, the origins of the marketing management framework, the generally accepted paradigm of the marketing discipline for the past three decades, are considered. Then shifting managerial practice is examined, especially the dissolution of hierarchical bureaucratic structures in favor of networks of buyer-seller relationships and strategic alliances. Within those new forms of organization, the changing role of marketing is discussed and a reconceptualization of marketing as a field of study and practice is outlined.

Marketing as a Social and Economic Process

It is sobering to recall that the study of marketing did not always have a managerial focus. The early roots of marketing as an area of academic study can be found, beginning around 1910, in midwestern American land-grant universities, where a strong involvement with the farm sector created a concern for agricultural markets and the processes by which products were brought to market and prices determined. The analysis was centered around commodities and the institutions involved in moving them from farm, forest, sea, mine, and factory to industrial processors, users, and consumers. Within this tradition, three separate schools evolved that focused on the *commodities* themselves, on the marketing *institutions* through which products were brought to market, especially brokers, wholesalers, and retailers in their many forms and variations (Breyer 1934; Duddy and Revzan 1953), and finally on the *functions* performed by these institutions (McGarry 1950; Weld 1917). All of these approaches tended to be descriptive rather than normative, with the functional being the most analytical and leading to the development of a conceptual framework for the marketing discipline (Bartels 1962; Rathmell 1965).

These early approaches to the study of marketing are interesting because of the relative absence of a *managerial* orientation. Marketing was seen as a set of social and economic processes rather than as a set of managerial activities and responsibilities. The institutional and functional emphasis began to change in 1948, when the American Marketing Association (1948, p. 210) defined marketing as:

> The performance of business activities directed toward, and incident to, the flow of goods and services from producer to consumer or user.

This definition, modified only very slightly in 1960, represented an important shift of emphasis. Though it grew out of the functional view, it defined marketing functions as business activities rather than as social or economic processes. The managerial approach brought relevance and realism to the study of marketing, with an emphasis on problem solving, planning, implementation, and control in a competitive marketplace.

Marketing Management

The *managerial* approach to the study of marketing evolved in the 1950s and 1960s. Several textbooks using a marketing management perspective appeared during this period (Alderson 1957; Davis 1961; Howard 1957; Kotler 1967; McCarthy 1960). These early managerial authors defined marketing management as a decision-making or problem-solving process and relied on analytical frameworks from economics, psychology, sociology, and statistics. The first marketing casebook, incorporating a managerial framework by definition, had emerged from of the Harvard Business School very early (Copeland 1920), but without any descriptive material or analytical framework to accompany the cases. Marketing management became a widely accepted business function, growing out of a more traditional sales management approach, with an emphasis on product planning and development, pricing, promotion, and distribution. Marketing research gained prominence in management practice as a vehicle for aligning the firm's productive capabilities with the needs of the marketplace. The articulation of the *marketing concept* in the mid to late 1950s posited that marketing was *the* principal function of the firm (along with innovation) because the main purpose of any business was to create a satisfied customer (Drucker 1954; Levitt 1960; McKitterick 1957). Profit was not the objective; it was the reward for creating a satisfied customer.

The managerial focus was *not* readily accepted by everyone in academic circles, nor was the marketing concept completely adopted by industry (McNamara 1972; McGee and Spiro 1988; Webster 1988). In academia, the functionalists and institutionalists held their ground well into the 1960s, stressing the value of understanding marketing institutions and functions and viewing marketing from a broader economic and societal perspective. Over the previous 50 years, a substantial body of theory and empirical knowledge had been developed and mature marketing scholars felt compelled to defend and protect it. The argument *against* the managerial point of view centered on its inability to consider the broader social and economic functions and issues associated with marketing, beyond the level of the firm. For example, the Beckman and Davidson (1962) text, built around a functionalist perspective, and the most widely used text in the field at the time, was promoted as follows: "Balanced treatment of the development and the present status of our marketing system; Conveys a broad understanding of the complete marketing process, its essential economic functions, and the institutions performing them; Strengthens the social and economic coverage of marketing in all its significant implications; Proper emphasis accorded to the managerial viewpoint" (advertisement, *Journal of Marketing*, April 1962, p. 130). It is the last phrase, "proper emphasis," that implies the criticism that the managerial approach, by itself, is incomplete.

The analytical frameworks of the new managerial approach were drawn from economics, behavioral science, and quantitative methods. The incorporation of the behavioral and quantitative sciences gave important legitimacy to marketing as a separate academic discipline. Such frameworks were consistent with the very strong thrust of the 1960s toward more rigorous approaches in management education, encouraged by two very influential foundation studies (Gordon and Howell 1959; Pierson 1959). These studies advocated education based on a rigorous, analytical approach to decision making as opposed to a descriptive, institutional approach which, it was argued, should be held to "an irreducible minimum" (Gordon and Howell 1959, p. 187). The managerial perspective became the dominant point of view in marketing texts and journals, supported by management science and the behavioral sciences.

Marketing as an Optimization Problem

Scholars on the leading edge of marketing responded with enthusiasm to the call for greater analytical rigor. At the root of most of the new managerial texts and the evolving research literature of marketing science was the basic microeconomic paradigm, with its emphasis on profit maximization (Anderson 1982). The basic units of analysis were transactions in a competitive market and fully integrated firms controlling virtually all of the factors of production (Arndt 1979; Thorelli 1986). Market transactions connected the firm with its customers and with other firms (Johnston and Lawrence 1988).

Analysis for marketing management focused on demand (revenues), costs, and profitability and the use of traditional economic analysis to find the point at which marginal cost equals marginal revenue and profit is maximized. Behavioral science models were used primarily to structure problem definition, helping the market researcher to define the questions that are worth asking and to identify important variables and the relationships among them (Massy and Webster 1964). Statistical analysis was used to manipulate the data to test the strength of the hypothesized relationships or to look for relationships in the data that had not been hypothesized directly.

The application of formal, rigorous analytical techniques to marketing problems required specialists of various kinds. Marketing departments typically included functional specialists in sales, advertising and promotion, distribution, and marketing research, and perhaps managers of customer service, marketing personnel, and pricing. Early organizational pioneers of professional marketing departments included the consumer packaged goods companies with brand management systems, such as Procter & Gamble, Colgate-Palmolive, General Foods, General Mills, and Gillette. In other companies, the marketing professionals were concentrated at the corporate staff level in departments of market research and operations research or management science. Examples of the latter include General Electric, IBM, and RCA. Large, full-service advertising agencies built strong research departments to support their national advertiser account relationships. Other large firms, such as Anheuser-Busch and General Electric, also entered into research partnerships with university-based consulting organizations.

Such specialized and sophisticated professional marketing expertise fit well into the strategy, structure, and culture of large, divisionalized, hierarchical organizations.

The Large, Bureaucratic, Hierarchical Organization

When we think of marketing management, we think of large, divisionalized, functional organizations—the kind depicted by the boxes and lines of an organization chart. The large, bureaucratic, hierarchical organization, almost always a corporation in legal terms, was the engine of economic activity in this country for more than a century (Miles and Snow 1984). It was characterized by multiple layers of management, functional specialization, integrated operations, and clear distinctions between line and staff responsibilities. It had a pyramid shape with increasingly fewer and more highly paid people from the bottom to the top.

The larger the firm, the more activities it could undertake by itself and the fewer it needed to obtain by contracting with firms and individuals outside the organization. The logic of economies of scale equated efficiency with size. The epitome of the fully integrated firm was the Ford Motor Company, and most notably its River Rouge plant, which produced a single, standardized product, the Model A. Ford-owned lake steamships docked at one end of the plant with coal and iron ore (from Ford's own mines) and complete automobiles and tractors came out at the other end. Molten iron from the blast furnaces was carried by ladles directly to molds for parts, bypassing the costly pig iron step. Waste gases from the blast furnaces became fuel for the power plant boilers, as did the sawdust and shavings from the body plant. Gases from the coking ovens provided process heat for heat-treatment and paint ovens (Ford 1922, p. 151–153). Elsewhere, Ford owned sheep farms for producing wool, a rubber plantation in Brazil, and its own railroad to connect its facilities in the Detroit region (Womack, Jones, and Roos 1991, p. 39). Integration required large size. Large size begat low cost.

Large, hierarchical, integrated corporate structures were the dominant organization form as the managerial approach to marketing developed in the 1950s and 1960s, and firms created marketing departments, often as extensions of the old sales department. Such large organizations moved deliberately, which is to say slowly, and only after careful analysis of all available data and options for action. The standard microeconomic profit maximization paradigm of marketing management fit well in this analytical culture. Responsible marketing management called for careful problem definition, followed by the development and evaluation of multiple decision alternatives, from which a course of action would ultimately be chosen that had the highest probability, based on the analysis, of maximizing profitability.

When the world was changing more slowly than it is today, such caution was wise in terms of preserving valuable assets that had been committed to clearly defined tasks, especially when those assets were huge production facilities designed for maximum economies of scale in the manufacture of highly standardized products. The task of the marketing function was first to develop a thorough understanding of the marketplace to ensure that the firm was producing goods and services required and desired by the consumer. With an optimal product mix in place, the marketing function (through its sales, advertising, promotion, and distribution subfunctions) was responsible for generating demand for these standardized products, for creating consumer preference through mass and personal communications, and for managing the channel of distribution through which products flowed to the consumer. Sound marketing research and analysis provided support for conducting these activities most efficiently and effectively, for testing alternative courses of action in each and every area.

Marketing as a management function tended to be centralized at the corporate level well into the 1970s. Marketing organizations were often multitiered, with more experienced senior managers reviewing and coordinating the work of junior staff and relating marketing to other functions of the business, especially through the budgeting and financial reporting process. Corporate centralization allowed the development of specialized expertise and afforded economies of scale in the purchase of marketing services such as market research, advertising, and sales promotion. It also permitted tighter control of marketing efforts for individual brands and of sales efforts across the entire national market. This arrangement began to change in the late 1970s and into the 1980s as the concept of the strategic business unit (SBU) gained widespread favor and corporate managements pushed operating decisions, and profit and loss responsibility, out to the operating business units. Though marketing became a more decentralized function in many large companies, it is not clear that the result was always heightened marketing effectiveness.

The larger the organization, the larger the number of managers, analysts, and planners who were not directly involved in making or selling products. The burden of administrative costs, mostly in the form of salaries for these middle layers of management, became an increasing handicap in the competitive races that shaped up in the global marketplace of the 1970s and 1980s. More and more organizations found it necessary to downsize and delayer, some through their own initiative and many more through threatened or actual acquisition and restructuring by new owners whose vision was not clouded by the continuity of experience. Global competition resulted in increasingly better product performance at lower cost to the customer. Rapid advances in telecommunications, transportation, and information processing broadened the choice set of both industrial buyers and consumers to the point that a product's country of origin was relatively unimportant and geographic distance was seldom a barrier, especially in areas where non-American producers had superior reputations for quality, service, and value. In most American industries, companies had little choice but to reduce costs through reorganization and restructuring of assets, as well as through technological improvements in products and manufacturing processes.

The Organizational Response

During the 1980s, new forms of business organization became prominent features of the economic landscape. Even before the forces of global competition became clearly visible, there was a trend toward more flexible organization forms, forms that are difficult to capture with a traditional organization chart (Miles and Snow 1984, 1986; Powell 1990; Thorelli 1986). The new organizations emphasized partnerships between firms; multiple types of ownership and partnering within the organization (divisions, wholly owned subsidiaries, licensees, franchisees, joint ventures, etc.); teamwork among members of the organization, often with team members from two or more cooperating firms; sharing of responsibility for developing converging and overlapping technologies; and often less emphasis on formal contracting and managerial reporting, evaluation, and control systems. The best visual image of these organizations may be a wheel instead of a pyramid, where the spokes are "knowledge links" between a core organization at the hub and strategic partners around the rim (Badaracco 1991). These forms were pioneered in such industries as heavy construction, fashion, weapon systems contracting, and computers, where markets often span geographic boundaries, technology is complex, products change quickly, and doing everything yourself is impossible. Such organizations today are found in businesses as diverse as glass, chemicals, hospital supplies, book publishing, and tourism.

These confederations of specialists are called by many names including "networks" (Miles and Snow 1986; Thorelli 1986), "value-adding partnerships" (Johnston and Lawrence 1988), "alliances" (Ohmae 1989), and "shamrocks" (Handy 1990). All are characterized by flexibility, specialization, and an emphasis on relationship management instead of market transactions. They depend on administrative processes but they are not hierarchies (Thorelli 1986); they engage in transactions within ongoing relationships and they depend on negotiation, rather than market-based processes, as a principal basis for conducting business and determining prices, though market forces almost always influence and shape negotiation. The purpose of these new organization forms is to respond quickly and flexibly to accelerating change in technology, competition, and customer preferences.

Types of Relationships and Alliances

There is no strong consensus at the present time about the terminology and typology for describing the new organization forms. However, some important distinctions among types of relationships and alliances are necessary before we can consider the role of marketing within them. We can think of a continuum from pure transactions at one end to fully integrated hierarchical firms at the other end (Figure 1). As we move along this continuum, we see that firms use more administrative and bureaucratic control and less market control in the pursuit of economic efficiency. One step away from pure transactions is repeated transactions between buyer and seller. The next step is a long-term relationship that is still adversarial and depends heavily on market control. Then comes a real partnership, in which each partner approaches total dependence on the other in a particular area of activity and mutual trust replaces the adversarial assumptions. Prices are now determined by negotiation, subject to some market pressures, rather than by the market itself. The next step is strategic alliances, which are defined by the formation of a new entity such as a product development team, a research project, or a manufacturing facility, to which both parties commit resources and which serves clear strategic purposes for both. Joint ventures, resulting in the formation of a new firm, are the epitome of strategic alliances. Like their parents, joint ventures are fully integrated firms with their own capital structures, something that other forms of strategic alliance lack. Network organizations are the corporate structures that result from multiple relationships, partnerships, and strategic alliances.

We can now consider how the role of the marketing function changes in the focal firm as we move along the continuum from transactions to network organizations.

Markets and Transactions

The starting point of this analysis is a *transaction* between two economic actors in the competitive marketplace. In a pure *market* form of economic organization, all activity is conducted as a set of discrete, market-based transactions and virtually all necessary information is contained in the price of the product that is exchanged. The marketing job is simply to find buyers.

In the traditional microeconomic profit-maximization paradigm, the firm engages in market transactions as necessary to secure the resources (labor, capital, raw materials, etc.) it requires for the production of the goods and services it sells in the competitive marketplace. Each transaction is essentially independent of all other transactions, guided solely by the price mechanism of the free, competitive market as the firm seeks to buy at the lowest available price.

In addition to the costs associated with the price paid, however, there are costs associated with the transaction itself, what Coase (1937, p. 390) called the "cost of using the price mechanism." These costs include the costs of discovering what the relevant prices are, of negotiating and contracting, and of monitoring supplier performance, including quality and quantity of goods delivered. For Coase, the problem was to explain why, given these "marketing costs" (as he

FIGURE 1
The Range of Marketing Relationships

1 TRANSACTIONS → 2 REPEATED TRANSACTIONS → 3 LONG-TERM RELATIONSHIPS →

4 BUYER-SELLER PARTNERSHIPS (MUTUAL, TOTAL DEPENDENCE) → 5 STRATEGIC ALLIANCES (INC. JOINT VENTURES) → 6 NETWORK ORGANIZATIONS → 7 VERTICAL INTEGRATION

called them, p. 394, *not* "transactions costs," the phrase we use today), the firm did not internalize virtually all exchanges of value rather than depending on the competitive market. Coase proposed that the reason is that costs are also associated with internal performance of value-creation activities, including decreasing returns to the entrepreneurial function and misallocation of resources to activities in which the firm is incapable of creating value to the same extent as a specialist. It is worth noting that this suggestion, stated in an article published in 1937, is very similar to the notion of "distinctive competency" that appeared in the strategy literature more than 50 years later (Prahalad and Hamel 1990).

Pure transactions are rare, though they mark the beginning of the continuum for thinking about types of relationships and alliances and provide a useful starting point for theoretical analysis. In fact, throughout the 1970s, the marketing literature emphasized transactions as a central construct and the basic unit of analysis for the marketing discipline (Bagozzi 1975). Some authors even advocated a definition of a transaction that included *any* exchange of value between two parties, thus broadening the concept of marketing to include virtually all human interaction (Kotler and Levy 1969). A pure transaction is a one-time exchange of value between two parties with no prior or subsequent interaction. Price, established in the competitive marketplace, contains all of the information necessary for both parties to conclude the exchange. In a pure transaction, there is no brand name, no recognition of the customer by the seller, no credit extension, no preference, no loyalty, and no differentiation of one producer's output from that of another.

Most transactions in fact take place in the context of ongoing relationships between marketers and customers. Nonetheless, there has been a long-standing and clear tendency for marketing practice and theory to focus on the sale, the single event of a transaction, as the objective of marketing activity and the dependent variable for analysis. This emphasis on single transactions fits well with the profit-maximization paradigm and the related analytical techniques of optimization. There is no need to consider people or social processes when the units of analysis are products, prices, costs, firms, and transactions.

Repeated Transactions—The Precursors of a Relationship

One step along the continuum from a pure transaction is the repeated, frequent purchase of branded consumer packaged goods and some industrial components, maintenance, and operating supplies. In the marketing of such products, advertising and sales promotion are key activities and each brand spends aggressively to try to win the customer's preference, loyalty, and repeat purchase. Marketing's role is to guide product differentiation and to create preference and loyalty that will earn higher prices and profits. Direct contact between customers and the marketer is unlikely. The sale is the end result of the marketing process and, though repeat purchases are important to the economics of advertising and sales promotion activity, there is no meaningful, ongoing relationship between company and customer. Even here, however, the presence of brand loyalty and repeat purchase means we have moved beyond a pure transaction. The rudiments of trust and credibility are present, which can be the foundations of a relationship. Consumers simply find it easier and more convenient to shop in the same store and to buy a familiar brand, thus minimizing the time and effort needed to obtain and process information about different alternatives. Consumers can negotiate more favorable terms of sale from a vendor who is attracted to the possibility of future transactions with them. Relationships make transactions more cost efficient.

The importance of *relationships* in marketing is more clearly seen in industrial markets, though it is now also better understood in consumer markets as resellers have gained increased power and as information technology has put individual consumers in more direct contact with resellers and manufacturers. Interactive databases are making relational marketing a reality for consumer goods. For products such as consumer durable goods, whose benefits are derived over a long period of time rather than being consumed in a single use and for which after-sale service is often required, there is an ongoing relationship with the customer, though responsibility for the relationship is often an issue and a source of conflict between customer, reseller, and manufacturer.

As an historical footnote, Henry Ford never had any doubt on this question. He wrote, "When one of my cars breaks down I know I am to blame" (Ford 1922, p. 67) and "A manufacturer is not through with his customer when a sale is completed. He has then only started with his customer. In the case of an automobile the sale of the machine is only something in the nature of an introduction" (p. 41). Likewise, L. L. Bean's original promise to his customers 80 years ago, what he called his Golden Rule, is now held up as a standard for others to follow:

> Everything we sell is backed by a 100% guarantee. We do not want you to have anything from L. L. Bean that is not completely satisfactory. Return anything you buy from us at any time for any reason if it proves otherwise.

These quotations help to underscore the fact that relationship marketing is not new in management thinking. However, there appears to have been a fairly long period of time when it was not a top priority for most companies, and it was not part of the basic conceptual structure of the field as an academic discipline.

Long-Term Relationships

In industrial markets, buyer-seller relationships have typically involved relatively long-term contractual commitments, but even here the relationship was often arm's-length and adversarial, pitting the customer against the vendor in a battle focused on low price. It was common practice for a buyer to maintain a list of qualified vendors who would be invited to submit bids for a particular procurement on a product with specifications drawn in a way to attract maximum competition (Corey 1978; Spekman 1988).

The importance of managing these buyer-seller relationships as strategic assets began to be recognized in the marketing literature of the 1980s (Jackson 1985; Webster 1984). Jackson proposed that industrial marketers characterize firms as either transaction or relationship customers and scale the commitment of resources accordingly. In these longer term buyer-seller relationships, prices are an outcome of a negotiation process based on mutual dependence, not determined solely by market forces, and quality, delivery, and technical support become more important. Competitive forces in the global marketplace of the 1980s forced many firms to move significantly along the continuum from arm's-length relationships with vendors and customers to much stronger partnerships characterized by much greater interdependence. In traditional manufacturing businesses such as those in the automobile industry, the world was changing so fast that the standard ways of doing business were passé.

In the 1980s, the automobile industry became the bellwether for new forms of relationship with industrial suppliers (Womack, Jones, and Roos 1991), and it is instructive to look briefly at the auto business specifically. Ford's River Rouge plant was an exception to the way the industry organized production. Ford got into trouble soon after the plant was opened as Alfred Sloan's General Motors began to offer consumers a much wider range of models, colors, and features, and the Model A fell from favor with customers. GM depended heavily on other vendors, including its own wholly owned but independent subsidiaries such as Harrison Radiator, AC Spark Plug, and Saginaw Steering (Womack, Jones, and Roos 1991, p. 138–139), for almost 70% of the value of production. The automobile manufacturers for decades had depended on thousands of vendors, with many vendors for each item, in a system that was fundamentally and intentionally adversarial. Relationships were short-term. Suppliers were adversaries for their customers, competing for an "unfair" share of the economic value created by the use of their products in the customer's manufacturing process. They fought over price. Competition among vendors, through systems of competitive bidding around extremely tight product specifications, was the method by which vendor greed and opportunism were controlled. The largest share of the business usually went to the vendor with the lowest price, though several others were given smaller shares to keep them involved, to keep pressure on the low price supplier, and to provide alternative sources of supply in the event of delivery or quality problems. Incoming inspection was the key step in quality control and reject rates tended to be high.

Mutual, Total-Dependence Buyer-Seller Partnerships

Global competitors saw an opportunity in all of this. The Japanese manufacturers, in particular, striving to compete in the North American market thousands of miles from home, had learned a valuable lesson: quality does not just sell better, *it also costs less*. Designing products for manufacturability as well as performance and doing it right the first time costs less than detecting and removing defects later. Quality and low cost depend heavily on a system of strategic partnerships with a small number of vendors that are incorporated in the early stages of product development, a pattern of cooperation virtually unknown in the adversarial sourcing systems of the U.S. manufacturers (Womack, Jones, and Roos 1991). Japanese *kanban* or *just-in-time* systems provided a new model for American manufacturers: reliance on one or a few vendors for a particular part who promise to deliver 100% usable product, usually in quantities just sufficient for one eight-hour production shift, on an incredibly tight schedule whereby trucks must arrive within a very few minutes of the programmed time. Higher quality and lower inventory costs and other related costs resulted from total reliance on a network of sole-source vendors in a system of total interdependence (Frazier, Spekman, and O'Neal 1988).

Firms in the American automobile industry studied their Japanese competitors and attempted to incorporate the lessons learned in their management of procurement and relationships with vendors. The rest of America began to learn from what was happening in the automobile industry, as well as in telecommunications, computers, office equipment, and other fields. American marketers began to see the necessity of moving away from a focus on the individual sale, the transaction as a conquest, and toward an understanding of the need to develop long-term, mutually supportive relationships with their customers. Many of America's premier industrial firms such as GE, IBM, DuPont, Monsanto, and Honeywell restructured themselves around the fundamental concept of strategic customer partnerships with customers such as

American Airlines, Ford, Milliken, Procter & Gamble, and the federal government.

Another Japanese institution, the *keiretsu*, provides yet another model that is shaping the new American organizational landscape (Gerlach 1987). *Kanban* systems depend on the close relationship of suppliers and subcontractors within the *keiretsu*. In many respects, the *keiretsu* are the predecessors of the networks and alliances now emerging in the Western world (not to mention the obvious fact that many alliance partners are, in fact, Japanese firms). The *keiretsu* are complex groupings of firms with interlinked ownership and trading relationships. They are neither formal organizations with clearly defined hierarchical structures nor impersonal, decentralized markets. They are bound together in long-term relationships based on reciprocity. The trading partners may hold small ownership positions in one another, but primarily to symbolize the long-term commitment of the relationship rather than strictly for financial gain. A key outcome of this arrangement is great stability in these long-term relationships. Such stability contributes to a sharing of information among the companies and promotes aggressive, long-term growth policies (Gerlach 1987). The experience of Japanese managers with *keiretsu* and similar forms of interfirm cooperation is a major reason for their greater skill and comfort level in the management of strategic alliances in comparison with American managers (Montgomery and Weiss 1991).

Strategic Alliances

In some cases, the partnership between a supplier and its customer takes the form of an entirely new venture, a true strategic alliance. One of the essential features of a true strategic alliance is that it is intended to move each of the partners toward the achievement of some long-term, *strategic*, goal. This strategic objective is one distinguishing feature that separates strategic alliances from previous forms of interfirm cooperation. According to Devlin and Bleakley (1988, p. 18), "Strategic alliances take place in the context of a company's long-term strategic plan and seek to improve or dramatically change a company's competitive position." This definition of strategic alliances, with its emphasis on improving a firm's competitive position, supports the notion that they are an important *marketing* phenomenon. Another important characteristic of strategic alliances is shared objectives and a commitment of resources by both parties.

There are multiple types of strategic alliances; virtually all are within the theoretical domain of marketing as they involve partnerships with customers or resellers or with real or potential competitors for the development of new technology, new products, and new markets. Some are new ventures formed between vendors and customers to ensure a smooth flow of raw materials, components, or services into the customers' manufacturing operations. Others are formed between potential competitors in order to cooperate in the development of related or convergent technologies, in the development of a new product or class of products, or in the development of a new market. Some alliances are formed between manufacturers and resellers. All strategic alliances are collaborations among partners involving the commitment of capital and management resources with the objective of enhancing the partners' competitive positions. Strategic alliances are much closer to the *hierarchy* end of the transactions (market)–hierarchy continuum, but they stop short of internalizing the functions within the firm itself. Instead, they create a separate entity to be managed by bureaucratic and administrative controls.

Joint Ventures

Joint ventures, as the term is used here, are only one kind of strategic alliance, though the terms are often used interchangeably. The unique feature of a joint venture is that a new firm is created, with its own capital structure, as well as the sharing of other resources. Joint ventures are typically established to exist in perpetuity, though the founding partners may subsequently change their ownership participation. Other types of strategic alliances, such as a product development project, have a finite life by definition. In fact, this finiteness with its inherent flexibility is one of the advantages of strategic alliances in comparison with more traditional organization forms. Interestingly, the joint venture soon faces all of the problems of its parent firms in terms of creating multiple partnerships and alliances and determining its core competence and its unique positioning in the value chain between vendors and customers.

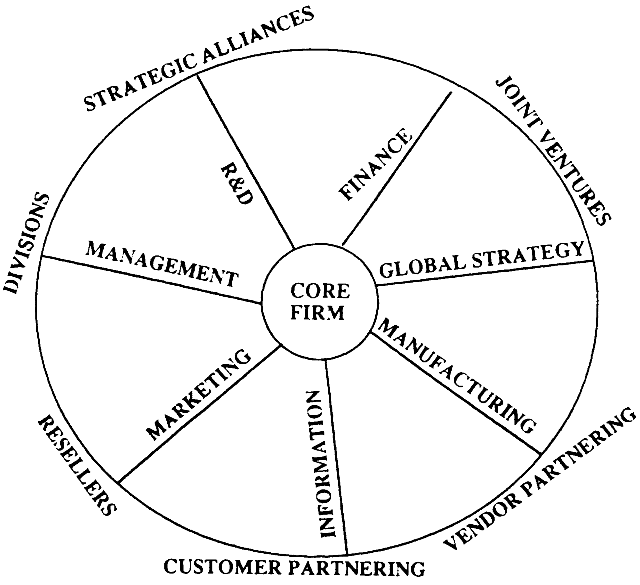
Networks

Networks are the complex, multifaceted organization structures that result from multiple strategic alliances, usually combined with other forms of organization including divisions, subsidiaries, and value-added resellers. (Some authors have mistakenly used the terms "strategic alliances" and "networks" interchangeably.) The alliances are the individual agreements and collaborations between partners, such as Ford and Mazda in the creation of the new Escort and Explorer automobiles or General Motors and Toyota in the formation of the NUMMI joint venture. General Motors, though still a classic example of a traditional, hierarchical, bureaucratic, multidivisional organization and currently in the throes of a major downsizing (Taylor 1992), is evolving toward a network organization with multiple joint-venture partners including global competitors Toyota, Daewoo, Volvo, Suzuki, and Isuzu, as well as a host of strategic partnerships with vendors. Ford likewise has a large number of partnerships and alliances and is evolving into a network organization.

The basic characteristic of a network organization is *confederation*, a loose and flexible coalition guided from a hub where the key functions include development and management of the alliances themselves, coordination of financial resources and technology, definition and management of core competence and strategy, developing relationships with customers, and managing information resources that bind the network. In the context of the network organization, marketing is the function responsible for keeping all of the partners focused on the customer and informed about competitor product offerings and changing customer needs and expectations.

James Houghton, Chairman of Corning, Incorporated, for example, describes his company as a network with alliances as a key part of its structure (Houghton 1989). At the hub of the wheel (Figure 2) is a set of functional specialities such as contract negotiation, legal services, and financial coordination that provide the linkages that bind together technology, shared values, and shared resources. The center is also responsible for establishing priorities and managing the linkages that define the network; information management is a central strategic function and information technology has been a key facilitator of these new organizational forms. Another key responsibility of the center is to define, develop, and maintain the core competencies that are at the heart of the firm's ability to compete successfully in the global

FIGURE 2
Network Organizations



marketplace (Prahalad and Hamel 1990). In fact, one of the key core competencies of a network organization may be the ability to design, manage, and control strategic partnerships with customers, vendors, distributors, and others.

There is an interesting paradox here: in the move toward strategic alliances, even the largest firms become more focused and specialized in their core activities. They realize that there is an increasingly smaller set of activities that represent true distinctive competence on their part. The trick is to avoid trying to do everything, especially the things they cannot do well, and to find other firms that also need a partner that *can* do the things the large firm does best. Strategic alliances become a primary tool in developing the firm's core competence and competitive advantage.

Instead of vertical integration being the preferred model, the network paradigm is built around the assumption that small is better, that each part or process or function should be the responsibility of a specialized, independent entity, efficiently organized and managed, that has world class competence. Across the board—for all factors of production including parts and subassemblies, services such as transportation and maintenance, and professional marketing services such as marketing research, some selling functions, and most distribution functions—the bias has shifted from "make" to "buy," from ownership to partnership, from fixed cost to variable cost, but in the context of stable, long-term relationships. A firm must define ever more narrowly those core competencies to which it will devote scarce resources in order to develop new knowledge and skills. For all other areas, it must depend on strategic partners who have placed their own focused bets in the game of becoming world class competitors.

IBM is another example of a firm that is reinventing itself as a network organization. As one of the first steps in this direction, the personal computer was designed over a long weekend by an IBM management taskforce gathered informally at a Florida retreat. Actual manufacturing relied on a network of hardware and software suppliers for all components. Besides the design work, IBM's own contribution to the manufacturing process was an assembly plant and several minutes of assembly and testing time per machine. Gradually, some of the vendor partnerships and alliances were terminated as IBM brought some manufacturing activities back into the firm. Subsequently, IBM committed itself to "open architecture," making IBM's technology widely available to all software writers who wanted to develop applications programs, in recognition of the fact that not even IBM had the resources necessary to do the job of writing software for thousands of distinct applications segments. (Some observers have argued that open architecture and reliance on outside vendors meant that IBM itself no longer had any distinctive competitive advantage of its own.) Most recently, IBM has announced a major strategic alliance with Apple Computer and a substantial downsizing and restructuring into a set of more autonomous, independent businesses (Carey and Coy 1991). A key strategic issue for IBM management is to define the set of skills and resources that represent the distinctive competencies of IBM *per se* and a set of technical and strategic challenges and opportunities that require the scope and scale of an IBM.

To sum up, there is a clear evolution away from arm's-length transactions and traditional hierarchical, bureaucratic forms of organization toward more flexible types of partnerships, alliances, and networks. Within these new types of organizations, traditional ways of organizing the marketing function and of thinking about the purpose of marketing activity must be reexamined, with focus on long-term customer relationships, partnerships, and strategic alliances.

Redefining Marketing's Role

From an academic or theoretical perspective, the relatively narrow conceptualization of marketing as a profit-maximization problem, focused on market transactions or a series of transactions, seems increasingly out of touch with an emphasis on long-term customer relationships and the formation and management of strategic alliances. The intellectual core of marketing management needs to be expanded beyond the conceptual framework of microeconomics in order to address more fully the set of organizational and strategic issues inherent in relationships and alliances. In focusing on relationships—though we are still talking about buying and selling, the fundamental activities of interest to marketing—we are now considering phenomena that have traditionally been the subject of study by psychologists, organizational behaviorists, political economists, and sociologists. The focus shifts from products and firms as units of analysis to people, organizations, and the social processes that bind actors together in ongoing relationships.

In the following sections, the changing role of marketing within the organization is examined more closely. Then suggestions are made for how the conceptual base of marketing must be expanded. Finally, some implications for management action are discussed and suggestions are made for the research areas that should be given highest priority if marketing's knowledge and theory base is to address the most important issues facing managers and organizations.

In the new organization environment, the marketing function as we know it is undergoing radical transformation and, in some cases, has disappeared altogether as a distinct management function at the corporate level. Just as the distinction between the firm and its market environment (both suppliers and customers) becomes blurred in network organizations built around long-term strategic partnerships, so do traditional functional boundaries within the firm become less distinct.

To consider the new role of marketing within the evolving corporation, we must recognize that marketing really operates at three distinct levels, reflecting three levels of strategy. These can be defined as the corporate, business or SBU, and functional or operating levels (Boyd and Walker 1990; Hofer and Schendel 1978). Much of the confusion over the years about a definition of marketing and an understanding of the marketing concept can be traced to a failure to make these distinctions (Houston 1986; McGee and Spiro 1988; McNamara 1972: Shapiro 1988). One of the results of the movement toward new organizational forms will be to make these distinct roles more explicit.

In addition to the three levels of strategy, we can identify three distinct dimensions of marketing—marketing as *culture*, marketing as *strategy*, and marketing as *tactics*. Though each marketing dimension is found at each level of strategy, the emphasis accorded the separate dimensions of marketing varies with the level of strategy and the level within the hierarchy of the organization.

Marketing as culture, a basic set of values and beliefs about the central importance of the customer that guide the organization (as articulated by the marketing concept), is primarily the responsibility of the corporate and SBU-level managers. Marketing as strategy is the emphasis at the SBU level, where the focus is on market segmentation, targeting, and positioning in defining how the firm is to compete in its chosen businesses. At the operating level, marketing managers must focus on marketing tactics, the "4Ps" of product, price, promotion, and place/distribution, the elements of the marketing mix. Each level of strategy, and each dimension of marketing, must be developed in the context of the preceding level. As we move down the levels of strategy, we move from strategy formulation to strategy implementation.

At the Corporate Level: Market Structure Analysis, Customer Orientation and Advocacy, and Positioning the Firm in the Value Chain

At the corporate level, the strategic problem is to define what business the company is in and to determine the mission, scope, shape, and structure of the firm. Increasingly, firms are paying specific attention to the question of firm scope and shape, as seen in the decision to enter into strategic alliances. In other words, the question of whether to depend on markets, long-term relationships, strategic alliances, or integrated multifunctional hierarchy is seen to require specific management analysis and judgment. The first order of business in the strategic puzzle, then, is to determine the firm's position in the value chain: What will it buy? What will it make? What will it sell? These decisions require careful assessment of the firm's distinctive competencies (Prahalad and Hamel 1990) and a decision to focus on the things the firm does best. As mentioned previously, this is the question raised theoretically in 1937 by Ronald Coase, whose work received the Nobel Prize in Economics in 1991: When should the firm depend on outside suppliers and when should it perform activities and functions internally? Today's analysis permits consideration of a much more flexible set of organization forms—relationships and alliances of various kinds.

At this level of strategy, the role of marketing is threefold: (1) to assess market attractiveness by analyzing customer needs and requirements and competitive offerings in the markets potentially available to the firm, and to assess its potential competitive effectiveness, (2) to promote customer orientation by being a strong advocate for the customer's point of view versus that of other constituencies in management decision making, as called for by the marketing concept (Anderson 1982), and (3) to develop the firm's overall value proposition (as a reflection of its distinctive competence, in terms reflecting customer needs and wants) and to articulate it to the marketplace and throughout the organization. A major function of the statement of mission, distinctive competence, and overall value proposition is to make clear what the firm will *not* do, as well as what it will do as stated by corporate objectives and goals. At the corporate level, marketing managers have a critical role to play as advocates, for the customer and for a set of values and beliefs that put the customer first in the firm's decision making, and to communicate the value proposition as part of that culture throughout the organization both internally and in its multiple relationships and alliances.

In network organizations, the marketing function has a unique role that is different from its role in traditional hierarchical structures—to help design and negotiate the strategic partnerships with vendors and technology partners through which the firm deploys its distinctive competence to serve particular market opportunities. Thus, marketing may be involved in relationships with vendors at least as much as, if not more than, relationships with customers as part of the process of delivering superior value to customers. Negotiating skills traditionally associated with managing major customer accounts may be equally valuable in managing vendor relationships. Some firms are already moving managers between sales/marketing and procurement responsibilities, recognizing the transferability of these skills.

At the Business (SBU) Level: Market Segmentation and Targeting, Positioning the Product, and Deciding When and How to Partner

At the business unit or SBU level, the key strategy question is *how* to compete in the firm's chosen businesses. This level of competitive strategy is developed by managers in the individual business units. Business strategy is based on a more detailed and careful analysis of customers and competitors and of the firm's resources and skills for competing in specific market segments (Day and Wensley 1988). The key outcomes of this planning process are market segmentation, market targeting, and positioning in the target segments. A trend of the last decade was to delegate more of the strategic planning process from corporate headquarters out to the individual business units, helping to clarify the distinction between corporate and business-level strategy. These planning activities were historically associated with marketing strategy at the corporate level in hierarchical organizations. Clearly, in network organizations, these responsibilities devolve to the business unit level. In fact, at the SBU level, the distinction between marketing and strategic planning can become blurred; in some firms these functions are likely to be performed by the same people.

In network organizations, marketing managers at the business unit level also have a new responsibility for deciding which marketing functions and activities are to be purchased in the market, which are to be performed by strategic partners, and which are to be performed internally. This responsibility applies to the whole range of professional services (marketing research, telemarketing, advertising, sales promotion, package design, etc.) as well as to suppliers of raw materials, components, and subassemblies and to resellers. When is a vendor merely a vendor and when is it a strategic partner committed to a mutually dependent long-term relationship in delivering solutions to customer problems? Similar questions must be asked about channel members. In a customer-oriented company, committed to the marketing concept at the corporate level, marketing management at the business unit level has a critical role in guiding the analysis that leads to answers to these questions. In all cases, the answer will be that which enables the business to deliver superior value to customers in comparison with its competitors. It is the unique characteristic of network organizations that these questions are asked and that the organization form—transaction versus relationships versus hierarchy—remains flexible, depending on what the market requires. In this sense, network organizations are by definition "market-driven" and represent a maturation of the marketing concept.

At the Operating Level: The Marketing Mix and Managing Customer and Reseller Relationships

At the operating or tactical level, we are back on the more familiar ground of the marketing mix—decisions about products, pricing, promotion, and distribution that implement the business strategy. This is the level of strategy normally called "functional strategy," and in our case "*marketing* strategy," as distinct from corporate and business strategies. It, too, is the responsibility of business-level managers, but at the operating level it is delegated to functional specialists, the marketing managers. This is where the tools of management science and the optimization paradigm apply, as the business attempts to allocate its financial, human, and production resources to markets, customers, and products in the most productive fashion. But even here, marketing is taking on a new form, in both consumer goods and industrial products and services companies, as market forces compel companies to do a more thorough job of responding to customer needs and developing long-term customer relationships.

Regis McKenna, a popular marketing consultant and writer, has described well the new requirements for the marketing function (at both the SBU and operating levels) in a recent *Harvard Business Review* article (McKenna 1991, p. 148):

> The marketer must be the integrator, both internally—synthesizing technological capability with market needs—and externally—bringing the customer into the company as a participant in the development and adaptation of goods and services. It is a fundamental shift in the role and purpose of marketing: from manipulation of the customer to genuine customer involvement; from telling and selling to communicating and sharing knowledge; from last-in-line function to corporate-credibility champion. . . .
>
> The relationships are the key, the basis of customer choice and company adaptation. After all, what is a successful brand but a special relationship? And who better than a company's marketing people to create, sustain, and interpret the relationship between the company, its suppliers, and its customers?

For firms like Corning and IBM that are redefining themselves as networks of strategic alliances, the key activities in the core organization have to do with strategy, coordination, and relationship management. These activities are essentially knowledge-based and involve the management of information. CEOs manage "the central cores of worldwide webs of product and knowledge links" (Badaracco 1991, p. 148).

To summarize, there is a clear evolution toward entirely new forms of organization for conducting business affairs in the global marketplace and it requires reconceptualization of the role of the marketing function within the organization. In the traditional view, the firm was a distinct entity whose borders were defined by an organization chart, which clearly delineated the boundary between the firm and the external environment. The external environment consisted of markets, in which firms engaged in transactions with vendors for the resources needed to conduct their affairs and with customers who purchased their products and services. The fundamental difference in the new economic order is that *this clear distinction between firms and markets, between the company and its external environment, has disappeared* (Badaracco 1991). It is highly significant, for example, that the management of General Electric Company, the sixth largest American firm in terms of sales and assets, and the country's leading exporter after Boeing, has articulated a vision of GE as "a boundary-less company" for the 1990s. According to the 1990 GE Annual Report:

> In a boundary-less company, suppliers aren't "outsiders." They are drawn closer and become trusted partners in the total business process. Customers are seen for what they are—the lifeblood of a company. Customers' vision of their needs and the company's view become identical, and every effort of every man and woman in the company is focused on satisfying those needs.
>
> In a boundary-less company, internal functions begin to blur. Engineering doesn't design a product and then "hand if off" to manufacturing. They form a team, along with marketing and sales, finance, and the rest. Customer service? It's not somebody's job. It's everybody's job.

Clearly, evolving organization forms, emphasizing flexibility in responding to changing customer needs, create new definitions of marketing's role and responsibilities. We have examined how these new responsibilities differ at the corporate, business, and operating levels. In each instance, the new emphasis on long-term relationships and ongoing assessment of which functions and activities to purchase, to perform internally, or to engage in with a strategic partner creates new dimensions to the marketing task. These new responsibilities and tasks cannot be well understood by using only the traditional profit-maximizing optimization framework that has been the core of marketing theory for the past four decades.

The Need for an Expanded Conceptual Framework

The marketer must manage three sets of relationships—with customers, with suppliers, and with resellers. In both industrial buyer-seller relationships and in manufacturer-reseller relationships, we are talking about *interorganizational* relationships. In the microeconomic paradigm, the units of analysis are products, prices, firms, and transactions. In the new world of marketing management, we must also look at people, processes, and organizations.

Marketing scholars face two mandates for the 1990s. The first is to develop an expanded view of the marketing function within the firm, one that specifically addresses the role of marketing in firms that go to market through multiple partnerships and that is sensitive to the multiple levels of strategy within the organization. The second is to develop a base of empirical research that broadens our understanding of the forces leading to the development of long-term customer relationships, strategic partnerships with vendors, alliances for the codevelopment of technologies, and the issues involved in creating, managing, and dissolving these partnerships over time. Whereas the historical marketing management model has depended most heavily on economics, statistics, mathematics, psychology, and social psychology, the broadened view of the marketing function calls for work that spans the disciplines of political economy, organizational psychology, legal analysis, political science (government), and cultural anthropology.

In contrast to the microeconomic paradigm and its emphasis on prices, the political economy paradigm is better suited to understanding these firm-to-firm relationships. This is the argument first presented by Johan Arndt in articles published in 1979, 1981, and 1983. The political economy paradigm looks at marketing organizations as social systems—"dynamic, adapting, and internally differentiated. Important dimensions of marketing behavior are authority and control patterns, distributions of power, conflict and conflict management, and external and internal determinants of institutional change" (Arndt 1983, p. 52). Political economy has obvious potential to help us understand the role of marketing in managing relationships with other organizations and in developing support within the firm for activities necessary to respond to the changing marketplace. The political economy model has recently been applied most aggressively in the study of channel conflict (Dwyer, Schurr, and Oh 1987; Frazier 1983), but it offers solid potential for better understanding of all types of relationships and alliances in marketing (Day and Klein 1987). It is cited here as evidence of the availability of alternative conceptualizations of the functions of marketing to move the field beyond its historically narrow focus on transactions and prices based on the traditional microeconomic paradigm.

The field of organizational behavior also offers many opportunities for productive partnerships for marketing scholars who want to address such areas as negotiation, coalitions, team-building, conflict resolution, and group processes related to such activities as new product development that are part of managing marketing partnerships. At the intersection of the organizational behavior, economics, and strategic management disciplines, there is an effort to develop a resource-based theory of the firm, one that moves beyond traditional emphases of the microeconomic paradigm. This integrative approach has potential to address the issues of developing distinctive competence and defining the firm's position in the value chain, finding those sources of competitive advantage that are knowledge-based and "costly to copy" and therefore the *raison d'être* of the firm (Conner 1991; Grant 1991). Customer knowledge and a culture of customer orientation are two important examples of such resources.

The focus of the political economy and organizational behavior models seems to be more appropriate for a *strategic* view of the marketing function as distinct from the *sales* or demand stimulation function, for which the microeconomic paradigm is still more fitting. Whereas the microeconomic model centers on consumers and transactions, the political economy and organizational behavior models are more useful in analyzing relationships with industrial customers, suppliers, joint venture partners, resellers, and other stakeholders (Anderson 1982). It should help us to understand better the changing role of marketing in the corporation. The conceptual foundations of marketing must be enriched, blending economics, political science, and organizational behavior as well as appropriate frameworks from legal analysis, sociology, anthropology, and social psychology to enhance our understanding of the processes of negotiation, coordination, and cooperation that define marketing relationships. Just as we know that most marketing transactions take place in the context of longer term relationships, so we need models that focus on the relationships themselves, not just on the market exchanges that are the subject of the microeconomic paradigm.

Theory development must be accompanied by aggressive programs of empirical research for understanding strategic marketing relationships more completely. Programs of clinical and survey research should be guided by strong theoretical frameworks from allied social science disciplines. Top priority should be given to analysis of the forces and factors that cause firms to move along the continuum from transactions to long-term relationships to strategic alliances and, perhaps, back again.

Some studies have shown modest success rates for strategic alliances, especially those that involve partners of different nationalities and cultures (Bleeke and Ernst 1991; Harrigan 1986). Marketers in collaboration with scholars in the field of cultural anthropology could productively turn their attention to analyzing the differences in values, beliefs, decision making, information processing, and teamwork, among other variables, that must be managed to achieve success in transnational partnerships (Montgomery 1991; Montgomery and Weiss 1991; Webster and Deshpandé 1990).

More careful analysis is needed of the forces reshaping the marketing function at both the corporate and the SBU levels. In collaboration with organizational behavior researchers, marketers need to get into companies and examine the multiple new forms marketing is taking. What is the relationship between marketing and the strategic planning function? How do marketing and purchasing work together in designing and managing strategic vendor partnerships? What issues arise in blending these functions?

In consumer goods marketing, research is needed to understand the factors that lead consumers to seek out and value ongoing relationships with brands, manufacturers, and resellers of various kinds. What are the factors that consumers find attractive in dealing with direct marketers? How can marketers develop and manage these long-term relationships, given the power of databases and interactive marketing? What is the marketing potential inherent in such new developments as the Prodigy network and other extensions of information technology into the household? How will customer expectations about their relationships with marketers be shaped by these new capabilities?

A successful program of research will develop and refine models of the marketing function, incorporating concepts and propositions from multiple behavioral and organizational science disciplines. The net result will be a much richer understanding of those activities we call marketing and have defined as a distinct field of inquiry. Marketing is more than an economic optimization problem; it is a central component of the guidance system of the firm and we need to understand its functioning in much richer detail, especially within the complicated structures of network organizations.

Conclusions

Marketing is responsible for more than the sale, and its responsibilities differ depending on the level of organization and strategy. It is the management function responsible for making sure that every aspect of the business is focused on delivering superior value to customers in the competitive marketplace. The business is increasingly likely to be a network of strategic partnerships among designers, technology providers, manufacturers, distributors, and information specialists. The business will be defined by its customers, not its products or factories or offices. This is a critical point: in network organizations, it is the ongoing relationship with a set of customers that represents the most important business asset. Marketing as a distinct management function will be responsible for being expert on the customer and keeping the rest of the network organization informed about the customer. At the corporate and business unit levels, marketing may merge with strategic planning or, more generally, the strategy development function, with shared responsibility for information management, environmental scanning, and coordination of the network activities.

There has been a shift from a transactions to a relationship focus. Customers become partners and the firm must make long-term commitments to maintaining those relationships with quality, service, and innovation (Anderson and Narus 1991). Given the increased importance of long-term, strategic relationships with both customers and vendors, organizations must place increased emphasis on relationship management skills. As these skills reside in people, rather than organization structures or roles or tasks, key marketing personnel who have these skills will become increasingly valuable as business assets (Thorelli 1986). These skills may define the core competence of some organizations as links between their vendors and customers in the value chain. This common focus on customer value and relationship management may result in much stronger coordination of the procurement, sales, and marketing functions in a manner analogous to the merchandising function in retailing firms. Such coordination would be consistent with the two major trends of elimination of boundaries between management functions within organizations and a blurring of the boundaries between the firm and its market environment. In a world of strategic partnerships, it is not uncommon for a partner to be simultaneously customer, competitor, and vendor, as well as partner. Consequently, it is difficult to keep the traditional management functions distinct in dealing with strategic partners.

Marketing can no longer be the sole responsibility of a few specialists. Rather, everyone in the firm must be charged with responsibility for understanding customers and contributing to developing and delivering value for them (Webster 1988). It must be part of everyone's job description and part of the organization culture. Organization culture, focused on the customer, will be increasingly seen as a key strategic resource defining the network organization's uniqueness and coordinating its several parts toward common mission and objectives (Conner 1991; Fiol 1991).

Firms that are unable to achieve this focus on the customer will either disappear or become highly specialized players, taking strategic direction from others, in a network organization. Customer focus may require increasingly large investments in information and information technology, giving some advantage to firms large enough to make pre-emptive investments in these areas.

Impersonal, mass communications, especially media advertising, are becoming less effective, whereas personal, targeted, special purpose communications have become more important. This change is reflected in the decline of the traditional advertising business—independent advertising agencies developing ads and placing them in broadcast and print media. In their place have emerged global communication companies, international networks of specialists and integrated marketing communications mega-agencies working with their multinational clients on specific projects.

Distributors must be treated as strategic partners (Anderson and Narus 1990), linked to the manufacturing firm with sophisticated telecommunications and data-processing systems that afford seamless integration of manufacturing, distribution, and marketing activities throughout the network. Consumer marketers continue to shift resources toward the trade and away from the consumer *per se*, and traditional selling functions for the field sales organization are evolving toward a broader definition of responsibilities for relationship management, assisted by interactive information management capability.

The implementation of market-driven strategy will require skills in designing, developing, managing, and controlling strategic alliances with partners of all kinds, and keeping them all focused on the ever-changing customer in the global marketplace. The core firm will be defined by its end-use markets and its knowledge base, as well as its technical competence, not by its factories and its office buildings. Customer focus, market segmentation, targeting, and positioning, assisted by information technology, will be the flexible bonds that hold the whole thing together.

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