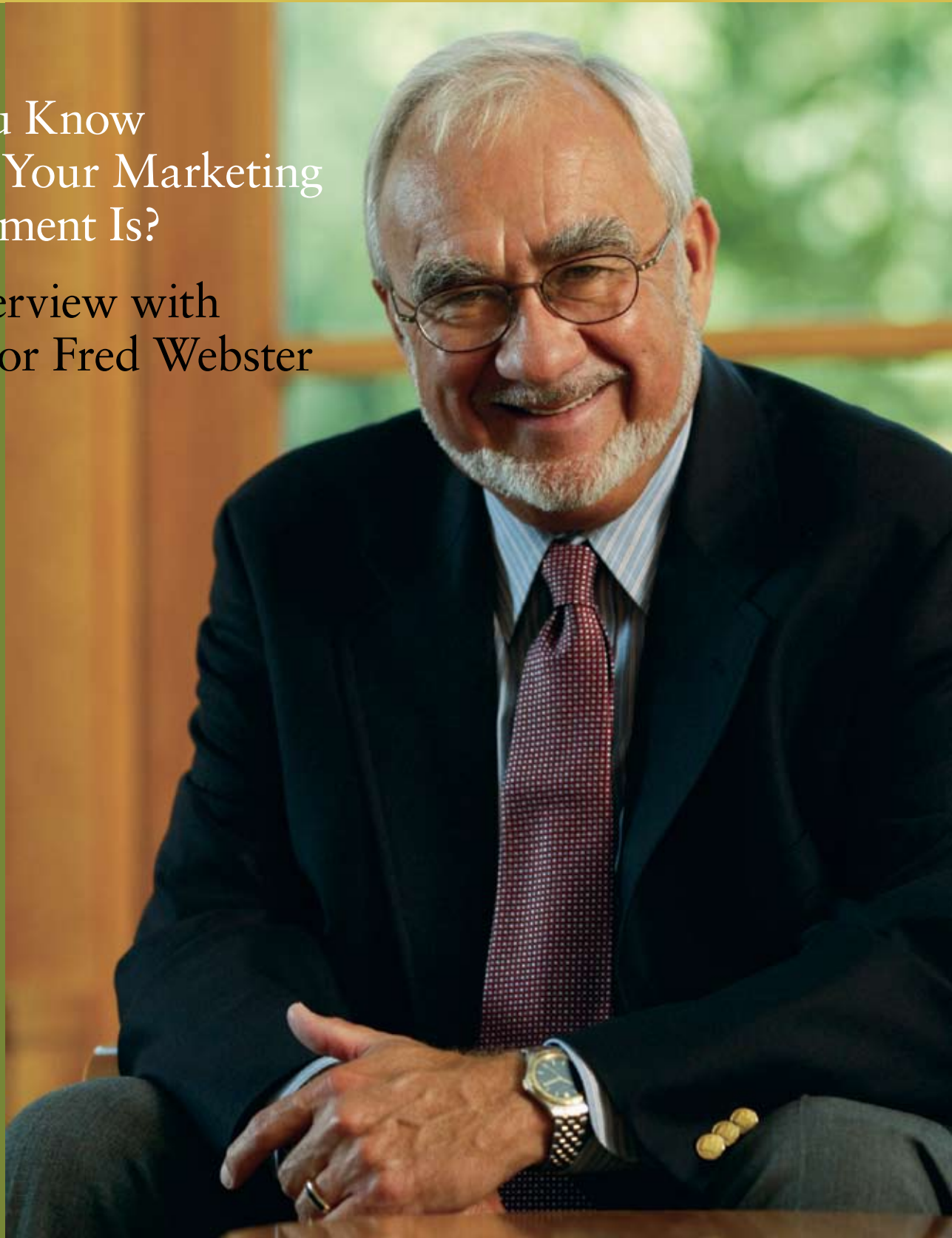


Do You Know
Where Your Marketing
Department Is?

An Interview with
Professor Fred Webster



Frederick E. Webster Jr. D'59, T'60, Charles Henry Jones Third Century Professor of Management, Emeritus, spoke with Punam Anand Keller, the current Charles Henry Jones Third Century Professor of Management, at Tuck in fall 2005.

PHOTOGRAPHY BY MARK WASHBURN

PK: Fred, what are your concerns about marketing as an organizational function and an area for study?

FW: I've watched it change so dramatically over 45 years. There has been evidence that the role of marketing as an organizational function has been changing fast, and I've suspected that it's been declining in importance. It's become more and more obvious that the traditional marketing department is a thing of the past. I wanted to know why and where it might be going.

At Tuck we've wanted faculty out in the field, encouraged them to do consulting in the so-called real world. I think one of our problems in the marketing field is that we've got ourselves in camps—you know, behavioralists here and the modelers there and the management and strategy people someplace else. I think the consulting orientation is most easily seen as valuable to people whose interest is in management and strategy. On the tactics side, I think a lot of the sales promotion research that's been going on is extremely valuable to firms because it is technically sophisticated, uses real data, and produces important insights.

P: You and two Tuck colleagues, Rohit Deshpandé [now at Harvard Business School] and John Farley, have done field research showing the role of organizational culture in marketing and its complex influence on business performance. Without that context, you can emphasize tactics and maybe some aspects of strategy, but you won't see the big picture.

F: I think marketing has become less and less a distinct function and more and more intertwined with the other functions of a business. If marketing is going to have any impact, it has to be in the context of its interaction with those other functions.

Take any marketing decision area you want to think about, such as product development. For years we thought that product management was one of four distinct marketing decisions. The truth is, in most companies marketing has limited responsibility for product development. To understand marketing's role, you need to look at the interface with R&D, with engineering, with business development, with finance, with production, with supply chain management. All those interactions are absolutely critical to developing a new product and getting it to market successfully. But marketing academics haven't spent a lot of time thinking about marketing's interaction with those other functions. There are fewer and fewer managers in the firm who understand and respect marketing. I think it's just as important that the finance people understand marketing as that the marketing people understand finance if we're going to solve the effectiveness-measurement issues that are front and center these days.

P: We talk about the need for a general manager to understand and respect all functions, especially the way they relate to each other, but we understand that most business schools in the country are not training students to think that way.

F: That's right. In undergraduate programs, a vocationalism drives what people are taught, and it's highly oriented toward first, entry-level jobs as opposed to careers as managers. I think this creates an unfortunate, narrow perspective on the field.

Roger Kerin, a senior marketing professor at Southern Methodist University, has reported that more and more CEOs have marketing backgrounds because marketing has become one of the stops that people are expected to make on their way to top management. I think he makes a valid point: people who come through the traditional, functional



career paths today are likely to have been shopped around the organization in various responsibilities and have picked up on something that looks like and feels like marketing. But that doesn't mean that they really understand marketing or its potential contribution to business performance.

Tactics, Strategy, and Culture

P: How have our definitions of tactics, strategy, and culture changed? What do we know now that we didn't know before, and how has that changed what we understand about marketing?

F: I think what we define as good tactics has changed as marketing has become more technically sophisticated and data-based. Certainly our concepts of strategy have changed fundamentally. With respect to organizational structure and culture, I think the definition of a good organization has changed fundamentally. Organizations today are entirely different phenomena than when the original marketing function was defined. Marketing is now more appropriately seen as a set of capabilities and management processes, not as a separate bureaucratic function in a hierarchical organization.

The analytical techniques we use today, which I think of as primarily oriented toward tactical decision making, are so much more sophisticated and rigorous and valid. These are fundamental paradigm shifts. Information technology provides overwhelmingly large amounts of highly reliable data, and analytical techniques are much better. Managers have so much more horsepower to work with on tactical decisions. The first published empirical research that I did used MRCA (Market Research Corporation of America) consumer panel data, which was relatively new and a boon to academic research, and the Markov chain analysis—that was state-of-the-art research methodology.

Today it looks like a Model T, and the problem is almost in reverse. There is so much data that it's difficult to make sense out of it, and it tracks market response by the minute and the day. It's made us so short-term-oriented that it's become part of the problem. Tactics overwhelm strategic thinking.

P: I think that some MBA students and rookie managers equate quality with analytical rigor, so they tend to underplay fuzzy stuff like culture. Making them appreciate issues that are related to strategy, let alone culture, is much harder today than five years ago.

F: It's always been a problem in marketing to get students to understand the basic truth, if we have such things, that you have to do the analysis, but the numbers will never tell you what to do. You can't make decisions without analysis, but don't expect the analysis to make decisions for you. Students had a hard time understanding that I wasn't contradicting myself.

The number one problem is getting marketing people to think through the financial consequences of their decisions and to build good arguments about why they need the resources they're asking for—it's two different worlds.

Measuring Marketing Productivity

P: How would you set up the performance appraisal for your managers in the corporation?

F: I would concentrate my measurements on the ability of managers to develop the people underneath them. I have great respect for GE as an institution because they invested heavily in their managers. They probably committed more resources than any other company I know of to management development. By and large they were very

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responsible managers, and that's a tribute to the people who've developed them. They built some hugely important businesses.

I think that, over the long run, I would ask, have they developed businesses by finding or creating new market opportunities, and have they created value for the owners? Have they increased the value of the firm? Are they earning their cost of capital? I'd look at the stream of new products over a fairly long period. Have they put products in the marketplace that have improved the standard of living for somebody somewhere?

That's not evaluating individual managers on a short-term basis, but I'd evaluate companies that way and their CEOs.

P: How has the role of marketing changed from a resource allocation perspective? It's so much easier to say marketing has a budget, you've got these tasks, you're going to look at the return on investment for those marketing activities, and it's all self-contained. That's one scenario.

In another scenario you have an interface between marketing and other functions such as finance, manufacturing, R&D, and sales, where marketing is supposed to be the steward that is representing an external focus. In that scenario, there really should not be any competition for resources. You pick a goal, and everybody works toward that goal, which is to retain the customer.

F: I think it varies widely as to how the marketing budget process works. One approach asks "Can you justify that request based on these results? Tell me what I'm going to get for my money." Frankly, I don't see a lot of that. In the companies I work with, people do a good job of saying "I'm going to spend this much because I need to buy this many new salespeople, this much advertising, and so on." That's a more common approach to the marketing budget.

What I see happening is that because the outcome of marketing expenditures is uncertain, when the company finds it's going to have trouble making its numbers, the most vulnerable area is the marketing budget. It's soft money, so if we don't spend the money on the advertising media that we thought we were going to, oh, we'll do it next year. Conversely, I see marketing people arguing that the investments they're making are long-term investments with long-term payoffs. We're going to develop the brand—to add strength in our field sales management ranks, to hire new people in marketing management.

But every time you add somebody in a company today it's a quarter-million dollars with salary and expenses, insurance and everything. And very often those big expenditures have no visible short-term impact on revenue. It's very hard to hold onto those expenditure levels when profit margins are under pressure. That's just the way it is. Now maybe that's one of the advantages of having marketing become a more diffused responsibility—if it's tied up with other things, it's harder to cut positions and cut expenses.

P: Do you see a difference between B-to-B and B-to-C firms?

F: The truth is that consumer marketing organizations seem to be evolving more toward B-to-B models because they're redefining their customer as the trade and reallocating resources. What we used to think of as marketing functions are today often found out in the field, in sales, service, and distribution organizations.

There's a set of interesting questions about the relationship between marketing and sales and distribution. Organizations are changing so dramatically. It used to be that you could identify a marketing department and a finance department and an R&D department and so



on. It's really hard to do that now. Look at how firms go to market today. Look at where their new products come from. Look at what their distribution structure is. Look at how they do selling, and it's all partnerships and networks. It's not the traditional hierarchical bureaucratic organization.

P: So are we just sort of protecting our turf in some ways? Why can't customer relationship management be a part of business development and product innovation?

F: First of all, we've been making a mistake talking about marketing as a separate function. I've used the phrase "regaining a seat at the table." One of the things you can do to become more market-driven is to destroy marketing bureaucracy and get the processes and functions embedded in the organization and focused on customers.

That takes us back to what a marketing process is, how you manage it, how you staff it, and how you resource it. And what do you mean by marketing competence? When you get right down to it, we should be teaching our students knowledge, skills, and attitudes. What processes do you want to embed the students in? How will they work in an organization? How does that organization do its work? You're not going to go to work for a vice president of marketing and have product managers and advertising managers and research managers—the world doesn't work that way anymore.

Creating and Disseminating Marketing Knowledge

P: So are the marketing academics doing a bad job of marketing through our marketing journals?

F: No question. The problem is that you and I and our scholar colleagues believe that there is a body of knowledge

called marketing that can be taught. Now we can have lots of arguments about how much is skill and how much is art. But there is a discipline called marketing. The sad thing is that fewer and fewer people who are doing marketing think about it as a body of knowledge. A major problem is that the academic journals are less and less relevant for practice.

In 1966, I believe that almost half of the members of the editorial board of the *Journal of Marketing*, the premier journal in our field, were from the business community. Today it's 2 or 3 percent. And the same is true for authors. Maybe 2 percent come from the business community, and the rest are academics. So whatever we think we're doing in marketing that has value to business, it certainly isn't finding its way into the business community through what we think of as the A-class journals.

P: What would you do if you were king?

F: If I were king? First of all, I would create a new journal for good, research-based academic work—not journalism—that had an editorial review board with people from business on it, that encouraged their colleagues in business to write with academics. I would commit substantial resources to making this an A-class journal, with rigorous peer review, aimed at both business and academic audiences. There is a real need for increased publication outlets for good research. The number of institutions now evaluating faculty based on publications and the number of faculty who are competing for tenured jobs is going to have to double in the next 10 years just to satisfy demand, and there is no plan to increase the number of pages available in the A-class journals, so there's a big problem.

The other thing I would do, if I were king, is issue a dictum that had to be enforced by the deans of all leading business schools that publication of strategy- and manage-

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ment-oriented papers would carry equal weight with publication of behavioral, modeling, and quantitative papers. We need a broadening of how we define quality, and I really do believe that there is a trend developing in our field to encourage more of that.

The problem is that something as ambiguous as the role of marketing in the corporation is really hard to research. It's hard to define what you mean by a marketing department or a marketing job. You try to ask intelligent questions and make sense out of what you're hearing, but it's awfully hard to develop a table of data from the answers people give you that can be subjected to all the rigorous tests of data validity and reliability. Every paper I've written that has won an award has been rejected by at least one of the major marketing journals before it found its way to light because many of the people who do the reviews are using a different set of criteria than what people who write in that strategy and organization field are comfortable with.

What is acceptable rigor has gotten more and more narrowly defined. We really tolerate only one or two methods of learning in what we call marketing science, and we've given much less authority to insight, to innovative thinking.

P: Let's talk a bit about the role of teaching. What changes in the content of what we have taught MBA students do you see as having an impact?

F: I taught at Tuck for 38 years. I earned my MBA here and was Ken Davis's research assistant for a year before going to Stanford for my doctorate. A lot of water went under the bridge while I was here and a lot has changed. But I'm very proud of what we stand for, and I think we're still unique in that we expect everybody on our faculty to be both a good teacher and a good researcher. I think if you want to play in this league, it's important to be able

to do both, especially as we are focused on professional management education.

P: Can you say why?

F: I remember talking with John Kemeny when he was president of Dartmouth and reading what he wrote about the importance of teachers doing research because if you're not part of the knowledge-creation process, you're going to lose the excitement of teaching what you bring into the classroom.

Now certainly not everything I think is important to teach is something I want to do research on. There's no question that it's hard work to do both. But we want to be in the top leagues, and I don't think that Tuck could ever tolerate tenure-track faculty who aren't really good at both.

The Future of Marketing

P: Looking forward, would you broaden the scope of marketing responsibilities?

F: There's a developing line of thought that says that in addition to customers, marketing people have responsibility to other constituencies—for example, to employees. I think marketing's uniqueness is that it is an advocate for the customer. It's supposed to be an expert on the customer. If you stop and think about a broader context of the global marketplace and what's happened with big firms and outsourcing, you begin to see that marketing has some role to play in thinking through the deal that a company makes with society. We want to provide quality products at low prices, and that's a part of our responsibility to the consumer. If the consumers work for the company, they've got to be able to afford the price.



The old idea was that if you satisfy the customer you will maximize the profit of the firm and make the firm stronger, and all the constituencies of the firm will be better off—the employees, the suppliers, the community, and so forth. It was an article of faith, not necessarily a proven proposition. That idea is really too simplistic for the world we live in today, because it doesn't work that way.

Some more recent research suggests that customer satisfaction is often not related to profitability, and customer satisfaction and employee satisfaction are very often not

well correlated either. So we need to get back to a basic question of who our customer is—is it the end user or is it somebody much closer to you in the value chain? My fundamental idea is that a firm is defined by its customer, the one who sends us cash. If you have a customer, you are a business, and you don't need anything else to be a business.

P: Customers are the only indispensable aspect.

F: Right, because you can buy everything else in your value offering by partnering with another business. So the basic challenge is to keep that customer as your customer without unwittingly making him somebody else's customer.

Let's go back to Wal-Mart. Say I'm Procter & Gamble and I am one big successful marketer, and I'm selling perhaps one-fifth of my volume through Wal-Mart. You go into Wal-Mart and buy diapers. Whose customer are you? Is your relationship with Wal-Mart or with Procter & Gamble? It's not a trivial question. If Procter & Gamble is going to be a viable business, the relationship has to be between you and P&G. Maybe you won't go out of your way to go someplace else if Wal-Mart doesn't have Pampers, but if you don't care, pretty soon Procter & Gamble isn't going to have a customer.

P: Well, what does that do to strategy, and what does that do to culture, and is it a sustainable or viable business model?

F: That's the basic issue. Take the airline industry. Southwest is the only one that's profitable, and most airlines are not making money per passenger mile. Now what's wrong? The airlines are operating basically at capacity, losing money, giving fare deals galore, and can't cover their cost of providing the service. Customers are unhappy. It's a miserable experience all the way around. People are

Outstanding Contributions to Marketing

At the 2005 Summer Marketing Educators' Conference of the American Marketing Association (AMA), Professor Frederick E. Webster Jr. was awarded the Vijay Mahajan Award for career contributions to marketing strategy literature. This is the AMA's most significant award in marketing strategy.

He and coauthors Alan J. Malter and Shankar Ganesan, of the University of Arizona, were also awarded the 2005 Robert D. Buzzell MSI Best Paper Award for "Can Marketing Regain Its Seat at the Table?" (MSI report no. 03-113) by the Marketing Science Institute (MSI), which serves academics and practitioners. The award honors authors of MSI working papers that have made the most significant contributions to marketing practice and thought. It highlights writing and research of lasting value to corporate marketing executives. Webster was also the recipient of the MSI Best Paper Award in 1993 for his commentary "The Changing Role of Marketing in the Corporation" (MSI report no. 91-127) and served as MSI executive director from 1987 to 1989.

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buying based on fares, and the airlines are competing based on fares. By definition, only the lowest-cost producer can survive. There is virtually no opportunity for product/service differentiation. Where is the marketing competence in this, that we don't have satisfied customers? We don't have profitable firms? What's happened? Maybe it's just that deregulation really doesn't work.

P: That, or if something does work, we ask what the role of strategy and culture was. Take the Southwest Airlines example—

F: Southwest is a beautiful example of the impact of culture, but they also have a fundamentally different business model.

P: Do you have any advice for managers in terms of moving forward with marketing?

F: Oh, sure, lots of it. I wish companies were doing more to develop marketing management competence in their companies, not necessarily to create marketing managers but to really think about what we need to know about marketing and how we do that. I think it puts it back on those of us who make our living teaching managers.

P: I have a much easier time convincing current managers that marketing strategy is important than I do convincing MBA students. They just want to talk about the tactics—partly because it's familiar but partly because they want measurement. Most experienced managers know that measurement is only part of the game.

F: I think it's terrific that Tuck has been named the number one business school by *Forbes* based on return on investment. But I find myself pushing back against the idea

that the measure of the quality of what we do is salaries. That implies a very narrow measure of success. For some students, the only career goal is to find out where there's money and go there.

I remember when I had the job offer to come to Tuck with a salary increase from \$9,000 to \$10,000 a year. I'd done a little work with a consulting firm in New York, and I called the principal of the firm and said "I think I'd like to go back to Dartmouth." He said, "What's the problem?" And I said, "Well, I'm not really happy in the Columbia environment, I hate the commute from New Jersey, and my family can't live in New York City on \$9,000 a year." And he said, "I'll give you \$30,000 a year to stay." So I had to think about that. I told my grandfather I was leaving, and when I told him about the deal, he said very simply, "Fred, never pay too much for money." And he wasn't talking about interest rates, you know. It's just such a simple idea.

P: You know what's important to you.

F: Right. When students come to me to talk about their careers, I ask them if they know who they'll be working for and whether they feel comfortable with them. And I ask them how they feel about the product they're going to be selling. At the end of the day when you go home, are you going to feel good about the fact that there are now people who are using this product or service? Will they be better off?

Webster currently divides his time between Tucson, Arizona, where he serves during the academic year as Jon Underwood Distinguished Research Fellow in Marketing at the Eller College of Management, The University of Arizona, and Southport, Maine, where he and his wife, Mary Alice, spend the summer.