

## IS MARKETING A STRATEGIC FUNCTION? CEOs' VIEW ON THE PERCEIVED CONTRIBUTION OF THE MARKETING FUNCTION, FMCG INDUSTRY, FORMER YUGOSLAV REGION

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**Abstract:** The current study explores and illustrates how CEOs from Fast Moving Consumer Goods (FMCG) companies in the ex-YU region perceive the strategic role of the marketing function in a company. The aim of this research was to explore the major elements which define strategic marketing's role, get a deeper understanding about these elements and their relationship and, based on that, define the research model. The empirical part is based on a qualitative approach; the data were collected in the spring of 2019 through semi-structured interviews. Interviews with research participants (CEOs) explored their experience and views on the role of strategic marketing through the defined research model. The findings show that marketing function is predominantly not well developed and positioned as a strategic function in their companies. The results also indicate the main causes for such a situation and offer some imperatives that can strengthen the role of marketing.

**Keywords:** strategic role of marketing, strategic determinants, CEO perception, FMCG industry, ex-YU markets

## ALI JE MARKETING STRATEŠKA FUNKCIJA? POGLED DIREKTORJEV NA ZAZNAN PRISPEVEK MARKETINGA, FMCG INDUSTRIJA, REGIJA BIVŠE JUGOSLAVIJE

**Povzetek:** Namen prispevka je bil raziskati in preučiti, kako direktorji podjetij industrije izdelkov široke potrošnje (FMCG) v regiji bivše Jugoslavije doživljajo strateško vlogo marketinga v svojih podjetjih. V prvem delu prispevka avtorica prikaže pregled literature in raziskav o vlogi marketinga, tako na razvitih kot manj razvitih trgih, ter preučuje, kateri elementi vplivajo na strateški položaj marketinga v podjetju. Na podlagi tega pregleda je bil postavljen raziskovalni model. Empirični del sloni na kvalitativnem pristopu;

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podatki so bili zbrani spomladi leta 2019, na osnovi delno strukturiranih intervjujev z direktorji izbranih podjetij. Postavljena vprašanja so sledila okviru raziskovalnega modela, s katerimi se je preverilo, kako direktorji vidijo pozicijo in moč ter strateško vlogo marketinga v svojem podjetju. Ugotovitve raziskave kažejo, da strateška vloga marketinga ni dovolj razvita in ima omejen potencial. Na podlagi ugotovitev je izpeljanih nekaj implikacij za prakso.

**Ključne besede:** strateška vloga marketinga, strateške determinante, dojemanje direktorjev, industrija FMCG, trgi bivše Jugoslavije

## 1. INTRODUCTION

Many publications in and around marketing research field have explored the role and the impact of the marketing department. For decades, marketers have been trying to be more accountable and elevate marketing from a purely functional and tactical level (Reibstein et al., 2009) to a strategic level (Kumar, 2004). Many papers examine the marketing department's influence and its relationship with market orientation and company performance. These articles commonly assert that marketing role has been diminished (Verhoef & Leeflang, 2009), that marketing lost its strategic role (Murphy, 2005; Homburg et al., 2015), and that marketing departments are occupied with tactical rather than strategic decision making (Sheth & Sisodia, 2005; Klaus et al., 2014). Many marketing researchers have noticed the limited relevance of the marketing function in boardrooms and the need to revitalize marketing (McDonald, 2006; Wind, 2006; Klaus et al., 2014). From their perspective, marketers are often seen as specialists talking about the 4Ps rather than as strategists who help CEOs chief executive officers (CEOs) lead organization-wide strategic initiatives that have an effect on top and bottom-line growth. However, some academic papers conclude that the marketing department "is more important than ever before" (Hyde et al., 2004: 2). "It has become clear that the marketing function is not only influenced by but also influences the immediate business environment" (Kumar, 2018: 2). Unfortunately, there is a common perception in practice that the function often does not contribute to developing a company's strategy. In many companies marketing is defined as a support or operational function. Marketing budgets, which are defined to stimulate demand for company products or services, are often among the first to be decreased during difficult times. These strengthen the belief that marketing is not perceived as a strategic function with influence on creating company value and growth. Often, it is evidenced that decisions regarding advertising are the only issue where marketing enjoys a significant and sole influence (Walsh & Lipinski, 2009). There is also a difference in marketing position regarding the type of the industry and the company size. Scholars have identified significant differences between large and SME (small and medium enterprises) companies (Walsh & Lipinski, 2009). One reason for this difference is that small companies have certain limitations – limited resources and limited knowledge. Furthermore, it is argued that owner-managers of small companies tend to view marketing narrowly (Reijonen, 2010). Additionally, a study by Germann, Ebels, and Grewal (2015:

19) finds that “a company seems to benefit from having a CMO (chief marketing officer) among the top management team”. Their findings suggest that companies can expect to benefit financially from having a CMO at the strategy table. There is also empirical evidence that marketing’s influence is higher when the CEO has a marketing background (Homburg et al., 1999). What is worrying is that the latest Spencer Stuart Research Report (2018) showed an alarming and declining tenure of marketing executives; some of the potential reasons include poorly defined marketing roles and a poor alignment between the CEO and CMO on the marketing mission and responsibilities. My motivation and purpose of this research were first to explore the major elements which define the strategic marketing role and influence and get a deeper understanding of those elements’ impact and influence. Using insights from the literature review, I have derived the research model, which is my “worldview” of the strategic marketing concept, based on the holistic view. The holistic marketing view suggests that marketing is at the core of a company’s strategic decisions and as such contributes to company growth and development (Brown, 2005; Ambler and Roberts, 2006). The aim of this research was to explore CEOs’ views and their perception of the marketing role through the designed model and to understand their subjective world of human experience (Guba & Lincoln, 1989). This approach is based on the evidence and my personal belief and experience that the company culture and orientation start at the top and that CEOs influence the company’s strategic direction and decisions (Hambrick & Mason, 1984). To gain CEOs’ insights and perceptions, I conducted semi-structured interviews with CEOs, which start with the main research question: *“How do CEOs perceive the marketing role and influence in the FMCG industry in the ex-Yu region? While addressing the main research question, I had a checklist of areas to cover, which are based on determinants from my research model.* The final purpose and contribution were to understand the obstacles and reveal the barriers in creating a strategic marketing function, with key insights and implications for practice, academia, and further research. The focus of my research was fast moving consumer goods (FMCG) companies, headquartered in ex-Yu region (former Yugoslav), which are managed locally (local ownership and management). It is not intended to seek differences across ex-YU countries, but create a generalization of CEOs’ views in the FMCG industry, which has shifted enormously in the last ten years (McKinsey, 2018). As marketing is a contextual discipline

(Zinkhan & Hirschheim, 1992), the marketing discipline has historically adapted to the operating environment; this is an important fact to keep in mind while reviewing the results of this research.

## 2. LITERATURE REVIEW AND MODEL DEVELOPMENT

This chapter presents the academic and practitioners’ debate around the significance of marketing and its strategic role in the company. The overview of the literature and the main determinants from my research model have helped me to formulate the guiding questions for the interviews with CEOs.

### 2.1. THE ESSENCE AND HISTORY OF THE MARKETING DISCIPLINE

The evolution of marketing begins in the early 1900s where demand exceeded supply, leading into the production era. Bartels (1976) classified this period (1900–1910) as a period of discovery. At that time, the conception of marketing occurred, and a name was given to it. The first academic study goes back to around 1910 in Midwestern American land-grant universities. According to Bartels (1976), this was a period of conceptualization, when many marketing concepts were initially developed, and terms were defined. 1920–1930 was a period of integration, when the general body of thought was integrated for the first time. The next decade (1930–1940) is defined as a period of development, when specialized areas of marketing continued and some new approaches to the explanation of marketing were undertaken. 1940–1950 was a period when marketing was reappraised in terms of new needs for marketing knowledge. The scientific aspects of the subject were considered. Bartels (1976) conceptualized the development of marketing from 1950–1960 as a period of marketing re-conception; traditional approaches to the study of marketing were supplemented with an increasing emphasis upon managerial decision making, the societal aspects of marketing, and quantitative marketing analysis. Many new concepts, some borrowed from the field of management and from other social sciences, were introduced into marketing. History then records the product era, from 1960–1970. This was a period of differentiation, when marketing thought became expanded and new concepts took on substantial identity as significant components of the total structure of thought. Among them were such elements as managerialism, holism, environmentalism, systems, and internationalism. The era in the 1970s and beyond was

defined as a period of socialization. Social issues and marketing became much more important, as the influence not of society upon marketing, but of marketing upon society, became a focus of interest. This interest evolved in the 1980s to a value-based marketing era in the 1990s. The era 1980–1990 marks the development of service marketing and increased interest in global marketing, macro marketing, comparative marketing, marketing ethics, and marketing relations. In the last decade of the 20th century, new concepts and techniques were developed, such as relational marketing, direct marketing, 1-on-1 marketing, etc. Special attention in this period was directed at the study of market-based assets (brand equity, capital of the consumer, market knowledge, etc.) and attempts to evaluate it (Gronroos, 2006). From the marketing discipline review it is evident that the field of marketing has progressed and that the development of the discipline is strongly influenced by the general environment context. Although marketing has undergone many transformations in practice and academic research, there seems to be a continuous concern about its relevance (Day, 1992; Brown, 2005; Sheth & Sisodia, 2006; Reibenstein et al., 2009; Jaworski, 2011) and the need to revitalize this (McDonald, 2006; Wind, 2006; Klaus et al., 2014). Because of marketing tactical (supportive) role, marketing rarely leads major organizational transformative projects. Researchers believe that this is because of three main facts: (1) bad internal and external marketing reputation (Gummesson et al., 2014), (2) lack of a broader scope (Webster & Lusch, 2013), and (3) lack of empirical evidence linking marketing activities to an increase in company performance (Verhoef et al., 2011). However, Verhoef et al. (2011) show that the marketing department influence contributes to business performance indirectly, through its positive relationship with market-oriented culture. The renewed marketing definition states that marketing should lead to “value to customers” and should “benefit the organization and its stakeholders”, while the previous one includes the phrase “satisfy individual and organizational goals” (Gronroos, 2006). Service marketing and relationship marketing (Gummesson, 2002) show the marketing cannot be separated into one function and be the responsibility of one department only. In addition, in his studies, Webster has pointed out the need for dispersing a marketing competence outside the marketing department and across the organization (Webster et al., 2005). Gummesson (2002) pointed out that marketing requires a customer focus and for people in a marketing department this focus is normally a full-time duty. The marketing role and

influence lie in marketing’s ability to embed marketing processes in other departments. With implementing this change, they strategically influence organization and top management’s view on marketing. Such a marketing role requires changes in company corporate cultures and company’s governance systems, as well as in university curricula (Gronroos, 2006). With regard to the changing nature of markets, geographical boundaries, and technology, it has become clear that the marketing function is not only influenced by but also influences the immediate business environment (Kumar, 2018).

## 2.2. MANAGERIAL APPROACH TO MARKETING

The managerial approach is an important building block in defining the strategic marketing role and it evolved in the 1950s and 1960s. Some books using the marketing management perspective appeared during this period (Alderson, 1957; Kotler, 1967; McCarty, 1960). These early managerial authors define marketing management as a decision-making or problem-solving process and rely on analytical frameworks from economics, psychology, sociology, and statistics. 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 importance in business as a major force for aligning company capabilities with consumer needs.

An important contribution to management practice and measurable evidence of it in marketing literature was made by Peter Drucker. Drucker (1958: 252) maintained the idea that marketing was “certainly the most scientific of all functional business disciplines”; before Drucker, marketing was conceived as applied economics. Drucker effectively inaugurated the modern marketing era (Faulkner, 2007; Kelley, 2007) and often relied upon others to disseminate the concepts he pioneered. For example, in the roots of market orientation (arguably marketing management’s focal research area during the last two decades) lie Drucker’s insights into the marketing concept (Deshpande & Webster, 1989; Kohli & Jaworski, 1990). Similarly, “marketing myopia” is a concept attributed to Theodore Levitt (1960). However, Drucker (1949) was indeed examining the same phenomenon, projecting the future onto the present definition of market/business, more than a decade earlier. Yet again it was Drucker (1949) who discussed what later came to be recognized as core competencies (Prahalad & Hamel,

1990). In 2008 The American Marketing Association expanded the definition of marketing and clearly described the changing role of marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for consumers, clients, partners, and society at large”. As marketers in the 21<sup>st</sup> century face a broad scope of changes, responsibilities and activities, marketing academia and practice move toward a more holistic definition of marketing. As McKenna (1991: 66) notes, “marketing is everything and everything is marketing”.

### 2.3. THE EVOLUTION OF STRATEGIC MARKETING

Strategic marketing as a field of study has evolved over the past few decades. During the late 1970s and early 1980s, highlighting the benefits of greater involvement of marketing personnel in charting the strategic direction of the firm (e.g. analysis, planning and strategy formulation at the corporate and business unit levels), a number of marketing scholars (Day, 1992; Wind, 1982) called for a broader construal of the field. Given the boundary of the marketing function, it was argued that marketing personnel in organizations are likely to be the most knowledgeable about the external environment, and, therefore, are equipped to play a major role in charting the strategic direction of the firm. In the academic discussion, marketing scholars also voiced their concern regarding the strategic marketing position and the importance of the marketing role. Day (1992) stated that within academic circles, the contribution of marketing as an applied management discipline has been marginalized during the past decade. Reibstein et al. (2009) note that the growing balkanization of academic marketing into quantitative modelling and consumer behaviour have diminished the research on strategic marketing issues. Wind (2006) comments that marketing does not address top level management's concerns of return of investment in marketing and how marketing can be a driver of growth.

### 2.4. CEO AND MARKETING STRATEGIC ROLE

Homburg, Workman, and Krohmer (1999) find that the firm's marketing function has a greater influence when the CEO has a marketing background. Hambrick and Mason (1984) argue that the top management plays an important role in guiding strategic action in the company and that companies are shaped by the backgrounds and beliefs of members of the top management team. The upper echelons theory suggests that the characteristics of a company's

top leaders influence the company's strategic directions and outcomes (Hambrick & Mason, 1984). Previous research also suggests that the influence of functional departments is related to the companies' culture (Deshpande and Webster, 1989) and guidance by top management (Hambrick & Mason, 1984). The backgrounds and experiences of company leaders create the lens through which they view business challenges and determine the tools used to solve them (Dearborn & Simon, 1958). As McDonald, Westphal, and Graebner (2006: 145) observe, “experience is a critical contributor to the kind of extensive knowledge base that marks relatively high levels of expertise, and that supports high quality decision making.” As a response to the above discussed direction, there exists empirical evidence that suggests that if a company CEO has a background in marketing, the marketing function has a higher level of influence (Homburg et al., 1999; Verhoef et al., 2011). Whitler, Krause, and Lehmann (2018) report that only 2.6% of companies' CEOs have marketing experience. Given this fact, these findings support the academic and practical understanding that there is an under-appreciation of marketing experience in the board positions. The combination of a marketing-experienced board member (or a CEO with marketing background and experience) and a CMO on the top management level increase the likelihood that the company will effectively implement marketing board member advice.

### 2.5. MODEL DEVELOPMENT

As suggested in the literature, I have used in my research the definition of the strategic marketing role as the impact of the marketing department, relative to that of other departments, on strategic decisions important to the success of the business unit and/or organization (Homburg et al., 1999; Merlo, 2011). Additionally, my research supports the viewpoint that marketing is not just a function, but rather a company philosophy. Marketing has a strategic role when it takes the lead and spreads marketing philosophy and activities inside the company. Marketing's orchestrating and connecting role is in satisfying the needs of the customers profitably and thus enhancing the value for them and other stakeholders.

Investigation of the strategic role of marketing found in the literature took me to create my research model, which is rooted in the holistic marketing perspective. My research model follows the main variables of the marketing department's influence from other established frameworks (e.g., Verhoef's, Leeflang's, Homburg's) but is designed based on three primary company levels (culture,

strategy, tactics). The model suggests that marketing's influence is different on each level, nevertheless marketing has to work at all three levels simultaneously to have a strategic role.

At the culture and strategy level, marketing acts as a sparring partner to the board, while in creating marketing or brand strategy or on tactical level, marketing has a clear lead and ownership for the whole process. It is also assumed that the tactical role must be developed in the context of the predefined strategic level. The research model (Figure 1) suggests six determinants of the strategic role of marketing, operating on all levels of organization – as a culture (D1), as a strategy (D2), and as tactics (D3). To enable marketing to act on all three levels, organizational enablement determinants must be defined and adjusted through marketing department organization (D4), marketing influence (D5), and marketing accountability (D6). Each of the six determinants has several sub-determinants, identified as priority areas inside each determinant (i.e. D1.1, D1.2, D1.3).

Semi-structured interviews with CEOs (n=20) represent a major area of data collection, while they are flexible, accessible and capable of disclosing important facets of human or organizational behaviour (Kvale, 2007). Qualitative research

is conducted as a way of detailed understanding of the issue and understanding the contexts in which participants in a study address the problem (Creswell, 2007). As my research aims to discover CEO views on the marketing function, interviews, the main research question was: "How is marketing perceived from the CEOs' point of view in their company?" After the main research question, I discuss other determinants from the model. The prepared lists of questions (based on determinants from research model, D1–D6) assured that all determinants of the strategic marketing role were asked and covered. This protocol was followed for each interview, to ensure consistency between interviews and increase reliability of the findings.

### 3. CONTEXT

As marketing is a contextual discipline (Zinkhan & Hirschheim, 1992), I explain the context of my research in the following chapter.

#### 3.1. PERSPECTIVE OF THE FMCG INDUSTRY

The FMCG industry landscape has changed enormously since the recession in 2010. Reports from McKinsey's 2018 survey on the industry

Figure 1: Building blocks and determinants (D1–D6) of strategic marketing role – research model

<b>D1</b>	<b>MARKETING AS CULTURE</b>
D1.1	Building market-oriented culture
D1.2	Leading and / or cooperating in building company brand and reputation
D1.3	Leading and / or cooperating in building company employer brand and reputation
<b>D2</b>	<b>MARKETING AS STRATEGY</b>
D2.1	Involvement in building company foundations (vision, purpose, goals)
D2.2	Involvement in building company strategy and defining business model
D2.3	Responsibility for defining and managing brand(s) portfolio
D2.4	Involvement in M&A processes or due-diligence
<b>D3</b>	<b>MARKETING AS TACTICS</b>
D3.1	Defined regular system for market and consumer insight and innovations
D3.2	Full responsibility for fundamental marketing knowledge and tactics, i.e. 4P/7P
D3.3	Martech competencies (i.e. omnichannel communication, AI, personalization ...)
<b>D4</b>	<b>MARKETING DEPARTMENT ORGANIZATION</b>
D4.1	CMO existence
D4.2	Defined and transparent processes
D4.3	Cooperation with other functions
D4.4	Perceived importance from CEO
<b>D5</b>	<b>MARKETING INFLUENCE</b>
D5.1	Defined leadership competences
D5.2	Regular education for building and developing competencies
D5.3	Decision influence
<b>D6</b>	<b>MARKETING ACCOUNTABILITY</b>
D6.1	P&L responsibility
D6.2	Defined marketing KPIs and regular reporting
D6.3	Developed ROI practice

assert that the traditional fast-moving, consumer-loved industry is fading away from its former glory. There are at least two main reasons for that. The first is the era of recession, which forces consumers to look at their household expenditure and cut costs. Private labels answered by becoming attractive also to retailers in terms of gross margin increase (Erdem et al., 2004), negotiation opportunity with manufacturers and well-known producers, the ability to generate both store traffic and store loyalty (Kumar & Steenkamp, 2007), and greater control over shelf space. The second reason relates to a change in consumer behavior caused by digitalization trends. E-commerce and new retail formats have increased, and there is also an increase in small brands sales, which are marketed in a way that is specifically tailored to the needs of consumers through digital channels. The former FMCG giants who relied solely on sales from retail and internationalization are falling behind, in competition with those who have adapted to the change and started pushing their brands online. FMCG companies and marketers must adapt to new circumstances. Market shares of brands are lost to private labels while profit margins are lost to the retailers. In the past, FMCG companies have relied on traditional marketing brand building knowledge and competences, but a new reality forces them to make a transition toward digital marketing knowledge and increased strategic influence. The shift from a product-centric to a consumer-centric company mindset is a defining characteristic of the subscription economy (Tzuo & Weisert, 2018).

### 3.2. PERSPECTIVE OF EX-YUGOSLAV MARKETS

After an economic and political crisis in the 1980s and the rise of nationalism, Yugoslavia broke up in 1991 along its republics' borders, leading to the Yugoslav Wars. The food and agricultural sectors are important in the ex-Yu region for their contribution to the overall employment. All countries are parties of the CEFTA (Central European Free Trade Agreement), which entered into force in 2007. Slovenia and Croatia are members of the European Union, while the others are EU candidate or potential EU candidate countries. This results in a need of the food industry to comply with EU regulations and to increase competitiveness toward EU companies. Some of the countries have bilateral trade agreements, e.g. Serbia with Russia, and Kosovo with the US.

Ex-Yu consumers are not behaving as Western European consumers. General trends toward more healthy or balanced food, on-the-go con-

sumption, and the importance of well-being are also more developed and present in Slovenia and Croatia than in other countries. In other countries, new dietary behavior and consumption habits are in the early stages. In those countries' consumers are quite rational, guided mainly by price. They control their expenses; they are price-sensitive and have a high awareness of local brands, particularly middle-class and older population (Sanfey & Milatović, 2018).

Local FMCG companies are facing strong challenges from multinational competition, practically in all categories. Over the last few years, we could observe also some important merger and acquisition trends, from both within and outside the ex-Yu region companies (in the retail sector, dairies, soft drinks, meat processing, confectionary, beer sectors, etc.). During the last decade, the region has experienced also the retail revolution. Large store formats have been opened and consumption has shifted from small shops to supermarkets. Slovenian and Croatian markets are already consolidated, with a strong presence of hard discounters and private labels. In Serbia and other ex-YU countries the retail revolution trend and private label growth is expanding (hard discounter Lidl entered Serbia in 2018).

In order to explore how marketing as a discipline has been studied in ex-YU markets, I have reviewed the existing studies about various marketing issues in Central Eastern Europe (CEE), putting a special focus on ex-YU countries. A thorough search of the relevant literature in the ex-Yu region also yielded some important articles, but to date, no paper is directly related to my research topic. Stanković and Popović (2018) highlight the role and importance of a marketing manager for a successful company transformation into the system which should create and manage the market. Important contributions in the area of market orientation and to the development of knowledge of the fundamental concept of marketing have been identified by many authors. One of the main conclusions from the studies from the 1990s is that in no other field is the gap between theory and practice wider than in marketing (cf. Catana & Catana, 2004). In particular, the level of the practical adoption of a market orientation in CEE countries is very low (cf. Catana & Catana, 2004). Similarly, transitional economies are particularly relevant to marketing-related issues since market orientation is still a relatively new concept (Menguc & Auh, 2006). There are various research papers on market orientation in Slovenia. Bodlaj (2010) identifies two main areas: (1) the adoption of market orientation along with factors that impact the level of Slove-

nian companies' market orientation (e.g. Snoj & Gabrijan, 1998; Trošt, 2001, 2002; Bodlaj, 2009) and (2) the consequences of market orientation for a firm's business behaviour and performance (e.g. Rojšek et al., 2003; Gabrijan et al., 2005; Milfelner et al., 2008a; Bodlaj, 2009). In addition, Bodlaj (2009) examines the relationship between market orientation, innovation, and business performance. The main findings reveal that only a proactive market orientation is positively related to the degree of novelty. Companies should therefore invest resources in raising the level of their proactive market orientation. Milfelner, Gabrijan, and Snoj (2008) additionally investigate the relationship between market orientation, innovation resources, reputational resources, customer related capabilities and distribution-based assets and their impact on market and financial performance. Their study indicates that selected marketing resources impact the financial performance. Žabkar and Jančič (2008) examine the criticism of the underperforming nature of Slovenian marketing and reported that this issue lies mostly on internal reasons. They emphasize that certain historical, cultural, and financial factors prevent Slovenian companies from being more marketing oriented, even though they have thrived in the market economy for almost two decades. Ivanuša and Antolin (2009) also reveals that most Slovenian marketers decide only on tactical marketing decisions.

There are some papers which examine marketing in small firms in CEE; small firms are vitally important also for the FMCG industry. Dragnić (2009) finds a prevalent non-systematic approach to marketing in the analyzed Croatian firms from the Splitsko-Dalmatinska county. Bodlaj and Rojšek (2014) studied Slovenian small firms; their study reveals that marketing tends to be narrowly understood as tactics (synonymous with advertising), with no person particularly responsible for it. There exists also another important aspect of marketing influence, which is highly relevant to this study. This is a type of company ownership and how much it affects the management of their marketing activities. Mumel and Iršič's (1998) research project as part of the CEE research project (Hungary, Poland, Bulgaria, and Slovenia) reveals the differences in some marketing activities according to their ownership and the origin of the capital.

## 4. METHODOLOGY

### Type of methodology

Schmidt (1981) describes qualitative research as the study of the empirical world from the viewpo-

int of the study's person. As my research aims to discover CEO views on the strategic role of marketing, the qualitative approach, and gathering data through semi-structured interviews, observations, and reflective sessions were selected as the most appropriate model.

### 4.1. DATA COLLECTION METHODS

The first data gathering (before semi-structured interviews) occurred through secondary data analysis (yearly company reports, web pages, and other published materials) and outside observation of selected companies. Interviews with CEOs of selected companies, as the primary data source, designed in a semi-structured manner, involved a prepared list of questions for more straightforward interview navigation; questions were based on and guided by determinants from the research model. The semi-structured interview enjoys great popularity because it is flexible, accessible, and capable of disclosing important facets of human or organizational behavior (Kvale, 2007). A primary technique used in my semi-structured interviews was scheduled probes for drilling down all topics/determinants from the prepared list. Interviews began with an opening question about their general view on marketing, such as "Can you tell me your view..." What happened with marketing"... Then the interviewer asked the research question: "How is marketing perceived from the CEOs' point of view in your company?" The researcher also used other 'probes' to encourage CEOs to elaborate on their answers. Performing the interview with CEOs was emotionally very intense, requiring a high level of professional and scholarly ethics from both the interview and the researcher. The majority of interviews were conducted face-to-face on the company premises. Two of them were virtual, using video conference. All participants accepted the invitation to the interview, and they all agreed (with only one exception) to audiotaping the interviews to capture an accurate record of the discussion. After the interview, special attention was given to secure storage of the collected data, which are made anonymous and therefore treated as confidential.

An important, second major area of the research data collection came through my participants and non-participants observation using the interviews. Observations were kept as handwritten descriptive notes, where I made a record of what I found significant during the interview (shift in mood and behaviour, body language, company culture observation, etc.).



**4.2. SAMPLE**

Research data were collected in the local FMCG companies. Subsidiaries or representative offices of large international companies were excluded from the sample, because they are focused primarily on the execution of field (operational) marketing activities (customer/shopper management), have dotted-line or direct matrix reporting to the divisional or geographically distributed organizations, and have no influence in designing marketing organization and role. Criteria for companies' selection list were: turnover, the size of the company, type of ownership, number of operating markets, the number of brands and categories in the portfolio, "seniority" criteria (the number of years in business). The last important criterion was the diversity of all ex-Yu countries.

Participants' ages ranged from 40 to 66 years; the participants were typically male (10% identified as female). In terms of tenure: seven CEOs are New CEOs (< 4 years tenure), five participants are Intermediate (< 10 years tenure) and eight of them are Old CEOs (>10 years tenure) – according to Allgood & Farrel classification (2001). CEO educational level: four participants are in postgraduate category (MBAs and MSc), all other are in bachelors' degree group, with very different educational background: only one in marketing. Six CEOs have experience in multinational companies and three of them have Expats working experience.

**4.3. ETHICAL ISSUES**

The main consideration in any research study is to conduct research in an ethical manner. DeWalt & DeWalt (2002) advise that the researcher must ensure, before and during the research process, that data collection is for research purposes only. My task as a researcher was to provide reassurance that we would only discuss participants' perceptions, point of view, and thoughts about the strategic marketing role. Another ethical responsibility was to preserve the anonymity of the participants in the findings and interpretation chapters and the anonymity of the selected companies. Interview consents were informally checked, while participants were not required to sign a consent form.

**4.4. TRUSTWORTHINESS ISSUES**

Bloomberg & Volpe (2008) claim that the standards for good and convincing research are validity and reliability. In my research I included some forms of triangulation with the goal to increase the trustworthiness and credibility of my work. Before each interview, I explained that the

aim of the interview was not to use benchmarking as a method to establish a comparison (and rating) between companies, but rather to understand the lived experience of research participants (Charmaz, 2006). Independent coding ensured an objectivization of findings, presented perspectives and situations. Objectivization was based on the peer-review process; two colleagues, both in senior marketing positions outside the FMCG industry, were asked to code interviews independently. Additionally, two other colleagues, members of a board outside the FMCG industry, were asked to examine my assumptions and interpretations.

**4.5. DATA ANALYSIS**

Qualitative data collected through primary research were complex; they were recorded and later transcribed in the pre-defined form prepared by the researcher. The researcher became familiar with the collected data by reading the notes and preparing interview transcripts, as well as by listening to the audio interviews in order to reduce the amount of data by identifying categories (determinants) in the collected data. The formal process of data analysis began by assigning alphanumeric codes (0=no, 1=yes) according to the categories and determinants from the research model. When the value of all six main determinants D1–D6 is "1", it means that marketing is strategic in the particular company. The results of the analysis were determined through a mutual agreement with both colleagues who coded the interviews independently.

**5. RESULTS**

Based on the analysis of the data collected during the empirical study, the interviews revealed three main key themes which reflect how CEOs perceive the marketing role in a company:

1. 40% of participants see and perceive the narrow view of marketing,
2. 45% of participants see the broader view on marketing,
3. Only 15% of participants see marketing as a strategic role.

Their views exemplify regionally lived experiences and contexts. Participants (40% of CEOs) who perceive and connect marketing with (1) the narrow view, see marketing as an operational department responsible only for advertising, media buys, or promotional leaflets creation and not as a strategic function which drives company growth. These participants still think that their

marketers' current skills don't allow them to manage a broader (2) or strategic (3) scope and take on more responsibilities. Participants' "narrow" view of the marketing department shows unwillingness to alter the existing position. One of the participants clearly notes:

*Marketing is a support function. Marketing is too narrow, they don't speak the business language, they are not interested in business themes and sales at all. (participant 09)*

This narrow view of marketing can be contrasted with (2) the broader perspective. There are nine participants (45% of CEOs) who see the marketing broader as an advertising function. Three of them (30% of participants in this group) see marketing roles as a steward of the brand, managing the basic and traditional marketing concepts, such as segmentation, targeting, positioning, and seeking competitive advantages through defining the 4Ps. Another six participants (70% of participants in this group) see marketing's role according to all six determinants from the research model. Still, they openly said that their companies are on the way to reposition their marketing as a strategic role. Three participants (15% of CEOs) see and perceive marketing as a strategic role (3). All of them view marketing on all three levels from the research model: as a culture and company philosophy, as a strategy and as tactics. They all agree that the traditional marketing definition, where the marketing department-based view with only full-time marketers are recognized has to change and expand to marketing as a process and mindset (Gronroos, 2006). Their views supported the strategic role of marketing where marketing is both a business philosophy and a business department. At the same time, participants in this group recognized that the main issue is changing a company philosophy and mindset. They mentioned two strategic capabilities which should stand out the most: the ability to understand the big picture of a changing environment and demonstrate greater marketing accountability and influence on business results. One of the CEOs clearly expressed the need for more focus on the big picture:

*For me the core literature for every marketer is the article of Theodore Levitt, Marketing Myopia. I read this article every two years. And every marketer should read it every other year too, or at least before any strategic portfolio decision. (participant 13).*

All three participants clearly stated that marketing must develop its capability and be able to explain how the investment in marketing drives

revenue growth. They said that only with this ability will marketing stay relevant at the board level. In that context, one of the CEOs explains the imperative for marketing to be more analytically oriented and educated:

*The future of marketing is in mathematics. For me, the key marketing competency is to understand the data, have an ability to analyze and synthesize them and make business interpretations and recommendations. Creativity and storytelling come at the end. (participant 13)*

Participants in this group also see the responsibility of marketing in building a market-oriented culture, breaking company silos, and connecting different customer related functions. This finding is aligned with several research papers which discuss the impact of market orientation on building marketing culture as organizational philosophy and widen the perspective about marketing role and influence (Kohli & Jaworski, 1990). All three participants also observed that there are still many traditionally trained marketers on the market, with a very narrow perception of marketing.

*What I see in the current marketing education is that marketers need to develop and upgrade their basic marketing knowledge, i.e. brand and product development or communications area, and acquire new approaches and skills for the digital world and therefore understand better consumer experience and needs. They should somehow integrate the old knowledge with the new. (participant 17)*

They also claimed that it is quite a challenge to get a strategic marketing leader on board, while they lack soft skills, like people skills, building relationships, leadership, and empowering.

*First, you need good leadership skills. You don't necessarily need to be a marketer. The people we're getting these days have a narrower focus. They should be familiar with balance sheets, think strategically and not be inclined to do operational work. They should know how to empower their employees and employees in other sectors. They should know how to take responsibility and influence all stakeholders in the company. (participant 20)*

*Networking with peers, attendance at industry events and conferences and exposing to the board are for me the three crucial steps for a marketer if he or she wants career development and to be perceived as a more strategic partner. (participant 13)*

All three participants were also quite critical about the educational system, which focuses on theory without presenting real case studies. One of the participants was quite frustrated:

*Many problems arise in the academic setting because academic knowledge is rather theoretical. What the educational institutions in ex-YU markets need, in comparison with Western countries, is practical training. I'm speaking from personal experience, based on the companies where I have worked. People graduate either with theoretical, inapplicable knowledge or without practical knowledge rooted in suitable theoretical knowledge. I believe this is a serious problem for all the countries in the region. (participant 17)*

One important observation is that almost all participants for whom marketing is not a strategic function started their interviews by explaining their past. They went ten or twenty years back, talked about how they started and explained their company history. On the other hand, the participants who have a strategic role or are in the process of developing one, talked about the future—how to modernize business, develop brands, change their business model, and strengthen company culture. Returning into the past and talking about the future are the two behavioral markers that indicate the marketing orientation of a company. The second important field of observation was the company setting. Since the interviews were carried out at different companies, I was able to observe how workplace architecture and design relate to the company orientation and culture. My observation was focused on whether consumer orientation and values are also visible in the design and behavior in the workplace. It was established once again that the companies that realize the importance of a consumer-centric culture also treat marketing as a strategic function.

## 6. CONCLUSIONS

The results of my thesis are troubling. Based on the research results it can be concluded that marketing in the ex-Yu FMCG industry is having an identity crisis. Although the companies in the research sample have a formal marketing function within the company, it appears that in 85% of companies, the function has not proven its value to the company from the CEOs perspective. Marketing itself lacks the ability to be strategic and this is a major concern for research. Even though big companies represent 50% of the research size sample, where according to several scholars' articles marketing has a

greater strategic influence, the present research does not show the same result. At the same time, research results also confirm that marketing seems to be attributed a less strategic role in small ex-Yu companies.

One of the reasons for a non-strategic marketing role from the CEO's perspective is in a too-passive role of marketing leaders. Interviews reveal that CEOs are aware that the top-down approach accelerates change, although some of them suggest that marketing should play a more active and transformational role:

*Marketing rarely wonders if it is included in all the key decisions, if the company culture is evolving in the right direction, if the debate regarding brand development is evolving in the right direction, if marketing is involved enough in the strategy preparation... Marketers are not capable of developing their own personal brand within the company or the brand of their function. (participant 12).*

One more field, which is important for the strategic position of marketing, emerged during the interviews, and that is the orientation of companies toward short-term results. This argument is also connected with the fact that some companies from the sample are in transition in terms of true ownership. And until the ownership is not clear, top management and owners are more interested in short-term results, which is the opposite of marketing long-term perspective and investments cycle. From the interviews, predominantly with CEOs who do not perceive marketing as a strategic function, we can see and feel an underestimation of the new business reality. They see changes and pressures in the industry and environment but behave like this is not their company's issue.

## 7. RECOMMENDATIONS

My research findings make a contribution to the current understanding of marketing's strategic role and influence in the ex-YU region. Results indicate that more needs to be done to reposition the marketing function to expand its current tactical scope so that it can become more strategic and a more significant contributor to overall company performance. According to CEO interviews and their perception of marketing's current position, research results point to three imperatives and management implications that can strengthen the function of marketing:

## 1. MARKETING NEEDS RE-POSITIONING AND RE-BRANDING

When marketing redefines and repositions its functional (department) brand properly, it will be clearly established that marketing has a strong link to cash flow. Using research framework of the strategic marketing role as a model to redefine the strategic role, marketing should take a leadership role in co-creating the company culture. It should build the importance of consumer insights, participate in identifying new business opportunities in strategic roles as well as determine market investment choices. In a tactical role, marketing will, with proper processes and cross-functional collaboration, then deliver brand promise and strategy execution on the market. One of the participants made an important remark:

*However, marketers typically don't present how the right target consumers influence the company's balance sheet. I need three to five core slides where we can see this information in terms of profit, expenditures, and profitability, as well as time commitments and accountability (who would actually carry out the strategy?). Marketers are unable to escape their own lingo and they don't understand business language. (participant 17)*

## 2. MARKETING NEEDS TO MANAGE UP

For marketing to effectively manage up, it has to understand its primary consumer: its CEOs. Once marketing understands the CEOs primary concerns, it can then identify the primary activities that will help address these concerns. This will establish a closer relationship with the top management:

*Marketing needs to be aligned with the board and build company culture. We always say that company culture needs to be built at all levels, but we rarely talk about building it to the top, which is the prerequisite for implementing change. Marketing needs to create a programme for top management. They should be interested in knowing what I need from them in order to make strategic decisions, what keeps me awake at night ... (participant 20)*

## 3. MARKETING NEEDS TO MAKE CO-MARKETING ALLIANCES

What is clear from the interviews is that marketing needs to have good insight into all business activities and at the same time nurture its basic competency as a brand growth advocate. Marketing's 'natural' role is to educate a com-

pany, bring new trends into a company and continuously care about brands and consumer experience. It is extremely important for marketers to help other functions of the company properly see marketing activities and how they relate to cash-flow. Marketing can take advantage of the collaboration of different functions and take the development of the market-oriented culture as a platform for making cross-functional alliances:

*When marketing works collaboratively with other functions, it has a possibility to enable all other functions to generate more cash flow. And these then enable other functions to become aware of marketing's role and responsibility. (participant 07)*

Marketing influence is much more than just its position in the organizational structure. But it is also true that marketing has a more difficult role than some other functions, such as finance. As one CEO playfully said:

*Marketing has no authority power, or it very rarely does, unlike finance, which has power regardless of who is in charge. Marketing needs to act from the position of knowledge, and this is where I think it fails. It lacks power by default. People in finance have external power because of procedures, which means that you can have a weak finance person who still runs a function that is powerful. Finance operates at the board level by default, whereas marketing needs to fight for this position, and it all depends on the person in charge. Marketing is not in and of itself powerful, its power depends on the person in charge. (participant 14)*

Redefining marketing's role demands knowledge. Apart from all barriers in defining the strategic marketing role, my data also reveal an additional barrier found in the ex-YU context, which is also mentioned in other studies. The following two CEOs statements present important implications for academia:

*The problem begins with the academic world, in college. I first noticed this while I was studying abroad, where we had the drill: P&L, P&L, P&L. The problem with teaching marketing is that they try to make people creative instead of business oriented. (participant 17)*

*People graduate from college either with unpractical theoretical knowledge or without any practical knowledge rooted in adequate theoretical knowledge. I think this is a serious problem for all the countries in the region. At Serbian universities marketers are taught to understand consumers and advertising*

and that's it. I can draw a direct comparison because I attended one part of high school in the United States and I can compare the two school systems. A change occurs at the university level because knowledge is acquired through practical work and examples. (participant 13)

Implementing the changes discussed above will require changes in university curricula. Based on the research findings, I concluded that there are three groups of knowledge and skills which were mentioned during the interviews and should be considered in designing new curricula:

- Traditional (fundamental) marketing knowledge and skills,
- Digital (technological) knowledge and skills,
- Strategic and leadership knowledge and skills.

## 8. LIMITATIONS AND RECOMMENDATIONS FOR FURTHER STUDY

My work can be extended in several directions. First, researchers should examine selected companies' directors of marketing views, to get insight about their view of strategic marketing role and what they see as barriers for marketing strategic positioning. Second, more objective company performance data (i.e. changes in sales, profit, market share) should be employed in future research as this will provide hard and quantitative data on how strategic marketing affects a company bottom-line. Third, CEOs and other members of top management (e.g. COO, CFO) should also be involved in further research to get a more objective view which could give the possibility to confirm research findings. Fourth, there exists empirical support that if a firm's CEO has a background in marketing, the marketing function has a higher level of influence (Homburg et al., 1999). As such, it will be necessary to explore how CEOs without marketing capability or experience should build their marketing capability. Additionally, marketing today is seen as a business function, and as such it is often not present in boardrooms. As Strandvik et al. (2014) present through mental models, marketing is already present in the boardroom, but it is disguised. Therefore, further research needs to be conducted on how to change the current mental model. Moreover, the generatability of my findings across different contexts (industry sectors) needs to be examined further. Sampling across all countries and other industry sectors would help in generalizing the findings.

## A FINAL WORD:

The conclusion of my studies took place during the most significant crisis to date – the global pandemic Covid-19 crisis. Covid-19 is, by far, one of the biggest challenges for the world, for the company, and each one of us. For marketing, it is critical to realize that consumer buying patterns changed and that this crisis will have a long-term psychological impact on consumers. Besides dealing with an extreme disruption, the need for marketing and business is to adapt to the new normal rapidly. Further research on the issue of how-to build the strategic marketing role and find ways how marketing can strategically manage and lead the fundamental shifts in the environment is needed.

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