1. Background and Objectives

This paper focuses on changing perspectives of marketing and purports to provide an integrative conceptual framework for assessment of the contemporary marketing theory. Before developing the objective in detail, a few trends in the perceptions of marketing are identified.

1.2 Is Marketing Failing?

The traditional view of marketing regards it as a corporate function among production, R & D and design, finance, and personnel management. Marketing is generally considered to be:

"... the process of planning and execution of the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals." (Ferrel and Lucas, 1987).

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Although this American Marketing Association definition provides scope for interpreting marketing in a holistic manner several studies indicate that many companies still view marketing from a seriously limited or biased perspective. Marketing is often seen as a mere sales or sales support function or as "marketing department marketing", that is, running sales, marketing research, advertising etc., in general focusing on the operational subtasks, King (1985), Hooley and Lynch (1985), Møller, Anttila and Virtanen (1986), Hooley, Lynch and Shephard (1988).

A valid marketing perspective presumes a long-term view of company's market position. Not infrequently this is overrun by short-term profit perspective, a phenomenon characteristic in the internal efficiency oriented 1970's and 1980's in many mature industries. This "accountant's marketing" (King 1985) can be disastrous in the longer run as it generally undermines the investments that are necessary in developing and maintaining market positions, Webster (1981), Doyle, Saunders and Wright (1987), Doyle (1987). The difference in narrow financial orientation versus strategic market orientation is well highlighted in the different policies of American and Japanese auto producers, Halberstam (1986).

Companies have also been disappointed in their implementation of formal marketing planning systems, McDonald (1984), Leppard and McDonald (1987). Benefits expected from the standard textbook approaches have been hard to achieve. A related criticism is that marketing approach tends to overfocus on customers leaving the competition untackled, Porter (1980), Day and Wensley (1988). In other words, formal marketing planning prescriptions are not seen to fit well the corporate reality, and are also perceived as lop-sided.

While a number of companies are dissatisfied with the promised potential of marketing - and many are probably misunderstanding the concept - there still seem to exist a strong belief on the relevance of marketing across small and large companies both in Europe and in the United States, see eg. Tikkanen and Akkanen (1975), KERA (1984), Webster (1981), Doyle (1987), Lynch, Hooley and Shephard (1988). This somewhat paradoxical coexistence of the disappointment in marketing and the emphasizing the importance of marketing can be traced to a number of sources.

- First, many firms are clearly misperceiving the scope, content, and philosophical or cultural nature of marketing.

- Even when understood in a holistic and directive fashion marketing is proving very difficult to implement.

- Implementation problem is enhanced by current normative textbooks the majority of which emphasize lists of rules and methods, paying only superficial attention to implementation and organizing issues.
- Comprehensive, yet detailed and implementable treatises of marketing are still rare exceptions. To be of managerial use these should address the content, roles, domain and interfunctional interaction of marketing.

- Implementing marketing concept must fit the developmental stage of the company, as well as its competitive environment and strategic orientation. This is a thorny problem as only embryonic suggestions for a contingency theory of marketing are available.

The afore comments do not attempt to be exhaustive. They provide background for the principal premises of this study:

- Marketing is one of the key success factors in the long-term performance of any firm.

- The scope, contents and role of marketing is often misperceived - narrow operative views being dominant especially in the small firms.

- Contemporary marketing theory would benefit from more holistic perspectives of marketing, examining marketing in the context of the strategic position of the firm, and including interdepartmental and cross-functional implementation issues.

In brief, there exists both theoretical and managerial rationale for conceptual redescription of marketing.

1.2 Objectives of the Study

The perception of marketing concept is influenced by the theory or theories into marketing. Our principal objective is to try to assess the contemporary theory of marketing. This task is made feasible by focusing mainly on emerging perspectives in theory development.

This kind of conceptual analysis can have a number of benefits. First, theory assessment can provide a better understanding of current marketing theory, its strengths and weaknesses. Second, by providing a framework type of view theory assessment gives guidelines for the further development of theory. Third, theoretical discussion can give us a more comprehensive perspective of marketing. Further, more comprehensive and valid conceptualizations of marketing eventually impact the managerial perceptions of marketing; its role in the strategic and operational management of the firm.

2. New Perspectives Into Marketing

During the last decade our perspective into marketing has been constantly changing. From the functional view emphasizing the elements of the marketing program our attention has focused on the strategic role of marketing, its position in the
interfunctional interaction, and relevance for the managerial or cultural orientation of the firm; to name just a few evolving trends (see e.g. Day and Wensley 1983; Ruekert and Walker 1987; Moller and Wilson 1988a). This disciplinary dynamism can increase our understanding of marketing phenomena but presents also evident problems.

Most of the new conceptual thrusts are based on varying theoretical sources using different vocabulary. Many of them are focusing on a specific subdomain or employ a one-sided view of marketing. Theoretical barriers tend to lead to compartmentalization of research schools, Astley and Van de Ven (1983). As a result, it has become increasingly difficult to recognize how these diverse research streams are related to marketing, to identify their specific contributions, and to form a holistic theoretical redescription of marketing.

2.1. Analytical Frame

To gain conceptual clarity a metatheoretical frame using the traditional dichotomy into content versus process view as one classifier, and the level or scope of focus as the other is employed, see Figure 1. Similar approaches have been used in analyzing the strategic research, see Venkatraman and Camillus (1984), and Rautkyla (1987) who provides a valuable discussion on the multiple perspectives on strategic management.

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Insert Figure 1 here
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Marketing shares with strategic management the fundamental focus on environment-firm linkage. Basically marketing covers the customer and competitor oriented domain of firm-environment interaction; this forms its fairly generally accepted scope. Conceptually marketing can be extended to cover any relationships between the firm and its constituencies (eg suppliers, financial institutions, government and local agencies), cf. Wind (1981a,b), Wind and Robertson (1983).

Following the environment-firm interaction tradition marketing structures, skills, strategies, and processes can be explained from the perspective of matching or "aligning" the marketing-related organizational resources with the environmental context (cf. alignment in eg. Andrews 1971, Pfeffer and Salancik 1978, Rautkyla 1987, Walker and Ruekert 1987). Four interlinked levels are used to examine the research approaches relevant for marketing:

- (i) environment/industry/market level,
- (ii) environment-marketer interaction level,
- (iii) organizational level, and
- (iv) functional level.

In very simplistic terms these subdomains could be described as "theory of industry/market/environment", "theory of environment-marketing strategy relationship", "interfunctional
theory of marketing", and "functional theory of marketing". As a whole they cover the extended domain of marketing.

The structure vs process dichotomy discriminates between approaches focusing on the contents of markets, marketing strategies, and marketing programs, and on the dynamic perception and development processes between and within the four levels. Next the principal evolving research approaches are discussed with the help of the meta frame proposed.

2.2 Emerging Approaches into Marketing

In the present context only brief notions can be made of the relevant research traditions within each subdomain identified in Figure 1. The purpose is to emphasize holistic understanding and "positioning" of various approaches not their detailed description.

2.2.1 Theories of Industry/Marks & Industry/Market Evolution

Since the seminal argumentation by Arndt (1979) for adopting alternative theories for markets besides the traditional multiple sellers-multiple buyers short-term economic model, a few partial theories of environments, industries and markets have been available for marketing researchers. Two principal approaches and their theoretical backgrounds are briefly addressed.

"Theory of Industry Competition", referring to basically economic description of the competitive forces in industry. Leading tradition in this approach has been provided by the industrial economics school focusing on the (i) structural forms of markets, (ii) classification of industry into more homogeneous competitive groups, (iii) the prevalent modes of competition, and on (iv) factors influencing the entry and exit into an industry, as well as intraindustry competition; see Hunt (1972), Newman (1978), Hatten (1974), Rumelt (1974), Patton (1977), Porter (1980, 1981), Lahti (1983). The listed issues include analyses of vertical and horizontal integration and the "extended competition" notion by Porter (1980).

Main thrust of the industrial economics is naturally based on economic assumptions of firm behavior. Strategic notions are, however, becoming more prominent especially through examining the corporate performance and evolution of strategic groups. The level of analysis is generally at industry, subsection of industry, or at group (firms) level.

From the structural perspective "theory of industry competition" tries to provide analytic description of the basic dimensions of industries and markets. A key issue is the derivation of these dimensions so that they would be associated with the firm performance within industry.

From process perspective the task is to explain the dynamic patterns how the industry structure evolves, for instance how the strategic groups are formed and changed.
"Markets as Networks Theory", refers to a description of markets as associated or linked actors comprising not only buyers and sellers but all relevant organizations like consultancies, government agencies, research institutes etc. Network theory draws on several disciplines but is primarily based on the organizational resource interdependence theory, theory of social interaction, and on more general notions of strategic literature, see Johansson and Mattsson (1985), Mattsson (1985), Thorelli (1986).

"Network" approach expands the traditional economics-oriented view of industries not only by including non-seller/-buyer actors but recognizing such noneconomic bonds between organizations as technical, time-based, knowledge-based, social, and legal bonds. Further, network perspective overrides the traditional industry boundaries through associated networks covering suppliers and suppliers' suppliers and customers and customers' customers, as well as other organizations along both vertical and horizontal axis into appropriate "depth".

From the structural perspective network theory purports to describe extended industry structures through their "structuredness", expressed by the actor interdependencies defined by the number, type, and intensity of bonds.

In a process view network theory would focus on how the network boundaries evolve and what kind of patterns can be identified in interactor bonding resulting to changes in structuredness.

Obviously "industry competition" and "markets as networks" approaches provide different views on industries and markets. Because of their unique disciplinary backgrounds the insights provided should be considered complementary. One key difference is that industrial economics studies generally assume an "objective environment". That is, the characteristics of an industry are regarded transparent and known to managers. Studies based on the network theory more generally assume that the environment is not objective but perceived by the management.

Evidently, what industrial economics gains in methodological rigor it may lose in the depth of bringing understanding for the underlying forces within industries/markets. As a relatively newcomer the network approach has not yet fully shown its potential. The methodological problems are difficult because of the painstaking nature of the collection of data needed. Mastering both theories will evidently provide enhanced understanding of industries/markets.

2.2.2 Theories of Marketer-Environment Structure and Interaction

The distinction between theories of markets and theories of organization or marketer and environment interaction is primarily conceptual and employed for presentational purposes. Many theories cover both areas. This problem is actually
relevant for all the cells in Figure 1, they are obviously interrelated.

Traditional theories on marketing-environment interaction can be grouped into:

- Models of market response, based primarily on micro-economics and trying to assess the response functions for either specific marketing mix elements like price, advertising, distribution or for some more integrated marketing program. The latter include also the traditional market share models. For excellent summaries see Naert and Leeflang (1978) and Lilien and Kotler (1983).

- Behavioral models of consumer and organizational buyer behavior based on generally cognitive theories of human decision making. Central issues focused include consumer/buyer perception, evaluation, and choice of product/service alternatives. Consumer/buyer information processing is related to marketing programs through multiattribute modeling; preference or similarity perception providing material for product space analysis and product positioning, benefit segmentation, and perceptual market structure analysis. Such related methods as conjoint analysis and integrated response models (ASESSOR, SPRINTER) can be used for product development and market response simulation, see e.g. Shocker and Srinivasan (1979), Wind, Grashof and Goldhar (1978), Green and Carroll (1981), Moller (1981), Choffray and Lilien (1980), Urban and Hauser (1980), Woodside, Sheth and Bennett (1977).

- Dynamic patronage behavior models form an important emerging partial theory in consumer behavior theory. They focus on the dynamic patterns of interaction behavior and try to explain how these patterns come about and change through consumer and retail environment interaction, Darden and Lusch (1983), Laaksonen (1988). As such they provide means for understanding how changes in retail store structure influence shopping behavior.

- Strategically oriented market share/response theories, based mainly on economic relations between firm's marketing input and market share or other performance indicators (ROI, sales, profit). PIMS project represents the best known approach of this tradition, Schoeffler, Buzzell and Heaney (1974); Abell and Hammond (1979); Phillips, Chang and Buzzell (1983); Jacobson and Aaker (1985, 1987).

- Contingency theories of market strategies, providing suggestions how to align strategies in specific market contexts. Boston Consulting Group's simplistic relative market share and market growth based portfolio model for SBU/product group management; together with General Electric's "market attractiveness" portfolio model represent early suggestions for managing product/market or business portfolio decisions, Henderson (1979) Abell and Hammond (1979). Porter's generic strategies and theory of competitive advantage (1980, 1985), provide more complex and realistic views on the industry/market contingencies, see also Harrigan (1979, 1983,

- Dyadic theories of buyer-seller relations based on social exchange and social influence theories. These operate generally at individual level, most work has been done in the organizational buyer-seller area, see eg. Bonoma, Bagozzi and Zaltman (1978), Bush, Bush and Hair (1978), Bush and Leong (1986).

The theories addressed do not form any complete presentation but try to provide a view of the principal approaches to marketing—market relationship. Next, more novel— at least for marketing— theories of marketer-market domain are examined.

"Transaction Cost Economics", refer to an approach for analyzing intercompany economic transactions from the perspective of institutional economics and contractual law. Transaction cost theory provides suggestions for the impact of a limited set of environmental factors (mainly environmental uncertainty, complexity, number of actors) and firm factors (frequency of transactions, nature of transaction-related investments) on the "governance structures" for handling the economic activities. In case the market mechanism is failing, hierarchial structures (eg vertical integration) are presumed to avoid the risk of becoming the object of opportunistic behavior by the exchange partner, Williamson (1975, 1979, 1985).

In marketing transaction cost approach has primarily been applied in explaining exchange relationships in vertical channel systems, see eg. John (1984), Heide and John (1988), Dwyer and Oh (1988). Ruekert, Walker and Roering (1985) provide an important analysis of organizing marketing activities under various contingencies, and Spekman and Straus (1986) use the approach for examining the "strategic vulnerability" in industrial buyer-seller relations.

It should be noted that the theory focuses on the structure of relationships, not the interaction process. In fact transaction cost theory can be seen as a normative contingency approach recommending governance structures that exhibit minimum cost solutions under the contextual assumptions. Being primarily cost-based theory of intercompany dyads transaction cost approach does not cover other aspects of market strategies and is seriously limited from the managerial perspective, see eg. Johansson and Mattsson (1987), Kogut (1988), Moller and Wilson (1988a).

"Interorganizational Resource Dependence" approach is based on organizational theory of company relationships. Key issues are how the environmental conditions are perceived and enacted by the management, and how these perceived contingencies influence firm interaction. Central concepts include power and its exercise, conflicts and conflict resolution, trust,
satisfaction; basic focus is on the complex dimensional structure of intercompany relations, and on the description of interaction in behavioral and cognitive terms through dependence, cooperation and control, see Weick (1969), Thompson (1967), Aldrich (1979), Pfeffer and Salancik (1978).

A notable difference from the economics and strategy oriented theories is the perceived or interpreted nature of the environment presumed by the resource dependency theory. This emphasizes the managerial perception of environment and stresses the importance of understanding the mechanisms influencing this perception.

Of special interest for marketing is the work carried out in channels research - an area characterized by frequent long-term exchange relations - often employing the "political-economy framework" (Stern and Reve 1980, Achrol, Reve and Stern 1983). This framework is primarily based on the interdependence theory but includes also notions from transaction costs economics.


As can be noted, the interorganizational resource interdependence theory can be applied both to the structural and process issues of "marketing-environment interaction" domain. It provides a well developed conceptual system for assessment (i) the perceived dimensions of task environment, (ii) the content of buyer-seller relations; and has employed rigorous causal modeling for analyzing the determinants of company performance in interaction context. The unit of analysis is a firm or a dyad; this provides opportunities for firm level, group level or higher level investigations through appropriate aggregation.

"Markets as Networks" approach provides also suggestions for analyzing the marketer-environment relationships. Based on the perspective of bonds between the interdependent organizations, the approach discusses the type of investments needed in gaining, maintaining, and terminating positions within a network, see Johansson and Mattsson (1985), Elsasser (1984), Mattsson (1985). The structure or content of the relationships, investments and strategies are under focus, but also the dynamic development process of network positions is examined, Gadde and Mattsson (1987). Resource interdependence provides the major theoretical background.

"Industrial Marketing and Purchasing Group Approach" refers to research carried out on industrial marketing and purchasing relations and strategies. The theoretical bases of this relatively loose "school" are mixed; notions are drawn primarily on the organizational resource dependence theory,
markets as networks perspective, and on more general notions on strategy.

The IMP research is often characterized by problem orientation, key issues concern the analysis and understanding of long-term strategies of industrial suppliers and buyers. Competitive, command and cooperative strategies and their related contingencies (Campbell 1985), analysis of realized strategies (Turnbull and Valla 1986), resource deployment and organization in buyer-seller relationships (Campbell and Cunningham 1985, Cunningham and Homse 1986, Hardwick and Ford 1986), and a loose process model for interaction relationships (Ford 1980, 1982) represent primary problem areas addressed.

The IMP studies focus both on the structural issues of marketer-buyer relationship and the processes characterising these relations. The unit of analysis is generally a firm or dyad of firms. Methods employed range from multiple case analysis to cross-sectional multivariate analyses.

"Social Exchange Theory" related research focuses on the description of the interaction processes between organizations and their representatives. It is based on individual level theory on personal relations and emphasizes the dynamics or developmental nature of relationships, Thibout and Kelley (1959), Kelley and Thibout (1978), Scanzoni (1979).

In marketing the social exchange approach has been applied to examine channel relationships and industrial buyer-seller relationships. Expected costs and benefits, relative comparison levels (CL) and specific comparison levels of perceived alternatives (CLalt), as well as perceived trust, conflicts, cooperation, and satisfaction from the relationship form the key concepts of this approach, see eg. Anderson and Narus (1984, 1986), Wilson and Mummalaneni (1986, 1988). Dwyer, Schurr and Oh (1987) have proposed a general dynamic framework for understanding the development of the relationship between marketer/and buyer/consumer; it must, however, be considered exploratory.

There exists great variety between the various subtheories focusing on the marketer-environment interaction domain. This is related to the complex character of this domain and to the many hierarchies it includes. Positioning of both the "traditional" and emerging approaches is briefly highlighted in Table 1. The characterizations given are obviously "gross" generalizations.

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Insert Table 1 here
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A few general comments are warranted. First, the approaches differ in respect to whether they are assuming a stimulus-response relationship between marketer and markets/environment or a more reciprocal interaction perspective. Second, they differ in the level of behavioral detail provided for marketer/
buyer organizations, and third, in the "objective" versus "perceived" nature of the environment.

Using the first two dimensions as criteria the approaches can be classified into a typology depicted in Figure 2. It is notable that the more traditional theories generally assume a stimulus- response perspective, whereas the emerging approaches focus more on interaction and relationships. This reflects a shift from a more consumer marketing dominated theory development towards handling the complexities of business marketing, characterized by long-term interaction relationships.

2.2.3 Theories of Marketing in A Firm/Strategy Context

Theories of marketing in a firm or strategy context refer to approaches trying to understand and explain marketing's role in the formation of the mission or goals of the firm, in the formation and implementation of its strategies, and in the evolution of the managerial culture or orientation of the firm, see Anderson (1982).

Traditional approaches into marketing or marketing strategy are generally normative. By greatly simplifying one can discern:

- The product/market portfolio models exemplified by the BCG matrix discussed above. The role of marketing is relatively passive, it provides information on the present product/market combinations and on the potential alternatives available, see eg. Abell and Hammond (1979), Wind (1981b).

- More market/marketing-oriented strategic planning models, like PIMS and the integrated frameworks by Wind (Wind 1981b, Wind and Robertson 1983) obviously reserve a more prominent role for marketing. It is regarded as a directive force underlying the customer and competition aspects in defining the business, cf. Abell (1980).

- Marketing has also responsibility for market segmentation and product differentiation, often based on analysis of product space, integrating both demand/customer and competitive perspectives.

Normative resource allocation models based on the "theorem of market share determination", assuming that the market shares of competitors are proportional to their shares of total marketing effort, Little, Bell and Keeney (1975), Kotler (1984); Larreche and Srinivasan's (1982) STRATPORT portfolio model and Cook's (1983, 1985) marketing strategy models represent developed forms of this approach. (More operative issues of carrying out customer segmentation and product positioning analyses are discussed at the level of marketing function/management).
Resource allocation models have been criticized for not accounting for synergistic effects, differences in the capabilities of firms in implementing the resources, or dynamic influences of timing of strategies and the impact of earlier investments, see especially Day and Wensley (1988).

All the above normative approaches into marketing strategy share the limitation of not dealing with the organizational development of marketing strategy. Some concern for this issue is given in the qualitative flowmodels by Wind (1981b) and Wind and Robertson (1983) who provide an integrative attempt.

Porter's (1985) suggestions for developing competitive advantage through value chain analysis - assuming different competitive environments - provide a more developed, though qualitative, approach for dealing with the interaction of marketing and other functions of the firm. Finally, the normative system for assessing and developing competitive advantage by Day and Wensley (1988) forms an interesting framemodel for marketing strategy. It integrates the customer and competitor perspectives with skills and resources, as well positions, forming together the determinants of company performance. Similar ideas for dealing with the "marketing capability" of small firms has been presented by Moller and Anttila (1987a,b; Moller, Anttila and Virtanen 1986).

All the above approaches into marketing in the firm context or domain share the normative orientation. The general thrust is also structural focusing on the elements of marketing strategy, i.e., the main aim is to describe and prescribe the content of effective marketing strategies.

Much less attention has been paid to questions of how marketing is integrated with the other functions of the firm in the strategy development and implementation, Anderson (1982). These problems contain the issue of organizing or structuring the functional activities, as well as the issue of interaction processes between the functions.

Walker and Ruekert (1987) provide a discussion on the interfuctional relationships in the implementation of business unit strategies. By utilizing a set of generic strategies and related performance dimensions Walker and Ruekert suggest that "prospectors", "low cost defenders", and "differentiated defenders" should have distinctive resource and competence profiles on their functional dimensions (marketing, R & D, engineering, production, financial management etc.). They argue further that the strategy type a SBU implements should have an impact on the decision-making participation between the functions, and on the relative level of influence of each function, as well as on the perceived interfuctional conflict and resolution or coordination mechanisms employed.

The interfuctional integration perspective has been deepened by Piercy (Piercy and Evans 1983, 1985) who in his "Marketing Budgeting" (1986) presents a general treatise on marketing from the organizational and political perspective. Drawing on the interfuctional resource dependency notion, organizational
power, and organizational politics (see eg., Aiken and Haage 1968; Hickson et al., 1971; Hinings et al., 1974; McCann and Galbraith 1981; Mintzberg 1983; Pfeffer 1981; Pettigrew 1973) Piercy suggests a contingency model of the relative power of marketing department and discusses the probability of power exercise or political behavior between marketing and other functions.

Another framework model for assessing marketing's interaction with other functions has been proposed by Ruekert and Walker (1987). Based on the interfunctional resource dependence theory, the authors examine the impact of resource dependence and domain similarity on functional structure and processes, as well as on functional outcomes and the psycho-social outcomes of the interaction relationship. Further, Moller and Wilson (1988b) have employed the interdependence and political behavior perspective on examining the interfunctional relations between buying and the other key functions of the firm. These approaches build on and elaborate Anderson's (1982) notions about marketing's role among the various inter and intraorganizational stake-holders of the firm.

Relations between marketing and R&D represent probably the functional interaction domain which has attracted most research attention, Monteleone (1976), Pessemier (1977), Souder (1981), Hooley, West and Lynch (1984), Weinrauch and Anderson (1982), Ruekert and Walker (1987), Moller, Anttila and Virtanen (1986), Eriksson (1988). These studies are not discussed as they do not provide any additional theoretical insights to the interfunctional perspective.

The interfunctional approaches into understanding marketing's role in the strategy formulation share a descriptive and behavioral orientation. These studies focus on the organization of functional activities and on the interdependence between marketing and other functions, as well as on the interaction processes between functions.

The different subtheories of marketing and marketing strategy in the firm context are summarized in Figure 3. The labeling and positioning of identified approaches are obviously broad generalizations.

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Insert Figure 3 here
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The more traditional, economically oriented theories center on the content of strategy - the product/market focus, or the more detailed resource allocation focus. These approaches have little behavioral detail, they attempt to prescribe optimal, and relatively specific market/marketing strategies under contextual assumptions.

Strategic marketing planning models - being typically relatively general flowcharts - together with the value chain perspective by Porter contain somewhat more behavioral suggestions on the interaction between marketing and other
business functions. These works typically share a normative orientation but do not provide any specific content or process suggestions because of their general nature. Rather they can be regarded as conceptual frameworks providing conceptual tools for understanding.

The emerging interfunctional approach into the organizing and implementing market/marketing strategies adds considerable behavioral detail to the processes carried out within the firm, as well as to the structural solutions available. Being generally based on contingency modeling the available studies provide relatively specific proposals on the content of marketing strategies and on the organizational configurations related to certain contexts. So far, however, there is a rather limited number of empirical work available.

2.2.4 Marketing Management: Functional Level Theories of Marketing

Managing the marketing function or in brief marketing management forms the traditional focus of marketing theory and literature. Because of the richness of this area and its established character only a short discussion is warranted.

Dominant theories or approaches into marketing management can, in a broad fashion, be categorized along the economic/behavioral orientation dimension. Economic focus often coincides with a normative perspective and behavioral theories are often positive, that is, they try to describe marketing management, see e.g., Hunt (1976), Naert and Leeflang (1978), Schultz and Zoltners (1981), Kotler and Lilien (1983).

From economic perspective key issues in marketing management contain the derivation of optimal market positioning and segmentation solutions, marketing mix solution, as well as the modeling of the optimal use of each marketing program element. This subtradion in marketing is represented by normative marketing theory and by more pragmatic managerial decision modeling, Zoltners (1981). Wellknown representatives of the normative theory tradition are the Dorfman-Steiner theorem of the optimal marketing mix (1954), normative theory of segmentation (Massy and Weitz (1977), and the numerous models developed for advertising, pricing, distribution, sales management ..., see e.g., Montgomery and Urban (1969); Lilien and Kotler (1983). These models are generally descriptive.

Managerial decision models in marketing represent a more implementation oriented tradition focusing primarily on the prediction of decision outcomes under specific contextual assumptions. They help the decision maker to assess potential marketing alternatives like different media solutions, pricing solutions, sales force solutions, advertising budgets, product alternatives, and marketing-mix strategies, for examples see Naert and Leeflang (1978), Schults' and Zoltners (1981), Choffray and Lilien (1980), Urban and Hauser (1980), and Lilien and Kotler (1983). By presuming managerial interaction in defining the output information - Little (1970) - managerial
decision models often incorporate a perceived view of the markets and buying behavior.

Managerial decision models are closely connected to the models of market response and to the behavioral response models covering both consumer and organizational buying behavior, cf. section 2.2.2. These provide the information and assumptions needed in the modeling of the marketing program impact into decision models.

Compared to the managerial decision modeling tradition surprisingly little work is available on marketing management from the perspective of behavioral theory. Paraphrasing Hulbert (1981, 20): "There is a gulf in our knowledge and understanding of how marketing managers make decisions", or more generally how the marketing function is managed. A few traditions can, however be discerned.

The so-called "decision systems analysis" or DSA forms one of the more often employed approaches in examining how marketing management carries out its work. Decision systems analysis is based on the behavioral theory of the firm (March and Cyert 1963), and on the information processing perspective of managers (Newell and Simon 1972). Probably the most consistent use of this approach in marketing is provided by the "Columbia University school". Their research cover pricing decisions (Howard and Morgenroth 1968), pricing and volume planning (Farley, Hulbert and Weistein 1980, pricing and forecasting (Capon and Hulbert 1975) marketing management and general decision making (Howard, Hulbert and Farley 1975; Hulbert, Farley and Howard 1972; Capon and Hulbert 1975). For a summary of descriptive modeling of marketing decisions see Hulbert (1981).


It seems, somewhat paradoxically, that much more is known about the organizational buying behavior - especially through the "buying center research tradition" - than about marketing behavior. One explanation for this would be the acute managerial relevance of buying behavior for business marketers. Buying center research, drawing on the sociopsychological theories of small group interaction and dynamics, social exchange theory and political behavior seems to have much to offer for analysis of how marketing departments and marketing "centers" work; for a discussion on various research strategies in organizational buying research, see Wind and Thomas (1980), Moller (1985), and Moller and Wilson (1988b).

The afore brief discussion can be summarized by projecting the research approaches on marketing management into a simplistic typology given in Figure 4.
Economically oriented, generally normative theories of marketing function tend to focus on the defining of the optimal content/structure of marketing program and its parameters, as well as provide this kind of solutions to segmentation problems. Due to the necessity of employing rather strict assumptions of both market/consumer behavior and managerial behavior these theories generally involve little behavioral detail.

Managerial decision models represent another type of economically oriented theories of marketing. They purport to provide means for assessing the value of alternative marketing program strategies or its single elements through predictive modeling. Being generally based on more realistic - and complex - assumptions of the market place, management science-related decision models contain more behavioral detail than the theoretical normative models. By incorporating managerial judgement decision models can also be described as subjective in contrast to the objective - under premises - character of the theoretical models. Although containing judgemental elements managerial models do not tackle the process issues of marketing management.

Decision analytic, behavioral studies on marketing management shed light on the process character of marketing management; providing information on how the the decisions are made. That is, how specific contents or structures are developed. Because of the limited number, and rather unprogrammatic character of the behavioral work, relatively little is known about the managerial and organizational aspects of marketing function and its management - outside the rather general and normative textbook notions.

This section has purported to provide a comprehensive, through summary view of the different disciplinary approaches into marketing. The analytical framework employed was comprised by four levels: environment/industry/market level, environment-marketer level, organizational or interfunctional level, and functional level of marketing. Further, the distinction into structural/content focus and process focus was used; cf Figure 1. In discussing the various approaches into marketing "stimulus/ response vs interaction" distinction, "little behavioral detail vs great behavioral detail" distinction, and "economic vs behavioral" distinction were employed as additional evaluative tools.

Caution is needed in using this kind of classificatory approaches. First, the choice of system levels, as well as other classificatory dimensions is always arbitrary. Second, the projection of approaches or subtheories into the subdomains or classes of a typology is often also arbitrary as many of the approaches cover more than one domain. Further, the domains are obviously interrelated, as already noted. Fourth, the very
identification of research approaches or subtheories is subjective. However, potential omissions are not purposeful but result of a limited reading process.

In spite of these problems, we argue that this kind of classificatory analysis is useful for providing insight into the multidisciplinary character of marketing theories, as well as for identifying relevant but underexamined areas and providing guidelines for research efforts. The "results" of our evaluation are briefly discussed in the concluding section.

3. Problems, Promises and Potential in Marketing Theory

First, a few key problem areas of marketing theory is focused on; followed by a summary on the promising emerging theories identified in the afore section. Proposals for future research conclude the paper.

3.1 Key Problem Areas of Marketing Theory

Risking a gross generalization it can be argued that the process perspective has received relatively little attention across all domains of marketing. Concerning the theories of industry/markets only limited attention has so far been given to the dynamics of how market structures and conditions change, strategic groups evolve, or how networks come about and change.

Also in the domain of marketer-environment relations relatively little is known about the processes how companies and markets interact, how network positions are created, maintained and lost, how individual buyer-seller relationships are developed and managed under different contextual assumptions. Lack of attention and non-availability of promising theories concerns also the long-term relationships between marketers and consumers.

Process perspective is also just emerging among the approaches on marketing in the firm/strategy context. Most work done on market strategies (eg portfolio theory, PIMS studies, resource allocation in marketing strategy/program) are essentially concerned about the content of strategy.

Also the functional level of marketing is dominated by economic and managerial modeling focused primarily on the content issue of marketing program and its elements. Very limited research is available on the process how marketing function is managed.

The afore comments on our relatively scant knowledge on the processes within marketing domains are even aggravated when normative theories of process issues are taken under focus. Very little theoretically based suggestions are available on the process aspects of how marketers should, say, (i) create market positions (ii) establish long-term customer relationships, (iii) integrate and manage the marketing, R & D,
and production interface, and (iv) manage the human resources carrying out marketing programs.

Another aspect of the relative lack of process focus in the existing theories of marketing is the neglect of organizational issues. Marketing has focused so strictly first, on the content of marketing program, positioning and segmentation; and second, on the content of product/market strategies and - although only recently - on the content of competitive advantage that little attention has been given for the organizational role of marketing in the management of firm.

Both the process aspect and organizational aspect of marketing would benefit from descriptive analysis or theories of marketing since these would provide insights for both process and organizational knowledge development. Unfortunately relatively little theoretical descriptive work is available on the marketing domains.

The afore discussion focused on the caveats of research into marketing. Next, interesting emerging approaches on marketing domain are summarized.

3.2 Emerging Perspectives into Marketing

At the environmental and marketer-environment levels the network approach provides a novel way to describe markets and marketer's actions in the markets. Network approach forms an emerging alternative to the theory of competition by industrial economics, as well as to the transaction cost economics approach. The potential strength of network theory is in its more realistic description of firm environment and its development. This potential is, however, still relatively untapped because of the methodological problems embedded in empirical network analysis. Network theory's comparative advantage is best suited for describing markets and positions in industries characterized by complex, long term interactions.

Interaction or resource interdependence perspective into both organizational buyer-seller relations and interfunctional relations between marketing and other functions of the firm forms another major thrust in the development of marketing theory. Interaction theory can be applied to analyzing interorganizational relations in marketing, group interaction in buyer-seller relationships, and interfunctional relations within marketing firms. Interaction theory provides a conceptual system for enhancing our understanding of the process character of inter and intraorganizational interaction within marketing domain.

The discussion of the emerging theories in marketing is intentionally limited to the network approach and interaction approach. These both contribute to the lacking process perspective in marketing. The interaction perspective further relates marketing concepts into organizational aspect providing wanted conceptual integration.
Moreover, as mainly descriptive approaches network and interaction perspectives enhance our capability for carrying out more insightful analyses of how marketing strategies are implemented and marketing functions carried out. The building of descriptive theory is a necessary prestep for the development of more realistic normative suggestions.

The relative realism of network and interaction theories is based on their behavioral character. Both regard the marketing actions of firms as a result of managerial processes. Environmental forces faced by the companies are not regarded transparent for the management - as in most economics-oriented theories in marketing - but as perceived by the actors. That is, these theories assume an enacted view of environment-marketer interaction, as well as of functional interaction.

Based on the afore discussion a few general suggestions for future research can be made. First, to meet the challenge of the key caveats in marketing theory research should focus on the interface of firm performance and marketing. Behavioral approaches investigating the processes of how competitive strategy is formed, implemented, and changed should be given priority. This view encompasses the role of marketing in the interaction of marketing, R & D, and production, as well as the development and carrying out of the marketing programs.

To be effective such research should be programmatic and based on theoretically derived contingency models on environmental and organizational contexts, see Zeithaml, Varadarajan, and Zeithaml (1988). In the first phase qualitative studies may be needed for providing a grounded theory-type of platform for planning more representative studies. Programmatic qualitative approach is also more suitable for analyzing complex processes and for identifying key relationships between marketing and performance under varying environmental and organizational contexts.

The qualitative phase should be followed by advanced structural modeling of the marketing and performance relationship. Longitudinal data bases should be preferred allowing the identification of both structural relationships and dynamic changes. Again the use of nontrivial contingency frames would be advisable.
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FIGURE 1. Framework for Marketing Theories: Domain, Structure and Process Perspective
FIGURE 2. Typology of Theories on Marketer-Environmental Domain Relationship
FIGURE 3. Typology of Theories on Marketing at a Firm/Strategy Level
<table>
<thead>
<tr>
<th>FOCUS OF RESEARCH</th>
<th>STRUCTURE/CONTENT</th>
<th>PROCESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECONOMIC &amp; MANAGEMENT SCIENCE</td>
<td>Normative and Descriptive theories of segmentation, marketing mix and marketing mix elements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Managerial (assessive and predictive) theories of segmentation, marketing mix and marketing mix elements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decision analytic studies on marketing management and its subdomains</td>
<td></td>
</tr>
<tr>
<td>BEHAVIORAL</td>
<td>Descriptive frameworks of marketing function</td>
<td></td>
</tr>
</tbody>
</table>

FIGURE 4. Typology of Research Approaches on Marketing Management/Marketing Function
<table>
<thead>
<tr>
<th>Subdomain</th>
<th>Approaches</th>
<th>Characteristics/Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing Program/Market Response Relationship</td>
<td>*Market response models for marketing mix elements and mix combinations</td>
<td>Little behavioral detail, markets described through response functions.</td>
</tr>
<tr>
<td>Marketing Program/Consumer &amp; Buyer Relationship</td>
<td>*Cognitive and behavioral theories of consumer and organizational buyer behavior</td>
<td>Deep behavioral detail allowing complex explanation of responses to marketing programs. Short-term perspective prevailing.</td>
</tr>
<tr>
<td>Bayer-Seller Relationship in Environmental Context at Organizational Level</td>
<td>*Transaction-cost economics</td>
<td>Focus on explaining dyadic governance structures for economic transactions. A deterministic contingency perspective, predominantly static approach.</td>
</tr>
<tr>
<td></td>
<td>*Interorganizational resource dependence theory (IRD)</td>
<td>Organizational interaction through resource and social exchange, and adaptation processes. Environment is perceived and enacted. Detailed behavioral content, structure and process perspectives.</td>
</tr>
<tr>
<td></td>
<td>*Markets as Networks approach</td>
<td>Interdependence through exchange creating bonds. Investments defined for managing relationships and gaining network positions. Less behavioral detail than in IRD, more &quot;markets&quot; and strategy oriented.</td>
</tr>
<tr>
<td></td>
<td>*IMP approach</td>
<td>Managerial and problem oriented application of both the IRD theory and network perspective. Organizational level and long-term perspective dominant.</td>
</tr>
<tr>
<td></td>
<td>*Social exchange theory</td>
<td>Focuses primarily on relations, considerable behavioral detail, capable of dealing with both the structure and content of relationships.</td>
</tr>
</tbody>
</table>