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The Use of Action Research in Marketing Strategy Development.

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ABSTRACT

One of the key roles of market research has been to help reduce risk in marketing strategy development. However, traditional market research is in danger of being left behind by new practices in Sales, Marketing, and Business Development. Reflecting an increasingly participative approach to employee and customer relationships, these disciplines are moving towards greater involvement of front line staff and customers in the co-creation of value for companies.

The authors illustrate how Action Research can provide tools and methods by which market researchers can assist and improve this co-creation process for both commercial and not-for-profit organisations. The implications for market researchers and research practices in strategy development are identified.

Key Words: Action Research; Marketing Strategy Development; Case Study Analysis.

Track: Marketing Strategy and Leadership

INTRODUCTION

It is becoming harder to decipher the modern customer through traditional market research methods alone. The “new consumer” often defies neat categorisations offered by market segmentation and exhibits apparently contradictory or inconsistent patterns of attitude and behaviours that may make interpreting survey-generated data challenging. Groups and depth interviews can provide additional customer insight but are still not strongly predictive of behaviour. With respect to a company’s experience-based marketing offers, it is the customers and front-line employees who create much of the meaning (Rose and Wood, 2005); customers are no longer passive recipients of the marketing offer. Leading-edge companies are changing the way they interact with both customers and employees because they now have a far greater influence on new service offers and market strategy development in general (Vargo and Lusch, 2004). This participatory approach pays off by increasing customer value-in-use and employee participation, yielding far greater returns than traditional methods based upon researching customer needs and responding sequentially with new offers (Lilien, Morrison, Searls, Sonnack and von Hippel, 2002).

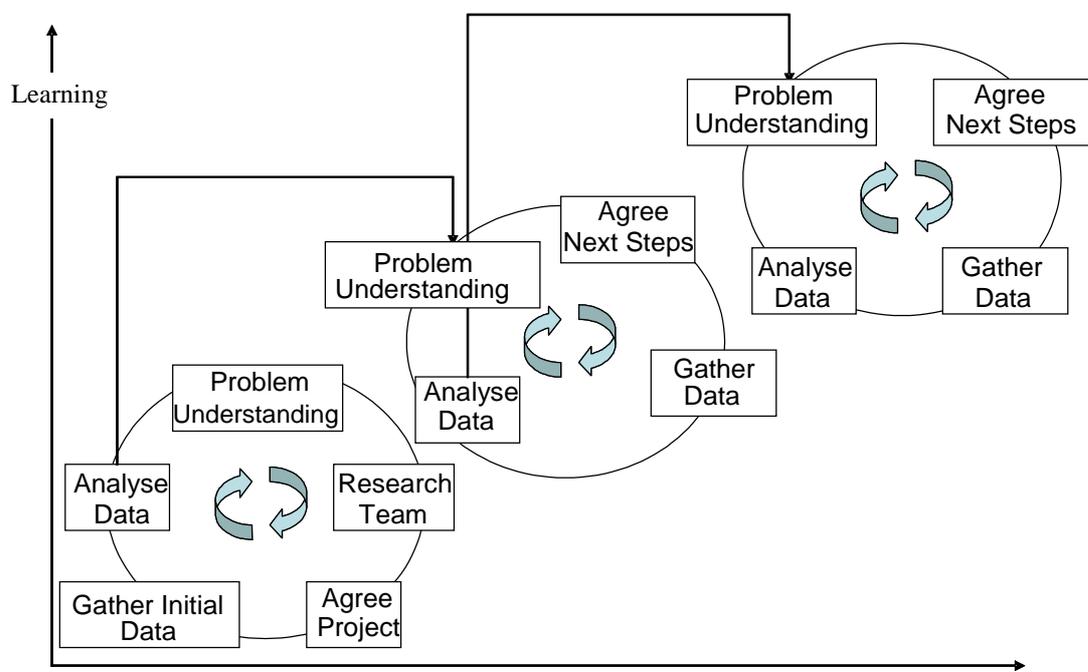
Increasingly, market research is being applied in closer proximity to customers and through interacting more directly with them, sacrificing some of its traditional arm’s length neutrality for richer and more insightful data. For instance, experimental methods of research can yield better insight than traditional market research (Ryals and Wilson, 2005). Ethnography has also become increasingly popular for researching customers and users of technology products over the past few years. Market researchers must, therefore, adapt to a more interactive world and research more collaboratively, or at least interactively, with respondents (Palmer, 2005). Although there are numerous variations of collaborative research, this paper focuses on the most relevant for market research purposes, the Action Research method which is described next.

COLLABORATIVE RESEARCH: THE ACTION RESEARCH (AR) METHOD AND PROCESS

The philosophical underpinning of AR is Social Construction which takes a view that reality is created through people’s ever-expanding cycles of action-reflection-theorising (Berger and Luckmann, 1966). Researchers observe that evolving reality by engaging with these cycles, the focal point of which is people’s informed and committed action based on the co-creation of knowledge (Berger and Luckmann, 1966; Argyris, 1973; Argyris and Schön, 1978; Argyris, Putnam, and McLain Smith, 1985; Skolimowski, 1994; Reason, 2001).

Most AR projects are structured as a series of workshops interspersed with experiments, trials or other activities; these activities promote researchers’ reflection and preparation for the next session. The initial meeting typically discusses the nature of the issue and how the research is to be organised, what is most important to personal and organisational agendas and, finally, what the team wishes to do with the output of the research. It is vital at this set-up stage that a team of co-researchers forms on the basis of democratic decision making and a willingness to critique both the work and the reasons for undertaking the work. This form of critique is termed “double loop” learning and fundamental to most participatory approaches to knowledge generation (Coghlan and Brannick, 2001). A generalised model of the AR process is illustrated in Figure 1 below. It depicts a research process based on sequential cycles of understanding the problem (or opportunity), agreeing how to address it, gathering the necessary data, analysing it and moving to a higher level of problem understanding before embarking upon another cycle of action and reflection.

Figure 1: The Action Research Process



Whilst there is no rule book for collaborative research, Coghlan and Brannick (2001) identify a number of traditions of AR which do share some common elements, namely:

- The research is conducted with the commitment of the ‘researched’ and is conducted in their interest, as opposed to the interest of the researcher (or the researcher’s organisation).
- The ‘researched’ wish to improve their day to day performance in a matter of immediate importance to them. Research is not conducted to produce “shelfware” or justification for decisions already taken.
- The focal researcher is, in fact, a co-researcher, a peer member of the research team. The focal researcher provides expertise to the process, but is conscious of his or her role and seeks to ensure that their co-researchers lead the research. The co-researchers are normally managers who face important decisions affecting their day to day operational performance.
- The research process is iterative. Knowledge is created through cycles of reflection upon practice, experimentation, further reflection, sharing reflections, further experimentation and so forth. Research is a learning process rather than a discrete project and co-researchers determine the length of the process and its outputs.
- The validity and the success of the research is judged by the extent to which co-researchers act upon the learning they generate – action based upon informed and committed action. It is not essential that the knowledge generated is generalisable or repeatable, only that the co-researchers improve their day to day practice through committed action and that the process of creating knowledge is transparent and observable.

The key differences from starting up a traditional market research project are the more flexible research agenda, the co-creation of the research instrument (rather than a researcher-designed questionnaire), and an expectation of multiple participation over a period of time rather than one-off interviews or focus groups. Initial data gathering assignments are agreed and volunteers prepare for a workshop. The assignments can be to gather internal data, interview customers, try new customer service solutions, research competitors, complete a framework being used in the project or merely to reflect further upon the issues. Managers analyse the data and present their thoughts to the group at the next workshop. The team then discusses and builds upon what they have learnt and determines the issues they wish to do in advance of the next group meeting or workshop. Thus, the next cycle of learning is instituted. This cyclicity is typical of AR projects but untypical of traditional market research in which data are gathered in one or two, rather than multiple, phases.

The AR method can be used across a broad spectrum of organisations and, in this paper, the authors present projects from both commercial and not-for-profit service organisations. Across the three projects discussed here, the research teams use sophisticated frameworks and tools as the basis of their cycles of reflection. The cyclical nature of the process means that the research outputs can be acted upon through the research process and that each team member is more likely to be committed because these outputs are often useful to their “day job.”

All three projects shared characteristics which make them particularly unsuited to traditional market research methods. In each case, there was no ‘off the shelf’ solution. Moreover, the business issue or problem was ill-defined. None of the organisations would have been able to provide a specific brief to a traditional market researcher, setting out its specific information needs. Yet all of these projects reflected major organisational performance issues that needed to be addressed.

Seeking knowledge in the context of improving team or business performance is characteristic of Action Research. AR is a method concerned with improving the ways in which managers or participants *do* things (their practice) as well as with generating knowledge. Common to all these projects was that managers felt that they had poor sources of external information upon which to guide their decision making. Both the financial services firms found their existing market research to be a blunt instrument as a guide to what customers really wanted and how to prioritise their efforts. The medical charity deemed its stakeholder situation to be unique and did not have the resources, nor marketing expertise, to deploy the full range of traditional survey instruments needed to analyse their multiple stakeholders’ attitudes and behaviours. Next, we describe the relationships between the tools used in each of the three projects and the resulting managerial actions.

INSURANCE COMPANY: WEIGHTING AND SCORING SYSTEMS

One of the authors moderated a series of workshops that helped the customer management team evaluate the relative attractiveness of their customers and so prioritise their efforts. The authors introduced several evaluation techniques to the workshops (including the WSS tool described below) and produced pro-formas in Excel for each workshop. The purpose of these live pro-formas was so that the managers could immediately see the implications of their deliberations as the results were fed in at the workshop. This allowed for multiple fast iterations and an enhanced decision-making process. The researcher remained neutral about the tools and the results, simply exploring the implications with the customer management team and checking for understanding and agreement. As a result of this project, the customer managers changed their management practices and began to prioritise their time and resources. The difference was quickly noticed by customers. In some cases, of course, customers were disappointed because their service levels were reduced or they were asked to pay for services that had previously been provided for free. However, the result of the prioritisation was a considerably improved financial performance as the team focused on its most important customers.

AR Tool: WSS

An important tool that was used in the insurance company project was the weighting and scoring system (WSS). The purpose of this tool is to help the AR team assess the relative importance of the factors they identify. In this case, elicitation techniques were used with the customer managers to identify factors that made customers attractive to them. After some workshop iteration of these factors, the key factors were identified. These factors were then presented to the customer managers in the form of a forced choice question and importance weights assigned to each factor (summing to 100%). Then, the customer managers were asked to score each customer in their portfolio against the weighted factors, resulting in a relative attractiveness weighted score for each customer. Using Excel, these results were tabulated and presented back live to the customer managers, and they were asked to review the scores relative to the customers managed by their colleagues. This process ensured that the tool was applied consistently across the entire customer portfolio.

LOANS PROVIDER: COLLABORATIVE INTERVIEWS AND WORKSHOPS

The marketing department of a major UK loans provider nominated a core team to work with one of the authors and also identified experts from within the company (but often working in other departments) to attend research project progress meetings as needed. The AR team constructed a three-stage project to improve their understanding of customer value. In the first stage the managers called on the central market research department to re-analyse existing market research data to provide details of customer satisfaction, declared willingness to recommend and complaints rates. In the second phase, the AR team worked with database managers to identify the customers most likely to make referrals and the revenues and profits obtained from a typical customer and used these data to estimate the incidence and value of referrals. In the final phase, a marketing manager and a member of the AR team went out together and interviewed lending managers to see what the actual rate of referrals was. The outcome of this research was that referrals were found to be rather more frequent and valuable than previously thought; in other words, they were strategically important. More interesting still was that lending managers were able to identify particular types of customer who were more likely to generate valuable referrals and also specific incidents and service failures that generated complaints. As a result, the AR team decided on a series of actions to promote and monitor referral behaviour in its customer base.

MEDICAL CHARITY: SOFT SYSTEMS METHODOLOGY

AR Tool: Collaborative Interviews and Workshops

The main AR tool used during this project was a collaborative interview and workshop approach. One of the authors facilitated an AR team to produce pro-formas and draft questionnaires that were evaluated and modified in the workshop sessions. This collaborative research approach also extended to the interviews with the lending managers, which were carried out by members of the AR team. This team developed the interview questionnaire collaboratively.

The challenge for the charity's senior management was to develop a consensus view about how radical the shift in marketing strategy needed to be in the light of their research successes in stemming deaths associated with the debilitating disease it was founded to tackle. A Soft Systems Methodology (Checkland and Scholes, 1990) was chosen as it has an established set of constitutive rules which are declared in advance of any intervention, and a set of methods and intellectual devices which can be drawn upon to consciously surface, explore and debate tacit routines and assumptions that otherwise can be extremely difficult for managers to articulate.

The AR team identified *three* key stages of intervention over a nine month period. The first collaborative intervention was to establish the importance of current stakeholders within the various functional areas of the charity and to surface the perceived relationship marketing practices (or lack of) currently applied to these stakeholders. The second was to reach a team-based consensus about the priority of current stakeholders across the charity *as a whole* and its existing relationship marketing practices. The third was to identify the team's view of alternative marketing strategy choices open to them and to agree the impact that each would have on the *future* importance of the charity's stakeholders, prior to committing to a preferred option.

The research led to a consensual view about the relative importance of ten of the charity’s key stakeholders and an understanding of the pluralistic nature of its marketing strategy in building relationships with these stakeholders. In addition, it emerged that there were three differing ‘worldviews’ held about ‘who and what’ really matters to the organisation. The soft systems methodology facilitated debate about these worldviews and enabled the AR team to resolve differences in pursuit of a common marketing strategy across the charity’s key stakeholders going forward.

AR Tool: The Soft Systems Method and Workshops

The three main AR tools used in this longitudinal study were Route Definitions, a method used to clarify the general definition of a purposeful activity, CATWOE, a mnemonic that defines in greater specificity the elements of purposeful activity and Activity Systems, a diagrammatic representation of a defined purposeful activity. Initially, the researchers-as-facilitators interviewed each participating senior manager and asked them to complete a questionnaire about their own stakeholder marketing practices and the priority they assign to each of these stakeholders. This material formed the input for two subsequent workshops in which the AR tools were used to develop a common starting point as well as to articulate tacit routines that underpinned current practices in managing stakeholder relationships. The tools also enabled the AR team to assess the alignment of the charity’s resources against its strategic priorities.

A summary of the full cycle of the AR process and how it facilitated marketing strategy development for each organisation is shown in table 1 below:

Table 1: An Overview of the Three Action Research Projects

	Insurance Company	Loans Provider	Medical Charity
Description	International business insurance	Unsecured personal loans	Funds medical research
Marketing decisions to make	How to prioritise major customers and set appropriate service levels	How to understand customer value and measure and increase advocacy	How to change from funding medical research to education and community care
Background	New customer management team under pressure to improve customer management of major relationships cost-effectively	Traditional market research gave conflicting results, suggesting high customer satisfaction whilst complaints also at a high level	Better cures now available, need to education different groups in society about prevention and disease management
Information needs	Relative attractiveness of customers	Frequency and value of referrals by customers	Insight into the importance of multiple stakeholders and how to address them through relationship marketing practices
Tools used by the Action Research team	Customer management team used decision support tools based on weighting and scoring analysis. Several workshops over a year.	AR team used collaborative interviews and workshops, plus additional analysis of existing market research data. Several workshops and meetings over one year	AR team used Soft Systems tools and a stakeholder analysis framework. Numerous one-to-one interviews and workshops over a nine month period
Decisions taken by the Action Research team	Specify service levels. Charge less attractive customers for previously free services	Focus marketing effort on certain customer segments. Positively promote advocacy as powerful customer acquisition tool	A revised marketing strategy across key stakeholders
Outcomes of Action Research	Efficiency improvements in customer management	Improved financial performance of the business	Re-deployment of marketing resources. Ongoing enquiry and learning

CONCLUSIONS AND IMPLICATIONS FOR RESEARCHERS

Action Research puts additional demands upon market researchers who volunteer to participate in a research project. These demands arise from the research process which tends to be longitudinal, highly interactive and evolving, whilst continually challenging the research objectives. Traditionally, market researchers and managers are more detached from the inquiry process so as not to contaminate the data. Their core skills need to include understanding the research problem, choosing the appropriate instruments, ensuring unbiased-scientific data gathering and insightful analysis of the results. AR does not obviate the need for these core skills; however, it does remove the detachment from the process. The participatory perspective does not accept that any research is truly “unbiased” and asks not that the researcher is artificially detached from it, only that researchers are aware of their role and manages their participation effectively within the group’s dynamics. Figure 2 below contrasts the differences in role and perspectives between traditional market research and AR.

Figure 2: Action Research Versus Traditional Market Research Methods

Traditional Market Research	Action Research
Attempting to be value-free	Developing social systems; values-laden
Focused on the present	Aiming for more desirable future
Representative samples	A case is a sufficient sample
Subjects = objects to study	Subject = Self-reflective system with which to collaborate
Researcher active at the beginning and end of the project	Researcher active and re-evaluating Throughout the project
Highly specialised	Interdisciplinary
No role tension	Role tension for researcher between change agent and researcher
Goal is to generate or test theory	Goal is to generate change

The main implication for market researchers at a personal level is the need for greater self-awareness in the research process. Critical self-reflection is necessary at each stage of the research protocol: the tasks being performed, the objectives of the tasks, the quality of the researcher’s contribution, the quality of co-researchers’ contributions and the researcher’s role within the group. Aside from enhanced self-awareness, the Action Researcher will need to develop other characteristics such as diagnostic ability, solution skills, knowledge of management techniques, communications skills and personal qualities (e.g. ethics and empathy) (Gummeson, 2000). Those who have both the desire and skill to lead collaborative Action Research work will balance a number of roles as expert, consultant and co-researcher, as well as the knowledge needed to carry out traditional market research.

Increasingly, the focus of marketing will be to work with employees and customers as co-creators to build value-in-use. This puts pressure on market research methods which must evolve from its current focus on objective analysis (validity) to interactive collaboration (usefulness). In today’s economy, where employees and customers are active participants, market strategy development does not stop at new service launches and line extensions refined through qualitative and quantitative testing. AR techniques enable the market researcher to engage more effectively with employees and customers as the co-creators of innovative solutions, whether relational, process-based or indeed new-to-market offerings.

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