



**SWP 40/88 DEVELOPING A MARKETING ORIENTED
ORGANISATION**

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Many organisations today are acknowledging their need to be more responsive in the markets in which their businesses operate. However, whilst much lip service is paid to the need for companies to become marketing-oriented, there often remains a considerable gap between rhetoric and the implementation of such an orientation. This article examines what is involved in successfully developing a marketing orientation.

The requirement to develop a marketing orientation has become obvious in firms in most business sectors as well as in many organisations in the public sector. But whilst the recognition of this need is widespread, there is remarkably little literature dealing with how to do this, either through general description¹, or through case study illustrations². How does a company make this change?

Successful development of a marketing orientation requires a thorough understanding of the existing culture of the organisation and a carefully constructed program of management development, support activities, and follow up, to overcome the organisational inertia that can impede the transition to marketing effectiveness. This article suggests one approach which has been successfully used within a number of companies to improve their marketing orientation.

A program for increased market-orientation can be developed through:

- . understanding the mix of potentially conflicting orientations in the organisation
- . identifying the present levels of marketing effectiveness
- . implement a plan to improve marketing orientation

Each of these elements are now discussed.

UNDERSTANDING EXISTING ORIENTATIONS

Most organisations have a range of conflicting orientations and associated attitudes with respect to the achievement of a marketing orientation. Authors such as Ted Levitt³ have argued many organisations do not serve their market place adequately because their managements are product-oriented. A product orientation is, however, not the only form of sub-optimal orientation found within an organisation. Table 1 shows a range of orientations and associated attitudes, which can be in conflict with each other, based on a list by Ramzi Fayed⁴. These include product, cost, capacity, and erratic orientations, as well as the desirable orientation - a marketing one. The extent to which organisations possess such alternative and possibly conflicting orientations is a function of a number of factors including their history, the background of the Board of Directors, the chief executive officers (present and past), the senior management within the company, the amount of power held by functional management (production, finance, etc.), and the industry environment in which the organisation operates.

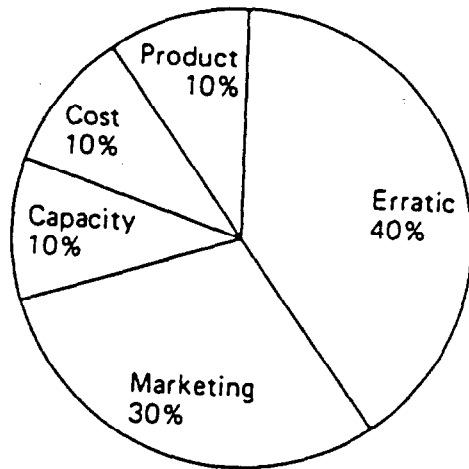
How can these orientations be identified? One approach is to use workshops with senior management. These are used to explain in detail the varying types of orientation and their associated attitudes; and, after discussion about the implications of them, each of the senior management identifies the extent to which they believe their organisation possesses them. The results are then summarised. These orientations are not the only ones which can exist in an organisation and it is common for a given business to identify one or two other types in addition to those listed above.

The result of such an exercise can be disturbing. Figure 1 shows a summary of the results obtained from the chief executive and directors of a major insurance broking firm - one acknowledged as a leading company in this industry worldwide. This figure presents an average of these directors' ratings for each of the five orientations shown in Table 1, and shows a very low level of marketing orientation.

TABLE 1: Alternative orientations

<u>TYPES OF ORIENTATION</u>	<u>TYPICAL ASSOCIATED ATTITUDES</u>
PRODUCT ORIENTATION	"The quality of our products sell themselves and customers will always need our products".
COST ORIENTATION	The only way to improve our profits is to reduce our marketing and production costs".
CAPACITY ORIENTATION	"The more we make the more profitable it becomes. So let's go out there and make the customers buy".
ERRATIC ORIENTATION	"You just cannot plan ahead in this industry, nobody knows what's going to happen from one day to the next".
MARKETING ORIENTATION	"We make our profit by creating opportunities to more effectively satisfy our customers' needs within the constraints of our resource and skill limitations".

Figure 1 Example of conflicting orientations in a services firm.



Once identified, these orientations present a useful background to discuss the mission of an organisation and the desired set of shared values that must be held by the top management if a successful program to achieve marketing orientation is to be developed.

IDENTIFYING MARKETING EFFECTIVENESS

Once a broad understanding has been gained of the overall extent to which different orientations are present, it is appropriate to try and gain an understanding of the current level of marketing effectiveness. A questionnaire approach can be used to measure the existing level of marketing effectiveness. A questionnaire can be specifically developed to suit the needs of a given organisation or an existing one can be used. The marketing effectiveness audit developed by Philip Kotler⁵ provides a means of measuring the current level of marketing sophistication in an organisation. It also has the added benefit that it can be easily modified for use in a non-profit organisation⁶. However, if required, a more comprehensive approach can be adopted to explore marketing effectiveness issues in much greater detail. If the development of a more detailed, specially constructed questionnaire is appropriate, checklists, such as those suggested by Aubrey Wilson⁷ are useful in this task.

Philip Kotler has identified five attributes which are important in determining the marketing effectiveness of a company, division or product line. These include:

- . **Customer philosophy** - to what extent does management acknowledge the importance of the market place and of customer needs and wants in shaping company plans and operations?
- . **Integrated marketing organisation** - to what extent is the organisation staffed so it will be able to carry out marketing analysis, planning, and implementation and control?

- . **Adequate marketing information** - how does management receive the kind and quality of information necessary to conduct an effective marketing program?
- . **Strategic orientation** - does the marketing management of the firm generate innovative strategies and plans for long run growth and profitability and to what extent have these proved successful in the past?
- . **Operational efficiency** - are marketing plans implemented in a cost effective manner and are the results monitored to ensure rapid action?

His audit develops a score on each of these five attributes. Each section of the audit comprises a series of questions which relates to each of the five elements with a maximum score of six points being possible for each of the attributes.

For example, under integrated marketing organisation, questions addressed include: is there high level marketing integration and control of the major marketing functions?; does marketing management work well with management in research, manufacturing, purchasing, physical distribution and finance?; and how well organised is the new product development process? Under adequate marketing information, questions relate to such issues as: when were the last marketing research studies of customers, buying influences, channels and competitors conducted?; how well does management know the sales potential and profitability of different market segments, customers, territories, products, channels and order sizes?; and what effort is expended to measure the cost effectiveness of different marketing expenditures? Under operational efficiency, questions relate to: how well is marketing thinking at the top communicated and implemented at lower levels?; is management doing an effective job with the marketing resources it has available?; and does management show a good capacity to

react quickly and effectively to developments as they arise?

This audit, and more sophisticated ones, have been used by the author with some twenty companies. The results that were obtained suggests many of these companies are operating well below their potential in terms of marketing effectiveness. The overall scores obtained from marketing effectiveness audits conducted for seven illustrative organisations are shown in Table 2. These companies, identified by letters A to G, reflect a wide variety of industry settings as outlined below.

<u>COMPANY</u>	<u>ORGANISATION AND SAMPLE</u>
A	Multinational Electronics Company (Chief Executives and Marketing Vice Presidents of Subsidiaries and Parent Firm - 14 respondents)
B	Government Owned Manufacturing Plants (General Managers and Senior Marketing Executives - 38 respondents)
C	Government Owned Laboratory (Chief Executive and Senior Executive Team - 32 respondents)
D	Commercial Laboratory (Senior Management - 10 respondents)
E	A "Big 8" Chartered Accounting Firm (Partners - 62 respondents)
F	Multinational Insurance Broking Firm (Chief Executive and Directors - 12 Respondents)
G	Large Telecommunications Company (Chief Executive, General Managers and Senior Executives - 18 Respondents)

Table 2 shows few of these organisations had achieved high levels of marketing effectiveness as measured by this audit. Out of a total of 186 senior executives, from the firms listed above, no respondent rated their organisation's marketing effectiveness as superior and only 12.4 per cent of respondents ranked it as good or very good. These summary results confirm the results found elsewhere⁸, and point out a dramatic

TABLE 2: Marketing effectiveness audit: summary results

<u>SCORE</u>	<u>MARKETING EFFECTIVENESS RATING</u>	<u>RANKING FOR INDIVIDUAL COMPANIES</u>							<u>RANKING FOR ALL COMPANIES</u>	
		<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>NO.</u>	<u>PER CENT</u>
0 - 5	NONE	1	16	-	1	16	2	-	36	19.4
6 - 10	POOR	3	18	6	6	33	8	9	83	44.6
11 - 15	FAIR	5	3	12	2	12	2	8	44	23.6
16 - 20	GOOD	3	1	11	1	1	-	1	18	9.7
21 - 25	VERY GOOD	2	-	3	-	-	-	-	5	2.7
26 - 30	SUPERIOR	-	-	-	-	-	-	-	0	0
NUMBER OF RESPONDENTS		14	38	32	10	62	12	18	186	100%

need for improving the levels of marketing effectiveness in many organisations.

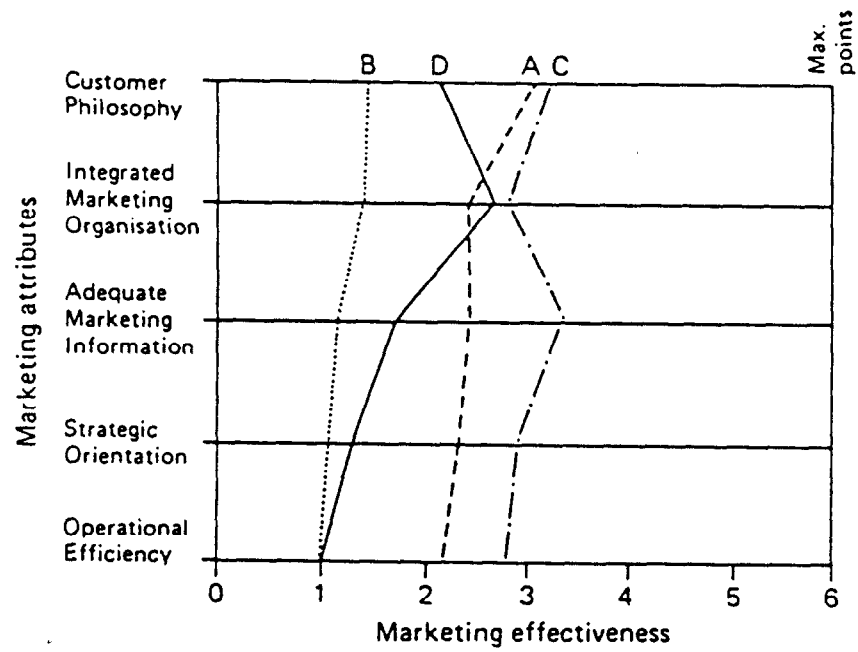
It is also instructive to look at the ranking of the individual firms on each of the five attributes. Figure 2 shows the profile on each of the five attributes achieved for Companies A, B, C and D. This profile can show a firm's strengths and weaknesses on each of these important dimensions. For example, Firm D is very weak in terms of operational efficiency but relatively stronger in terms of integrated marketing organisation, whilst Firm B is very weak on all five attributes.

An audit such as this can be used in a number of ways. For example, it can be used to

- . measure a company's overall marketing effectiveness
- . measure the difference in marketing effectiveness across different divisions or subsidiary companies
- . measure perceived differences in marketing effectiveness as seen from the viewpoint of different functional executives from departments such as marketing, production, finance, etc.
- . measure the perceived marketing effectiveness across different firms in the same industry. (For example, we have used this approach to measure perceived differences in marketing effectiveness across a sample of 14 chartered accounting firms.)

The primary purpose of such a measurement device is to obtain and communicate to senior executives the perceived level of marketing effectiveness within the firm. It is also a useful tool for helping argue the need for a program to improve the marketing orientation of a firm. This is its primary function. It is not intended to replace the rigorous form of marketing audit that would usually be carried out as part of the marketing planning process⁹.

Figure 2 Illustrative rankings of four organisations on attributes of marketing effectiveness.



IMPROVING MARKETING ORIENTATION

Having diagnosed the current level of marketing effectiveness, and identified the need for improvement, this need should then be communicated to top management. Once the need has been demonstrated and a commitment made to do something about it, a plan should then be implemented to improve the marketing orientation of the organisation. The approach we have adopted consists of the following steps:

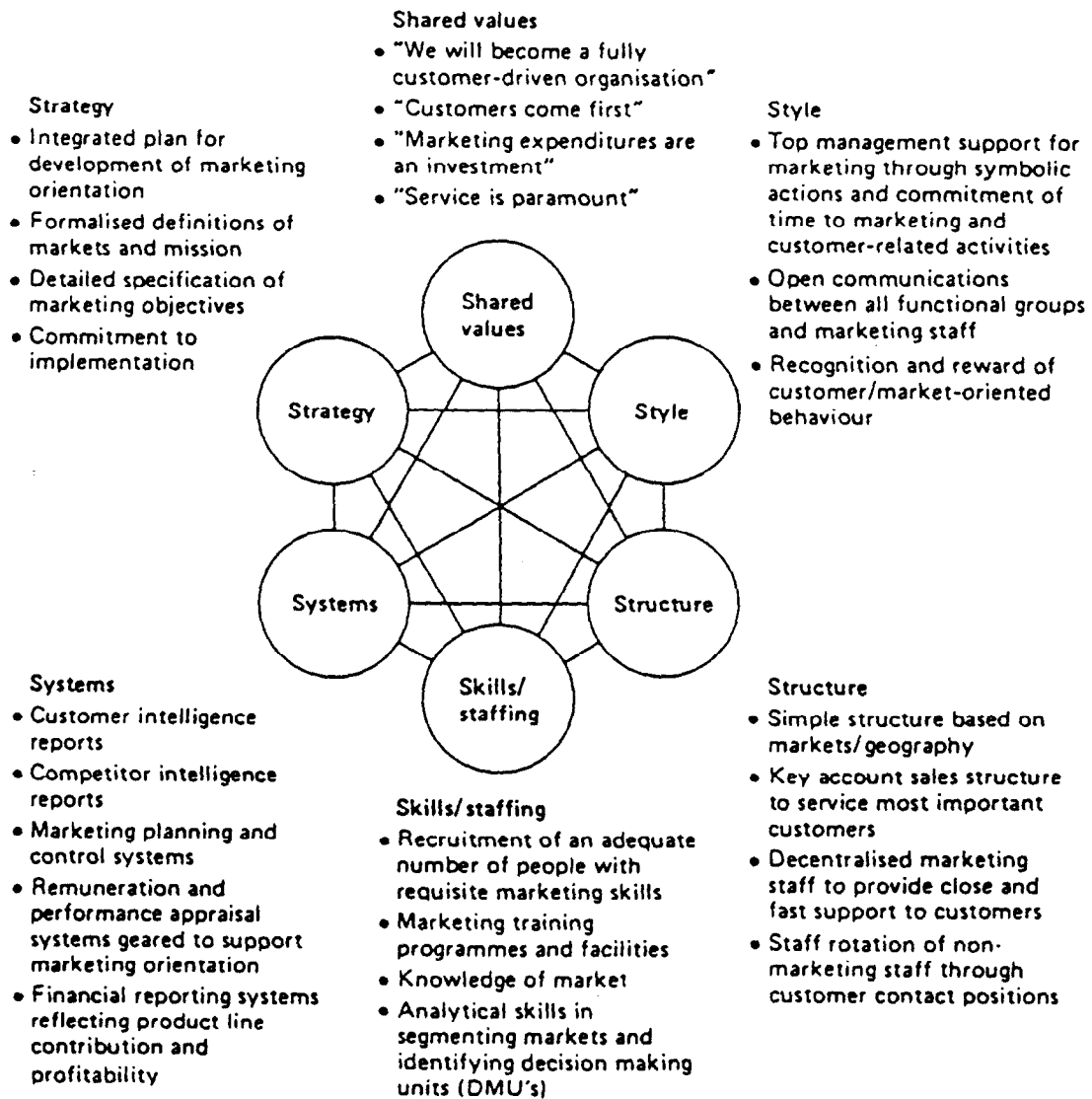
- (a) understand the organizational and cultural dimensions of the problem
- (b) identification of a champion for marketing
- (c) conduct a needs analysis
- (d) design a marketing training and development program.
- (e) organise key support activities.

These steps are now discussed in more detail.

The Organizational Dimension

The recent literature on corporate culture emphasises that shared values, common beliefs, and behaviour of a company - its culture - take a considerable amount of time and effort to change. In order to help identify the organizational and cultural dimensions of the problem, and in addition to identifying the potentially conflicting orientations described earlier, the McKinsey "Seven S" framework¹⁰ can be used to review what is involved in creating an effective marketing-oriented organization. Figure 3 shows examples of typical aspects of these seven attributes which can be important in the transition to an effective marketing orientation. This is not intended as a comprehensive list, but is illustrative of the issues which emerge as a result of using the "Seven S" framework to consider relevant areas to be addressed. This suggests that having a strategy to move towards a marketing orientation must be supported by a set of shared values, systems, management style, organizational structure, sets of skills, and staffing (combined with

Figure 3 Developing a marketing-oriented organisation.



skills in Figure 3) to support it.

This framework provides a means of viewing organizations as packages of key skills, or skilled deficiencies, with the skills being an integrating concept of the "Seven S" framework. Hence it can be used as a tool to analyse current organizational deficiencies, build on current positive skills, and identify new skills to be installed. Tom Peters¹¹ argues that there are three distinctive skill packages that are of prime importance in any organisation and that these are evident in virtually all of the top performing "excellent companies". These skill packages are:

- . a focus on total customer satisfaction
- . a focus on continuous innovation
- . a recognition that success in the above two factors is achieved by a concerted effort by all people within the organization.

Recognition of and being prepared to do something about each of these cultural, organisational and skill requirements are an essential part of the task of instilling a marketing orientation.

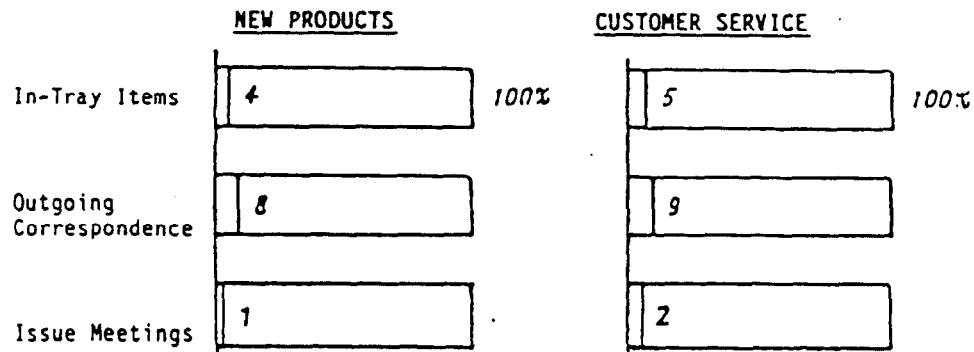
A Champion for Marketing

In working with the range of companies in widely different industries, it has become clear the attitude of the chief executive can be the most important influence in the successful adoption of a marketing orientation. Ideally, the chief executive should champion the adoption of a marketing orientation. Developing a fully marketing-oriented organization requires intense effort to shift existing attitudes and requires someone with imagination, energy, and persistence. Without this the overall program can fail or degenerate into a token management training exercise. Of particular importance is the behaviour of this champion. The ways in which senior managers can communicate or fail to communicate the importance of their commitment to what they are saying is demonstrated (See Box).

GETTING THE MESSAGE ACROSS: TWO CONTRASTING EXAMPLES

There can be a vast difference between words and actions in establishing new sets of shared values in organisations. This can be illustrated by reference to two examples.

In the first example, one supplied by McKinsey & Co., the chief executive of the organisation claimed his two top priorities related to improving the marketing effectiveness of the organisation with respect to the development of new products and customer service. An analysis by McKinsey & Co. of the time and attention devoted to both new products and customer service on the part of the chief executives (shown below) suggested minimum effort was being devoted



in practice to these issues. An analysis of in-tray items, outgoing correspondence and the agenda of issue meetings showed that whilst this chief executive was verbally encouraging the organisation to become more marketing-oriented, he was devoting little attention to these issues. Management is aware of how a chief executive spends his time and efforts and the credibility of his real commitment to an improved marketing effectiveness was not believable. As a result progress towards adopting a marketing orientation was minimal.

This example can be contrasted with the reported attitude of a chief executive of a major electronics company (and a principal competitor of Company A in Table 2.) The chief executive of this organisation is said to have adopted a regular practice of stopping his senior executives in the corridor and asking them what they had done this week to improve profitability for the company. It became very clear that he was serious when he kept repeating the question at regular intervals, and executives started giving considerable thought to both this issue and their responses. Such questions were not only directed at sales and marketing managers but also at staff from the finance and accounting and personnel functions. Although this example relates to a profit, rather than marketing, focus it does highlight the point that such behaviour can get a chief executive's message across in a very clear and unambiguous way.

Conducting a Needs Analysis

A management development needs analysis should then be undertaken. Management development has been defined as an "attempt to improve current or future managerial performance by imparting information, conditioning attitudes or increasing skills".¹² The needs analysis will require a thorough examination of the competitive and marketing environment in which the company is placed and will identify these requisite knowledge, skills and attitudes which need to be developed. The list shown in Table 3, suggests typical areas for development under these three headings. The needs analysis should be based on interviews with appropriate managers within the firm and should be conducted by someone with a good understanding of the requisite knowledge, attitudes and skills appropriate to the development of a marketing orientation in the organization under consideration.

The Management Development Program

This needs analysis can form the basis for a management development program aimed at improving marketing effectiveness. While several options exist, an effective means of doing this is to design and run a series of residential courses which involve staff from the marketing department and executives from all other management functions within the organization. Whilst the program content will vary according to the company's situation, in general it will provide a common understanding of the knowledge, skills and attitudes necessary for the development of a marketing-driven organisation. The objective of this is to demonstrate to all executives that marketing is an activity which every member of the organization has the potential to make some contribution towards, and to identify how this can be done. A workshop approach works particularly well where a series of syndicate workshop sessions are designed to immediately apply the newly acquired knowledge and skills to marketing problems in the organization. In such a program emphasis should not be placed solely on knowledge but also on

TABLE 3: Illustrative knowledge, skills and attitudes
that can be developed through management development

<u>KNOWLEDGE</u>	<u>SKILLS</u>	<u>ATTITUDES (EXAMPLES)</u>
Company and its environment	Observing	'Marketing Orientation'
Markets and/or customer environment	Reflecting	'Consumer Orientation'
Products	Fact-finding	'Productivity Orientation'
Competition (brand competition, functional competition, etc.)	Identifying pertinent facts	'Profit Orientation'
Elasticities	Analysing	'Social Responsibility'
Law	Diagnosing	'We are never knowingly undersold'
Institutions	Formulating solutions	'We try harder'
Human behaviour	Deciding	'What is good for the customer is good for business'
Customers' motivation	Communicating	'We have no problems; every problem is an opportunity in disguise'
Sources of information	Motivating	
	Delegating	
	Organising*	
	Planning*	

* These skills encompass an amalgam of many of those listed.

Adapted from Simon Majaro, Marketing in Perspective,
 George Allen & Unwin, 1982, p.63.

identification and development of relevant skills and competencies. It is clear that developing competencies or skills, and changes in attitude, are far more important than the transfer of information.

Key Support Activities

When the management development program has been initiated, there are a number of further tasks which are important to ensure the successful installation of a marketing orientation. Whilst the requirements of an individual company will vary from one to another, we have concluded that the following ten key activities should be considered as part of the plan for introduction of a more marketing-orientated approach.

1. **Establish a marketing taskforce.** A marketing taskforce should be set up comprising of an inter-functional group of senior managers within the company with the objective of overseeing the development of marketing activities.
2. **Organise for marketing.** It is now generally accepted that the more successful companies organize themselves around their markets¹³ and deliberately restrict the size of sales and service operations to enable close contact to be maintained with customers. An appropriate organization structure should be set up to support the firm's marketing activities.
3. **Acquiring marketing talent.** A program should be set in place to ensure that suitable talent, in terms of marketing expertise, is in place within the company. This will involve both external recruitment and also internal development of staff within the firm.
4. **Use external consultants.** Few companies have the necessary in-house skills in advertising, public relations, marketing, market research and management training to be able to satisfy an organization's needs. Such consultants should be used where appropriate. However, attention should also be given to the use of the consultants to help build in-house skills amongst the company's

own staff.

5. **Promote market-oriented executives.** By recognising the importance of marketing in performance review and promotion systems, a message can be clearly telegraphed throughout the organization. This message is that marketing is important and that managers recognising this will be rewarded. Development of such systems is part of ensuring success.
6. **Maximize impact from management development.** The management development discussed earlier should initially comprise of a series of residential workshops. These can be augmented by a series of on-going problem-oriented seminars designed to act as a basis for problem solving within the organization. Careful attention to designing these marketing workshops and seminars can help transfer learning from the seminar room to the job situation.
7. **Develop a marketing information system.** Successful marketing depends on accurate marketing information. Few organizations have developed a marketing system which satisfactorily collects all the required marketing data from all relevant personnel. Such a system should recognise that everybody in the organisation, from the sales force and technical staff, through to the board, can make a contribution to marketing intelligence.
8. **Install an effective marketing planning system.** Many firms, and particularly ones in the industrial and service sectors, have poorly developed marketing planning systems. A coherent, comprehensive and externally-oriented marketing plan should be established and updated on a regular basis.
9. **Recognise the long term nature of the task.** The bringing about of a marketing orientation where it has not previously existed represents a major change in attitudes and a fundamental shift in shared values. One major brewing company set up a marketing orientation program in which all senior managers were involved.

Continuous activity lasting five years was necessary before it was considered a marketing orientation had been achieved. Installation can take from three to six years before a real marketing orientation is developed.

10. **Ensure commitment.** It has become clear from "the excellent companies" that dysfunctional behaviour, abnormal effort and total commitment is necessary to bring about the achievement of success. The committed champion for marketing will need to be obsessive in the role of the continuing development of a marketing orientation and the follow-up over several years.

CONCLUSION

The achievement of the transition to a marketing orientation provides a considerable challenge to management. There is increasing evidence which suggests that marketing will be an important competitive cutting edge in many non-marketing oriented industries ¹⁴. In the past non-marketing oriented companies businesses have been able to prosper and enjoy good profits and yet still rank low in terms of marketing effectiveness. This has been achieved because other competitors in the industry have ranked even worse in terms of their marketing effectiveness. However, with increasing complexity of competition and an increasing recognition of the importance of factors such as "closeness to the customer" as a prerequisite for marketing success ¹⁵, this will not be the case in the future.

Companies need to recognise the difference between marketing activity and marketing processes. Marketing activities, comprise of advertising, market research, product planning, selling etc., and are principally undertaken in the marketing department. The marketing process involves the whole company, as it is the integrating process by which the company continuously maintains a match between its products and the needs of its customers ¹⁶. It is at the core of all business activity and responsibility for it is company-wide. Achievement of a marketing

orientation is a question of establishing processes rather than the setting up of marketing activities.

There is no such thing as a quick path to market orientation. No one appointment, reorganisation, or pronouncement will turn an organization into a marketing-driven one. Rather, it requires a long term view of the future with respect to customers and competition, and a recognition that developing a marketing capability will require years of continuous work. Such effort should be looked upon as an **investment** by the top management.

The importance of a marketing orientation in achieving success is reinforced by the work undertaken by McKinsey & Co. on the excellent companies. Out of a sample of seventy-five excellent companies that McKinsey & Co. tracked, approximately five of them are resource based. Of the remaining seventy, sixty-five of the firms position themselves as service companies even though most made physical products. Their success came from extracting quality, service, reliability, or higher-value products tailored for identified specific market niches ¹⁷. It is clear these excellent companies are marketing-driven through the provision of superior service and quality.

While such strategies are not the prerequisite for success in every business today, it seems likely that the competitive dynamics of virtually all markets will compel companies to adopt such attitudes in the future. Those companies who take the initiative to position themselves as truly marketing-oriented ones will be those who will be placed to take advantage of this and will be the winners of the late 1980's and beyond.

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