



1402711334



SWP 41/87 MARKETING PLANNING AND CORPORATE CULTURE

PROFESSOR M H B MCDONALD

AND

MR J W LEPPARD

**Cranfield School of Management
Cranfield Institute of Technology
Cranfield
Bedford MK43 OAL
United Kingdom**

(Tel: 0234-751122)

(Fax: 0234 751806)



INTRODUCTION

Marketing planning has failed to storm the citadels of financial control systems, which today continue to act as a proxy for commercial husbandry^{1 2}. Yet cynicism, punctuated by indifference, is one way of describing the reaction of British industry to pleas for improving and strengthening their approach to marketing planning. The objectives of this paper are to explore why this should be so and to offer some practical guidelines for overcoming this indifference.

Many observers are still bemused by the fact that many meticulous marketing planning companies fair badly, whilst the sloppy or inarticulate in marketing terms do well. Is there really, or indeed has there ever been, any relationship between marketing planning and commercial success? Or are we academics just indulging ourselves in logically deduced theories based on ungrounded assumptions? (What Glaser and Strauss refer to as "exampling"³).

Some evidence for this is provided by Greenley G.⁴, who identified only seven empirically based studies into the marketing planning practices of commercial organisations. The remaining mass of publications are largely prescriptive.

One of the author's own thesis on Marketing Planning practices of British industrial firms⁵ revealed that many of the companies that had most of the trappings of sophisticated marketing planning systems suffered as many dysfunctional consequences as those companies that had only forecasting and budgeting systems.

The same thesis revealed that many of the companies currently under siege that had recognised the need for a more structured approach to planning their marketing had opted for the kind of standardised, formalised procedures written about so much in prescriptive texts. These rarely brought the claimed benefits and have often brought marketing planning itself into disrepute.

The conclusion was that certain conditions are necessary for the existence of a "Complete Marketing Planning System". These are:

- (i) The chief executive has to understand the system and actively promote it.

- (ii) There has to exist the means of integration with other functional areas of the business at general management level.
- (iii) In a well established, on-going planning system, some mechanism has to be found to prevent marketing inertia from over-bureaucracy.
- (iv) Operational and strategic marketing planning have to be part of the same system.
- (v) As size and diversity grow, so the degree of formalisation of the marketing planning system must also increase.

Nonetheless, in spite of the empirical work in this area, confusion still surrounds the subject of how to implement institutional marketing planning. It is clear that any attempt to introduce formalised marketing planning systems has profound organisational and behavioural implications for a company, since it requires a change in the way it manages its business. Unless a company recognises these implications, and seeks ways of coping with the inherent problems, formalised marketing planning will be ineffective due to resistance from within the organisation.

As a result of this conclusion, the authors carried out a further research study during the years 1985 and 1986 in an attempt to provide an explanation for this phenomenon and to develop some practical guidelines for implementation.

This particular piece of research looked at the marketing planning processes of 34 British companies and identified that a relationship exists between how a company tackles marketing planning and the "stage of development" of that company. Further investigation in 12 companies revealed that personnel can pinpoint with some accuracy where their company is positioned on its developmental life line.

It was also found that "management style" provides an analogue of the corporate culture and, because of this, can provide insights about how marketing planning is likely to be approached by the company.

THE CRISIS OF MARKETING CREATIVITY

Let us begin by referring to some research studies which although appearing to be unconnected with the main topic under discussion, in our view have a direct bearing on

the failure of marketing in general and marketing planning in particular in the UK.

Firstly, a recent research study seems to confirm a commonly - held view that bureaucracy, especially in large organisations, acts as a disincentive to the entrepreneurial spirit.

An industry survey ⁶ of the alumni of Ashridge College, Cranfield School of Management, Members of the British Institute of Management, and Women into Management, found that managers in small and medium sized companies are relatively stable in terms of their career aspirations and job satisfaction, whilst twenty five per cent of those in large companies were dissatisfied. On delving deeper for reasons, a high level of frustration with the following emerged: job satisfaction; personal self fulfilment; reward for efforts; career prospects; decision-taking scope; challenge and use of skills. The interesting thing to emerge from this research was the high level of demotivation of executives in large organisations.

Turning now to a very different kind of study, Brimm M ⁷ researched organisational innovations in the UK, France and Sweden. He concluded that a small group of individuals - often a single manager - emerge as sponsors of the innovative logic into the organisational realm. Brimm observed that this innovation meets with considerable resistance and that most organisations live uncomfortably with such sponsors and their innovations because they are more difficult to manage, and because they upset the basic stability of non-innovation.

To help understand the connection between these two pieces of research, let us turn to a third study. Strage H ⁸ refers to what he calls "a profound shift" from a managerial to an entrepreneurial economy in the USA. His hypothesis is that entrepreneurs are on a collision course with those who have thrived and prospered in the traditional corporation and who have determined the corporate culture.

He cites the fact that in the USA during 1981-86, small firms created 10 million new jobs whilst the fortune 500 generated a net decrease. In the UK, during the period 1975-80, there was a net increase in jobs in small firms compared with a net loss in jobs in large firms, a trend which has accelerated during the past five years.

Strage concludes : "Many, if not most, large corporations are so mired in bureaucratic red tape and often unconscious prejudices about how things ought to be done that they find it impossible to induce the kind of entrepreneurial spirit required to grasp new opportunities".

He also sets up an interesting hypothesis, that as all businesses pass through the phases of birth, development and maturity, entrepreneurs are able to thrive only in the first and last stages. The reason, he believes, is because established existing businesses require time and effort, often more than is available. The result is that if something new is tried, it suffers "when the chips are down". Hence, to thrive and prosper, it has to be organised separately from the existing business.

Now, let us widen the scope of the argument somewhat. It is possible to discuss two main thrusts in the literature of management during the past three decades.

On the one hand, there have been several attempts to develop theories and models to explain, rationalise and justify complex phenomena in large industrial companies. On the other hand, there has been a continuous stream of iconoclasts who have sought to explain the same phenomena using a much more simplistic and commonsense approach.

Some landmarks in this ever-present debate are:

- | | |
|---------------------------------------|------------------------------------------------------|
| 1956 W White "The Organisation Man" | 1954 Drucker's Management by Objectives |
| 1957 Northcote's "Parkinson's Law" | 1960 General Electric introduce Portfolio Management |
| 1969 Townsend's "Up the Organisation" | 1962 Blake & Mouton's "The Management Grid" |
| 1970 MBWA evolves at Hewlett Packard | 1968 BCG Portfolio Management |
| 1980 "The One Minute Manager" | 1970 General Electric McKinsey's SBUS |

1982 "In Search of Excellence"

1980 Porter's
Competitive
Strategies

McKinsey⁹ offers some up-to-date insights in this continuing debate, building on the "In Search of Excellence" philosophy of obsessed leadership. They believe that the problem is that in slow growth markets, characterised by intense global competition, deregulation, and rapid technological change, like the dinosaur, the corporate body has grown too big for the brain, is inflexible and rigid and cannot defend itself. Essentially, they believe that the problem is that static planning systems cannot cope with dynamic businesses, which require different set-ups, whilst common levels of authority and responsibilities and grades inhibit initiative and deny different types of businesses the flexibility they must have to survive and grow.

In successful mid sized organisations, McKinsey observed that senior headquarters management have been:

- close enough - to know which of several roles to play
 - surgeon, architect, coach, or sponsor.
- flexible enough - to switch roles as circumstances change
- able enough - to play several roles
- shrewd enough - to develop leaders, not managers.

This view would seem at first sight to favour the 'iconoclastic' rather than the "scientific" camp of writers. There are many, of course, who would disagree with McKinsey's conclusions. But who is right?

This paper seeks to demonstrate that most of the above listed theories and prescriptions are right, depending on circumstances. In doing so, it will draw on and combine theories from the literature of organisational behaviour and marketing planning in the context of a new empirically based research study into marketing planning practices¹⁰.

A DIFFERENT PERSPECTIVE IS REQUIRED

What seems to be descriptive of all the afore mentioned approaches is that they have concentrated almost exclusively on the 'medicine' itself and showed

relatively little concern for the 'patient' (if indeed the company can be viewed as being ill and in need of attention). That this should happen makes about as much sense as a doctor dispensing the same drug to every patient he sees, irrespective of his or her condition. Certainly the treatment might help a proportion of the clients, but for a vast number it will be at best irrelevant and at worst, perhaps even dangerous.

In the case of those promoting the 'marketing planning nostrum', it is particularly ironic to observe how the product has somehow become more important than the customer. Whatever happened to all that good advice about focussing on customers and their situations ?

What must be recognised is that there has to be a symbiotic relationship between the patient and the cure. It is the two working together which brings success. Similarly the doctor, if the the third-party adviser might be described as such, must be more prepared to take a holistic approach to the situation. Instead of writing an instant prescription, he should first find out more about his client.

Since this paper sets out to consider how marketing planning might be introduced more effectively into organisations, let us remember that, like the good doctor, we are going to try to understand more about our patients.

ORGANISATIONAL LIFE PHASES

At first sight every organisation appears to be quite different from any other, and of course in many ways it is. Its personnel and facilities can never exist in the same form elsewhere. Its products, services, history and folklore also play their part in creating a unique entity.

Yet it is also possible to look at organisations in another way and find that instead of uniqueness, there are also similarities.

What then is this commonality all organisations share ? As companies grow and mature it seems that they all experience a number of distinct life phases. Certainly our research experience has convinced us that once the phases of corporate life are explained to managers, they can readily position their own company on its life-line.

The significance of this is that the senior executives can then understand the nature of their company's growing pains and how these might contribute to current operational problems and even to a particular organisational culture. Moreover, sometimes this culture will be most receptive to marketing planning, at other times less so. Equally, the marketing planning process itself might need to be modified to sit more comfortably within a given corporate culture.

For now, however, let us look at the way companies grow and develop.

THE COMPANY'S BIOGRAPHICAL LIFE

All companies begin life because somebody has a good idea about a product or service for which they believe there is a demand. If enthusiasm for the business idea is sufficiently strong then somehow the necessary capital is found and the dream becomes reality. Of course, we all know that the failure rate of start-up companies is very high, but assuming the business idea has some validity, then the company can grow and develop under the supervision of its founder and be very successful.

This initial stage of company life is described in various ways ... the 'pioneer phase' (Lievegoed¹¹), the 'business formulation' stage (Normann¹²) or the 'creative evolution' stage (Greiner¹³). Whatever the label, this stage of a company's development is typified by an informal, highly flexible organisation which operates as some kind of extended family of the founder. Needless to say the founder is at the heart of everything, he or she makes all the decisions, plans the work, deals personally with the customers and is highly visible in the day-to-day running of the enterprise.

Informal though it is, such an organisation can be very productive and profitable until it begins to hit problems. The creative evolution phase runs into trouble when the organisation becomes too big or too complex for the founder to manage and control in the same informal way. Thus begins the second phase of its life, the pioneer or leadership crisis.

The founder is now faced with finding a different management style and operating mechanisms if the company is to continue to flourish. He or she must accept that

they can no longer do everything. Some aspects of the work will need to be delegated and systems and procedures will have to be developed to replace the ad-hoc arrangements of the initial phase. Above all, organisational loose ends have to be tidied up and a new sense of purpose and direction instilled in the employees. Thus a strong leader is required to bring the company out of the leadership crisis phase and into the next, relatively calm period of directed evolution.

Here the leader, who may by now no longer be the founder, directs events from a centralised position. He or she presides over a hierarchical organisational structure which is set up to achieve what the leader prescribes. Again steady growth can accompany this phase of corporate life until another crisis point is reached. This is the so called autonomy crisis.

Eventually the company will reach a certain size or complexity at which the directive leadership is no longer so appropriate. Individuals working in their particular spheres of activity know more than the central authority. Not only do they resent being told what to do by someone they perceive to be 'out of touch', they actually want to have more personal autonomy to influence company policies and operations. The struggle for power at the autonomy crisis can be accompanied by a tightening of central control, which in turn exacerbates the problem, causing poor morale and even perhaps high staff turnover.

The crisis is eventually resolved by the company providing a much more delegative style of leadership which does in fact generate more autonomy at lower levels. Again a relatively trouble free, evolutionary growth period follows from this delegated style.

However, as growth continues, senior management become increasingly concerned about the high levels of autonomy lower down the organisation. They experience feelings of powerlessness and sense the need to regain control. This control crisis can be another very destabilising phase of the company's development. Understandable though the feelings of impotence might be for senior management, it seems to be very difficult to turn the clock back to a directive style again. Too much has happened in the intervening years.

The solution to the control crises seems to be to embark upon a programme for establishing better co-ordination

between the various parts of the organisation. This is often achieved by using such mechanisms as formal planning procedures, centralising some technical functions, but leaving daily operating decisions to the local level, setting up special projects involving lower level employees and so on. Thus another period of relative calm comes with the co-ordinated evolutionary phase of development.

With continued growth there is a tendency for the co-ordinating practices to become institutionalised, thus planning procedures become ritualised, special projects become meaningless chores and too many decisions seem to be governed by company rules and regulations. A new crisis point has been reached ... the 'bureaucracy' or 'red-tape' crisis. Procedures seem to take precedence over problem solving.

The only solution seems to be for the company to strive towards a new phase of collaboration in which once again the contributions of individuals and teams are valued as much, if not more, than systems and procedures. There has to be a concerted effort to re-energise and re-personalise operating procedures. More emphasis has to be put on teamwork, spontaneity and creativity.

If a company can win through to the collaborative phase of evolution then again a period of relatively trouble free growth can be expected as a reward. However, as we have seen, this pattern of evolutionary growth followed by a crisis appears to be ever-repeating. Each solution to an organisational development problem brings with it the seeds of the next crisis phase. Thus it is that the collaborative evolutionary crisis will probably end when there is a surfeit of integrating mechanisms and perhaps employees begin to lose the ability to function independently.

This last point is purely conjecture because not many companies seem to have moved far enough along their biographical lifeline for this to be an issue. But from the work we have completed in a number of companies, this idea of company life phases has helped us to understand much about a client's operating problems and how we might more suitably provide help.

THE INFLUENCE OF THE CULTURE CARRIERS

The biographical lifeline goes some way towards describing a company situation, but does it go far enough? Is the company culture derived entirely from its past? The answer is negative. Certain individuals, the so-called culture carriers, will influence the situation in ways which promote a particular pattern of behaviours and values within the organisation. These will certainly be company specific in nature and as such could be described as cultural.

Who then are the culture carriers and what do they do to be so influential?

Much has been written about influencing behaviours, but Schein [14] puts forward some convincing evidence about the things that leaders do to transmit and embed culture.

PRIMARY MECHANISMS

Here are the most influential behaviours that signal and reinforce culture.

1. How the leader reacts to crises or critical events.
2. The criteria he or she establishes for allocating rewards and status.
3. The areas to which the leader pays attention, measures and controls.
4. The criteria he or she establishes for recruitment, selection, promotion, retirement and dismissal.
5. The role model the leader plays to others, by demonstrating certain behaviour, or even by coaching or teaching subordinates.

SECONDARY MECHANISMS

1. Organisational systems and procedures.
2. Organisational design and structure.
3. Design of physical space, facades and building.

4. Formal statements about organisational philosophy, creeds and charters.
5. Stories, legends, myths and parables about important people and events.

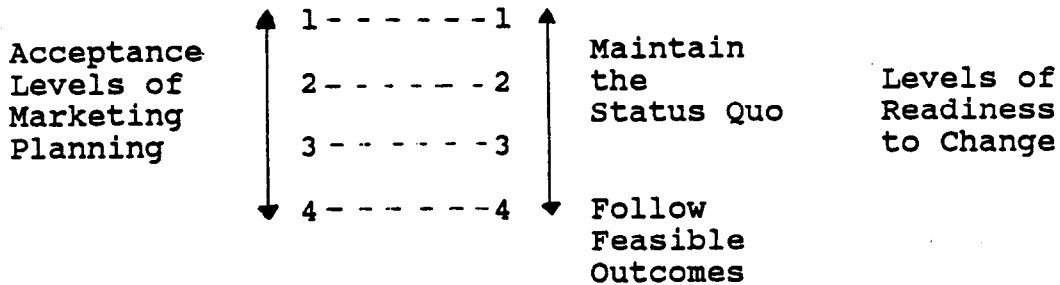
One of the main results of the actions of the culture carriers is that they can determine the level at which marketing planning is treated in the organisation. Why they do this seems to depend upon the extent to which they use their positions of power and influence for personal aggrandizement or for the good of the company.

Accordingly we have identified four levels of acceptance of marketing planning.

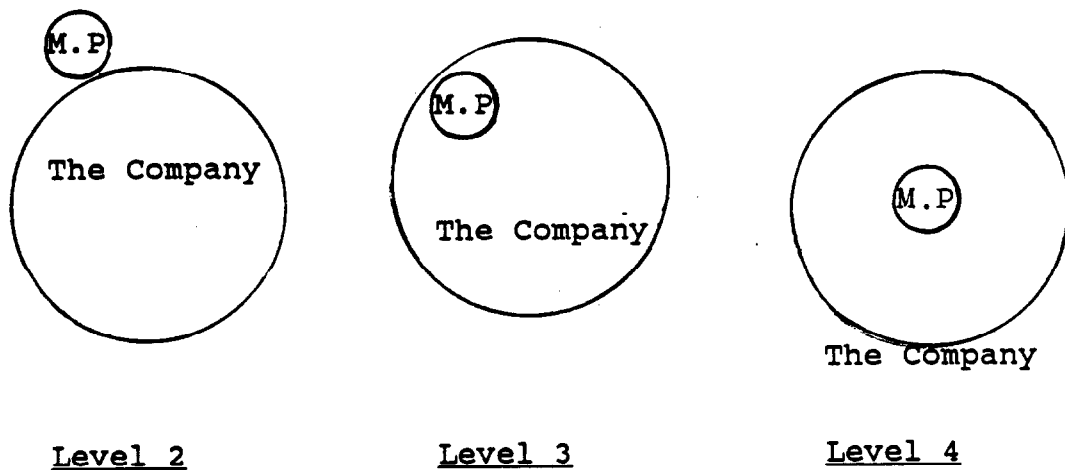
- Level 1 - Marketing planning is deliberately ignored.
- Level 2 - Marketing planning is treated unthinkingly as a formula and the company merely pays lip service to the end result.
- Level 3 - Marketing planning is taken moderately seriously and it is recognised that resources have to be allocated to the process if results are to be achieved.
- Level 4 - Marketing planning is taken very seriously and it is recognised that not only do resources have to be allocated, but also that the plan could fundamentally change the direction and nature of the business (and with it the existing power structure in the company !)

Thus it can be seen that marketing planning has to be perceived as not just an economic process designed to use resources more effectively, but also as a change mechanism with 'political' undertones. Clearly the level at which marketing planning is accepted by the company is related to the level of risk or readiness to change acceptable to the culture carriers.

The following diagrams perhaps help to illustrate these points.



How marketing planning impacts on the company can similarly be illustrated. Level 1 is omitted for obvious reasons.



The more seriously marketing planning is taken the more central it becomes in the company's operational life.

Whilst it could be argued that the level of acceptance of marketing planning is purely a cognitive problem and that the levels reflect understanding, this does not square with our experience. The acceptance of marketing planning seems to be more an attitudinal problem and being prepared to subscribe to the values inherent in a complete planning process.

Equally when we talk about marketing planning we are describing a process which requires an acceptance level of 3 or 4 on our scale. Any lower level will in our

opinion be a complete waste of time for all concerned, be they educationalists or company personnel.

THE MARKETING PLANNING PROCESS AND CORPORATE CULTURE

Assuming that marketing planning is acceptable at something deeper than a cosmetic level, it becomes possible to see how the process aligns with different phases of the company's life-line.

CREATIVE EVOLUTION PHASE

We did not find a single marketing planner at this stage of development. Most of the companies were still really formulating their business ideas and the senior executive (the culture carrier) was in close touch with his customers and his own staff. The organisation had a high level of flexibility to respond to changes in customer needs. In our research many of these companies were showing high growth and to introduce marketing planning did not appear to offer any additional benefits.

It has to be recognised that some companies do not have a sufficiently good product or service to develop very far along their life-path. The infant-mortality rate for businesses is very high.

However, if the company successfully negotiates this initial phase, eventually it reaches the leadership crisis. As we have seen, a strong leader is required who will provide the drive and direction which will lead to the next evolutionary phase.

DIRECTED EVOLUTION

Companies at this stage of development fell into two camps. Naturally enough, the underlying style behind the marketing planning process was directive in each case, but the impact and effectiveness was significantly different for each type.

The first type we have referred to as "Directed Marketing Planning Type 1." Here the senior executive took responsibility, or delegated the task of producing a marketing plan.

This person would then spend time analysing data, performing a situational review and so on until he or she finished up with a document. Generally an approving mechanism was built into the process, for example the Board of Directors would have to vet the marketing plan before it could be issued, but by and large thereafter the plan acts as a directive for the organisation.

The second type - "Directed Marketing Planning Type 2", involved the appropriate members of staff being told what information to provide about their areas of work, the form in which the information should be provided, and so on.

Thus in this case, rather than the plan being directed, the process is spelt out carefully. The resulting information is assembled at a senior level and the resulting planning document is issued as before.

Although in both cases all the creative thinking and control takes place at the top level of the organisation, the second method holds a prospect of generating more useful data without sacrificing the directive, power based culture.

DELEGATED EVOLUTION

As a solution to the Autonomy Crisis which can develop when directive leadership becomes inappropriate, more delegation becomes an operational feature of organisations.

What seemed to be a problem for marketing planning in these companies was that people in the 'front line' or operating units of large companies were expected to produce marketing plans, but without very much guidance. For example one company had to send its marketing plans to Head Office where, they were rigorously examined and then given the corporate thumbs up or down. Only through a process of acceptance or dismissal were the criteria for 'good' plans eventually pieced together.

Our conclusion was that a delegated form of marketing planning can lead to some very high quality inputs and certainly to high levels of commitment on behalf of those involved. Yet ultimately the solely bottom up planning procedures seem to be difficult to integrate and can be demotivating to those involved.

Somehow the sum of the parts is less in stature than it ought to be.

CO-ORDINATED EVOLUTION

At this stage the lessons of the Directed and Delegated phases seem to have been learned. There is much more emphasis on a plan for planning and a means to incorporate top-down direction and bottom-up quality.

Equally a co-ordinated approach enables the company to make best uses of its specialised resources and to generate commitment from the staff.

In many ways, the marketing planning processes which are the stuff of textbooks and the like appear to be most suited for a company at this stage of its development. However, as we have seen, it is possible for the planning process to degenerate from essentially a problem-solving process into a fairly meaningless, bureaucratic ritual. It is at this stage that the planning process will become counter-productive.

COLLABORATIVE EVOLUTION

Here the bureaucracy has to make way for genuine problem solving again. At present we do not have very much evidence about what this means in practice. But it is possible to speculate that as business environments change at an ever-increasing pace, so new marketing planning procedures might need to be developed.

Creativity and expediency would appear to be the passwords to this new phase of development.

DIAGNOSTIC TOOLS

We have found it necessary to develop diagnostic tools or instruments to help identify where the company might be on its lifeline and also how the management style reflects the current culture of the organisation.

Although these are in a relatively early stage of development, both we and client organisations are finding that the information they uncover helps to make more sense of the company situation vis a vis marketing planning.

CONCLUSIONS

In this paper we have shown how the acceptance of marketing planning is largely conditioned by the stage of development of the organisation and the behaviour of the corporate culture carriers. Thus it is that different modes of marketing planning became more appropriate at different phases of the company's life.

While the marketing planning process itself remains more or less consistent throughout, how that process is managed must be congruent with the current organisational culture. The alternative to this would be to take steps to change the company culture and make it more amenable to a particular planning process.

Since culture tends to act to maintain the existing power structure and the status-quo, marketing planning interventions in companies must be recognised as having a 'political' dimension and are not purely educational. Not least among the political issues is the question of whether or not a company's management style can adapt sufficiently to enable the marketing planning process to deliver the rewards it promises.

Can managers who have led a company down a particular path suddenly change track? In other words is it possible for frogs to change into princes?

The iconoclastic books would claim that they can, because this is a much more optimistic message with which to sell copies. However, those who have carried out academic research or are experienced consultants would have some reservations.

We remain open-minded about this issue, believing that if the business pressures on a company are sufficient, intelligent behaviour will win the day. We might be proved wrong, but in the meantime this paper provides some useful messages for both marketing advisers and senior executives of companies.

While we see this paper as being an important step along the road to effective marketing planning, we are also realistic enough to recognise that there is still far to travel.

REFERENCES

1. Business School of Plymouth Polytechnic (1987) Interim Report - In Marketer (April)
2. The Times (1986) (18 December)
3. Glaser B.G. & Strauss A.C. (1967) "The Discovery of Grounded Theory: Strategies for Qualitative Research". Aldine Publishing Company New York
4. Greenley G. (1987) "An exposition into empirical research into marketing planning". Journal of Marketing Management, 3.1, July
5. McDonald M.H.B. (1984) "The Theory and Practice of Industrial Goods Companies in Industrial Markets" Cranfield Institute of Technology, PhD
6. Skolding G. & Peppercorn G. (1987) "A Management Profile of British Industry" BIM Industry Year Report
7. Brimm M. (1986) Sponsorship and the Diffusion of Organisational Innovation: "a preliminary view" in INSEAD Working Leger (March)
8. Strage H. (1986) "Corporate Star Wars: can entrepreneurs and the marketing department co-exist?" Business Graduate Journal (April)
9. McKinsey (1987) The "Winning Performance of Mid-sized Companies"

10. Leppard J.W. (1987) "Marketing Planning and Corporate Culture" - a conceptual framework which examines management attitudes in the context of marketing planning. Cranfield Institute of Technology, M.Phil.
11. Lievegoed B.C. (1973) The Developing Organisation, Tavistock
12. Normann R. (1977) Managing for Growth John Wiley & Sons
13. Greiner L.E. (1972) Evolution and Revolution as Organisations Grow Harvard Business Review (July/August)