11 Organizing for marketing planning

Introduction

Undertaking marketing planning has profound organizational implications

From the foregoing chapters, it should be apparent that the decision to tackle marketing planning is not one that the service organization should take lightly. Taking up planning along the lines we have suggested will involve considerable time and effort being expended on a number of aspects of business activity which might earlier have been taken for granted and accepted uncritically. Although well-formulated marketing plans bring with them increased prospects for success, they are not achieved without cost. The forward-looking service organization recognizes this and is prepared to invest in the process, ensuring that the organization as a whole is geared up to supporting it. In these circumstances, marketing planning is identified as a critical planning activity and plays a key role in shaping organizational behaviour.

Marketing planning is much more than a mechanical process

Less far-seeing organizations perceive marketing planning as merely the imposition of a series of procedures which, if followed to the letter, deliver a plan at the end. It becomes a sort of 'bolt-on', optional extra. Such an unthinking, mechanical approach completely misses the point of having marketing planning.

> For it is not the marketing procedures that achieve success, but the creative thinking processes that they stimulate.

Planning can never be a neat, remote approach that leaves the company largely untouched. It can be messy and uncomfortable, as attention is directed into organizational activities that have for too long been neglected. It can raise more questions than immediate answers.

Above all, it meets reality head on, as facts, rather than opinions, become the focus of organizational initiatives.

In Chapter 4 we looked at some of the organizational barriers which get in the way of marketing planning. We identified these as: short-termism; lack of support from top management; lack of a plan for planning; lack of line management support; confusion over planning terms; an over-reliance on numbers; too much detail, too far ahead; once-a-year ritual; confusion between operational and strategic planning; failure to integrate marketing planning into the corporate planning system; delegation of planning to a 'planner'; and uncertainty about what should appear in the plan. However, during our explanation of marketing planning, it should be obvious that many of these barriers stem from the lack of understanding of the marketing planning process and how it works.

Avoiding these potential hazards is clearly important, but there is still more that the company must do to organize for effective marketing planning. There are questions to be raised about marketing intelligence systems, the use of marketing research (and how much to spend on it) and database marketing, the impact of marketing planning on the organizational structure, and how to develop a market-focused organization. These are the issues which will be addressed in this chapter.

Marketing intelligence systems

> Since marketing intelligence is the fuel which powers marketing decision-making, the time and money spent on organizing information flows are inevitably a sound investment.

As the decision-making arena becomes more uncertain, so there is added pressure for more information. In fact, some managers are prepared to hide behind the lack of information as an excuse for putting off making decisions.

The advent and development of computer technology ought, in theory, to have simplified the gathering and presentation of marketing information. Sadly, this is not the case. Research has shown that it is one of the most badly organized areas of management. By and large, there seems to be a failure to identify both the decisions to be taken and the information essential to make them.

MIS must be based on the information needs of management

Thus, the construction of a successful marketing intelligence system (MIS) has to start with a clear definition of the management information needs. Unfortunately, this seemingly straightforward step is obscured by the fact that many executives fail to isolate the key determinants of success from the many other issues that attract their attention. For example, they misunderstand the meaning and significance of market share, or they over- or underestimate the strategic impact of service levels, and so on. By not providing a lead, they can be presented with a mass of unfocused data and information in such volume that it becomes virtually impossible for the recipients to isolate what is, or is not, important. Such is the regularity of the arrival of this material that some executives become, quite literally, overwhelmed.

The consequence of such systems is that their output is rarely used. Instead, management regresses to the old ways of relying on intuition and hunch when making marketing decisions.

In order to construct a productive MIS, there are four steps to be taken:

Too much data and information is counter-productive

1. Make a detailed list of all current data and information that are produced.
2. Separately, get each manager to list the important decisions he or she has to make, together with the essential information input required for making those decisions.
3. Compare these two lists and:
   (a) remove all redundant information requirements, i.e. which are provided but not needed
   (b) rationalize all the remaining manager/information combinations in a way that the managers' needs, in total, can be met with the fewest pieces of generated information.
   This second category of action is not easy and is likely to involve a rigorous examination of the underlying purpose for all information requirements. While it might be nice for managers to know all sorts of information, much of this can turn out to be peripheral to decision-making.
4. Work towards the 'ideal' MIS.

It is tempting to think that it would be possible to build a new MIS starting from scratch. However, in the real world, this might not be possible for reasons of cost or IT resources. Experience suggests that the way forward is to use a building-block approach. This means that each block, which is a subsystem for meeting a particular group of information needs, is developed one at a time. Eventually an integrated and sophisticated MIS is put together to the benefit of its users.

Internal data sources and MIS[1]

In theory the internal audit should be relatively straightforward. Analysis and reporting of company results by region, product and segment should merely involve a bit of computer analysis of the sales ledger.

In practice there are problems. Sales ledgers are owned by finance and designed to facilitate billings and collections. Their purpose does not include supporting marketing and they rarely do so.

The information on sales ledgers is incomplete and miscoded from marketing's viewpoint. Ledgers contain accounts and stock-keeping units, which cannot easily be linked to customers, products, regions or segments.

Collecting, consolidating and using sales ledger information may also be difficult. Ledgers are designed to do accounting consolidations and analysis, not market consolidation and analysis.

Definition: MIS facilitates information flows, ensuring appropriate inputs and that data gets to users in a sensible form

An **MIS** (marketing intelligence or marketing information system) is the solution. A system to facilitate information flows needs to be developed so that there are appropriate inputs and that data gets to the users in a sensible form. Building an MIS involves:

- Adding codes to the sales ledger to identify customers and products (in addition to accounts and stock-keeping units).
- Summarizing the customer transactions to a level of detail suited to marketing.
- Extracting the customer/product data.
- Storing it on a database.
- Adding extra codes to facilitate segmentation analysis.
- Obtaining software tools to analyse and report on the database.

This is easy to describe, but, as those who have tried will know, tremendously hard to implement. The main difficulty to overcome is to manage the expectations of computer staff, financial management (who own the sales ledger) and marketing users.

A problem facing anyone contemplating the development of an MIS is whether to hold data at the lowest level of detail or to hold summary statistics. The extra cost of storing and processing detailed data, at customer level, often deters planners. However, only storing summary data is a mistake in most circumstances, for two reasons:

- Flexibility to analyse and segment by different combinations of variables is only possible if the data is held at the lowest possible levels of detail.
- Customer data can subsequently be used for implementing the strategy (i.e. for direct mail, telemarketing and field sales call reporting).

Database marketing – reconciling the tactical with the strategic

Definition: A database is a collection of data and information from outside and inside an organization which is stored in such a way that it can be accessed and analysed to provide intelligence for making decisions to achieve the company's objectives

Databases have traditionally been too large and expensive, and their performance too slow, for them to be cost-justifiable. Consequently, many of the MISs in use today are summary sales reporting systems. However, with the increased importance attached to direct marketing, telemarketing and sales performance management (using laptop computers), many companies are now more actively engaged in building customer databases.

Databases often represent a compromise between the strategic requirements of the planners and the tactical requirements of direct

Myth	*Reality*
The database collects what we need	We collect what is easily available
The database measures what matters	We measure what is least embarrassing
The database users understand what data they need	We know what we used last, what the textbooks say and what might be interesting on a rainy day
The database needs to hold more and more data	We feel safer with 'loadsadata', even when we haven't a clue how to use it
The database must integrate the data physically	We like neat solutions, whatever the cost
The database will save staff time	We need more and more staff to analyse data
The database will harmonize marketing, finance and sales	We all compete for scarce resources, and this involves fighting
The database is the one source of our market intelligence	We haven't thought through the business problems

Figure 11.1 Myths and realities about databases

marketers, telemarketers and sales managers. Another trouble for newcomers to the world of databases is that they fall prey to the many pitfalls, and believe many of the myths (Figure 11.1).

The consequence of these problems is that databases very often hold data that does not fit the purpose of the tacticians, far less the needs of strategic planners.

> The attempt to develop databases that serve both strategic and tactical purposes is often referred to as database marketing.

One of the most acute problems is that of reconciling the internal and external views of the markets. The usual problem is that data retrieved from the sales ledger rarely possesses the details needed to link customer records to market segments. Some of the problems are described in Figure 11.2.

Fusing together data from external sources and internal data is becoming increasingly common as a solution to the external–internal problem. This is often referred to as data fusion. Where large volumes of data are involved, computer programs, known as de-duplication routines, are used to automate the matching of the data. However, automation rarely achieves more than 80% accuracy in matching, and manual matching has to be applied to the remaining data.

External audit – variable	Problem with internal
What is bought	Internal systems have rich detail on accounts. However, information about types of products and services can often be missing. Information on the outlets or channels through which they are sold is very often lacking.
Who buys	Internal systems record who paid the invoice and who received delivery of the services. They rarely record who made the buying decision, or who influenced it. Even when the buyer details are on the system, it is rarely easy to determine their characteristics such as age, sex, etc. Information is typically based around quantity of services sold rather than on customers' total usage of various services.
Why	Reconciling external to internal involves: • matching accounts to customers • matching capacity to services required • matching external variables to internal records • collecting data from sources other than the sales ledger (e.g. from surveys of sales representatives) Internal sources of information on why people purchase is scarce. Enquiries can be qualified, using survey techniques, to provide some clues on why people respond, e.g. to an advertising campaign. Customer satisfaction surveys may also yield clues. Call reports from field sales and telesales can also provide valuable clues, especially if survey disciplines can be observed by the sales staff.

Figure 11.2 Problems of reconciling internal and external market audits

> The cost of matching external and internal market-coding schemes is driving a few companies to collect customer profiles at source. This is either when they first enquire, or when their sales ledger records are first created.

However, the cost of the changes to the sales ledger, and the fact that it is owned by finance, are often barriers to success. In the future, marketing will need to work much more closely with finance and the IT department if it is to develop databases successfully. To address this problem, one major bank has moved its head of marketing into the role of head of the IT department.

What is the secret of using information successfully?

Information, in the minds of most marketing managers, lies in a strange no-man's land, part-way between the practical focus of marketing management and the abstractions of technologists, cyberneticists and boffins. Widely misunderstood, or equated to 'keyboard literacy', or 'technology awareness', the management of marketing information often ends up neglected or delegated to the most junior member of the marketing team.

Information is not the same as technology, nor is it information technology, nor is it necessarily derived from information technology. There are many problems associated with the use of computers to hold marketing data.

Information is not all hard, objective data; we will not necessarily become better informed by collecting more and more raw data, and storing it until we end up knowing 'everything'. Accounting systems are often seen as a source of hard facts, since most accounting transactions have to be audited and therefore must be reasonably accurate. Yet most accounting data has little direct relevance for marketing strategy.

What information is needed to support a marketing strategy? The answer to this question is something of a conundrum, since the information needed depends upon the marketing objectives that form the strategy. If you change the strategic marketing objectives, then you may need different kinds of information to support your strategy. Figure 11.3 illustrates how different objectives require different supporting information.

This observation goes some way towards explaining one of the great puzzles of marketing information:

The information needs of marketing keep changing as a consequence of the evolution of the marketing strategy

Business objective	Segmentation method	Information source
Market extension		
– new locations	Geo-demographics	Electoral roll (consumer)
– new channels	Prospect profiles	Companies House (business)
– new segments	Survey analysis	Prospect lists and surveys
Market development	Customer profiling	Sales ledger and added profile data
	Behavioural scoring	Models from internal data source
Product development	Factor analysis	Surveys
	Qualitative methods	Panels/discussion groups

Figure 11.3 Examples of business objectives and segmentation methods

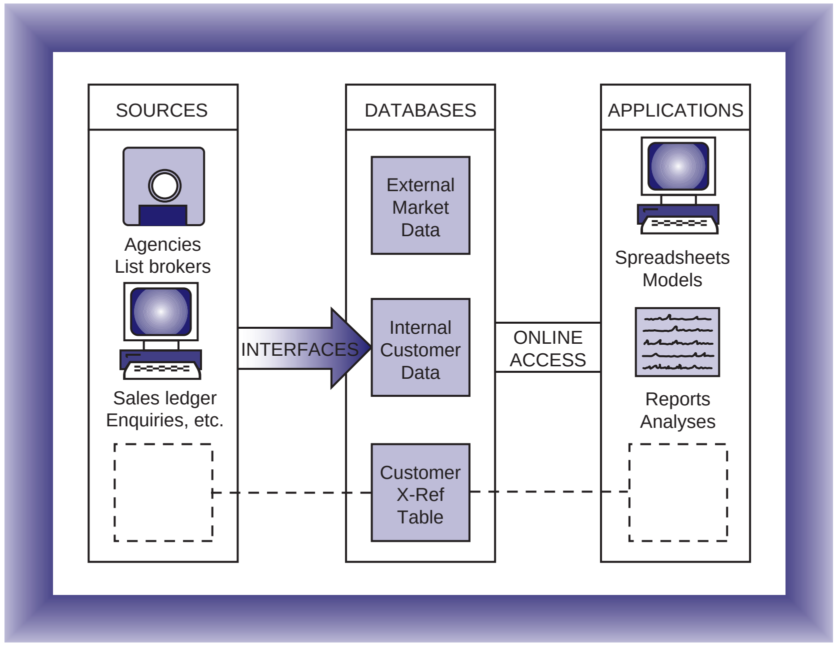

Figure 11.4
Information flows in a marketing system

> Why is it so difficult to specify marketing's information needs? The answer is that, unlike accounting or service operations, which have fixed information needs, the information needs of marketing keep changing as a consequence of the evolution of the marketing strategy in response to market changes.

At this point, the sales or marketing director might feel that, because the situation changes so radically every year, there can be no hope for developing an effective system or procedure for obtaining marketing information. Many at this point delegate the need to an office junior, with the result that they are very ill-informed when they come to develop their marketing strategies.

For all the problems, there are a number of basic underlying marketing issues with which all companies have to contend. Furthermore, the solutions they have adopted can be seen as variations on relatively few themes. The basic model of a marketing system can be visualized as in Figure 11.4.

The main components of the system are as follows:

- *External market data*, which is purchased from external agencies. These include government agencies, market research firms, list brokers, etc.
- *Internal customer data*, which is collected from the sales ledger and other internal sources such as customer service, field sales, telesales,

etc. It is coded and segmented in such a way that market-share figures can be created by comparison with external data.

- *Customer reference table*, which is needed to make the system work effectively. It identifies customers (as defined by marketing) and provides a cross-reference to sales ledger accounts. Whenever a new sales ledger account is created, the cross-reference table is used to determine the customer associated with that account. This avoids the need for costly manual matching or de-duplication after the account is created. It is also used by marketing applications as a standard reference table for customers.
- *Database* refers to all three of the above data types. It needs to be structured using a technique known as *data modelling*, which organizes the data into the component types that marketing wants and not the structure that finance or anyone else provides. Usually, the data is held using *relational database* software, since this provides for maximum flexibility and choice of analysis tools.
- *Interfaces* refers to the computer programs that 'grab' the data from the source systems and restructure it into the components to go onto the marketing database. These programs have to be written by the in-house IT staff, since they obtain and restructure data from the in-house sales ledger and other in-house systems.
- *Applications* are the software programs that the planners use to analyse the data and develop their plans. They include data-grabbing tools that grab the items of data from their storage locations; reporting tools that summarize the data according to categories that marketing defines; spreadsheets that carry out calculations and what-if analyses on the reported summary data. Applications may also include specific marketing planning software such as EXMAR, Marketing Portfolio Planner, Market Segment Master and Key Account Planner.[2]

> The critical issue when building such a system is that it is not self-contained within marketing. It requires interface programs that will alter the systems used by finance, sales and other internal departments, as well as data feeds from external sources.

The secrets of success in developing systems for marketing are:

- Understanding what marketing needs and particularly how the internal and external views will be reconciled.
- Developing a strong cost–benefit case for information systems, including financial ones, to be altered to accommodate the needs of marketing.
- Working continuously with internal IT staff until the system is built. They are under pressure from other sources, especially finance, and

unless marketing maintains momentum and direction, then other priorities will inevitably win.

Marketing planners need to become far less insular if they are to obtain the information they require to plan effectively. Cross-functional understanding and cooperation must be secured by marketing if they are to develop the systems they need. Building the interdepartmental cross-functional bridges to secure data, information and knowledge is one of the greatest challenges facing marketing today.

Who manages the MIS?

There is no hard and fast rule in answer to this question. It could be argued that, as the MIS is to facilitate decision-making company-wide, it should be managed within a central corporate information office. There are others who advocate that in a marketing-oriented company, it is feedback from the outside world which should drive decision-making. Therefore, it is claimed, the MIS should be managed by the marketing department.

At the end of the day, where the system is located is of little consequence. Of far more significance is that the MIS is institutionalized and has procedures which facilitate information flows, both vertically and horizontally and both into and out of the information unit, to assist marketing planning.

It goes without saying that with an institutionalized system, all who are involved with it are trained to play their role, whether as providers of inputs or users of outputs.

Marketing research

While the MIS provides the data to make routine decisions and to keep the organization on track, from time to time new and specific pieces of information will be required by management.

Definition: Marketing research is concerned with research into marketing processes

Providing this is the role of **marketing research**, which is defined by the American Marketing Association as 'The systematic gathering, recording and analysis of data about problems relating to the marketing of goods and services'.

Marketing research is not the same as market research

Marketing research, therefore, is an approach which can look at the whole marketing process and is not to be confused with 'market research', which, as the name implies, is concerned specifically with research about markets. Marketing research can help to resolve problems, be they about distribution channels, competitive advantages of one's services, customer preferences, pricing, or, indeed, anything which is connected with matching the company's capabilities with customer needs. By collecting and analysing the appropriate data, the marketer can proceed to make decisions under conditions of known risk rather than uncertainty.

Conversion of uncertainty into risk and the minimization of risk is perhaps marketing management's most important task, and in this process the role of marketing research is of paramount importance.

Information can be elicited in two broad ways:

- Through reactive methods
- Through non-reactive methods.

- *Reactive methods* – Here, the target audience reacts to test situations, or to questions posed to them by an interviewer, either face to face or over the telephone. Equally, they could respond to questionnaires or forms, which they might be handed or which are mailed to them. Figure 11.5 summarizes the main forms of reactive marketing research.
- *Non-reactive methods* – Here, methods are based on interpretation of observed phenomena, or extant data. They do not rely on data derived directly from respondents. Figure 11.6 summarizes the main forms of non-reactive marketing research.

All research methods have inherent advantages and disadvantages.[3] For example, structured interviews, controlled by the interviewer against a specific format, might be easy to analyse, but give little scope to explore what could be important departures from the chosen 'script'. In contrast, free-ranging interviews might provide a wealth of anecdotal and qualitative information, but prove to be very difficult to analyse overall.

In many respects, the most important of all marketing research methods is the use of existing materials, particularly by means of *desk research*, which should always be the starting point of any marketing research programme.

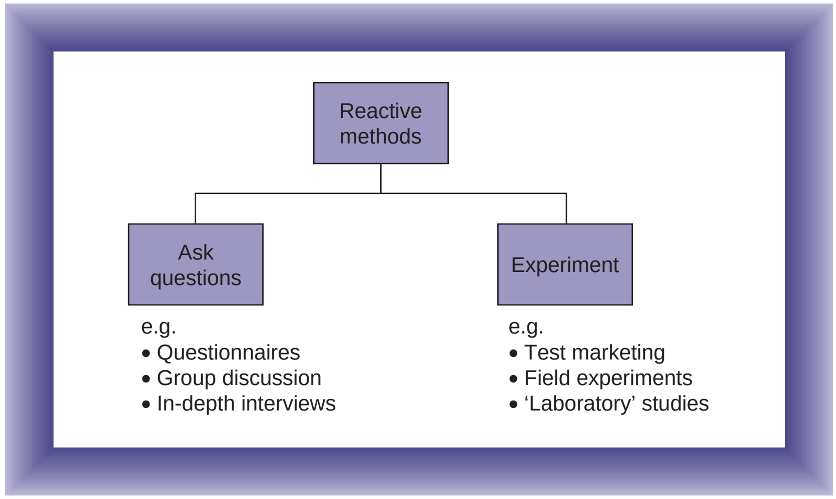

Figure 11.5 Focus of reactive marketing research

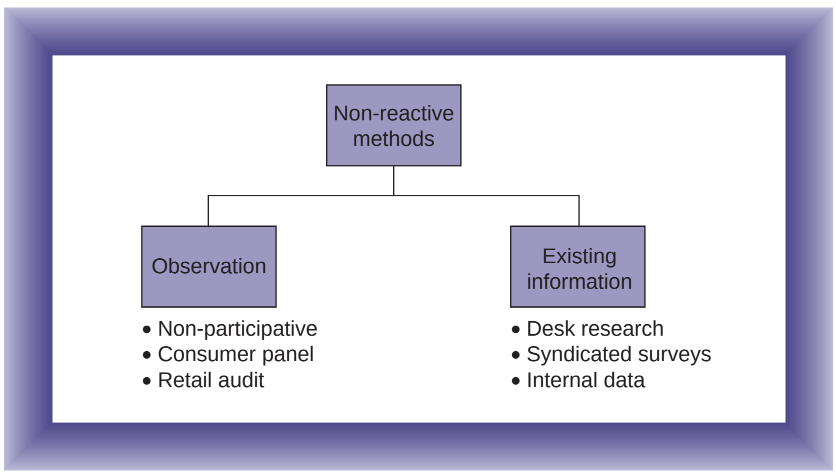

Figure 11.6 Focus of non-reactive marketing research

There is often a wealth of information to be obtained from published information such as government statistics, OECD, EU, the United Nations, newspapers, technical journals, trade association publications, published market surveys, and so on. Two or three days spent on desk research nearly always provides pleasant surprises for the company that believes it lacks information about its markets. When combined with internal sales information, this can be the most powerful research method open to a company.

Cost-effectiveness is the ultimate determinant of the marketing research method to be used

Cost is also a consideration to take into account. For example, the logistics of sending interviewers door to door will clearly cost a lot more than a postal questionnaire. But, then again, whereas the former method achieves a very high 'hit rate' in terms of responses, the latter might yield very little. The advent of email and internet-based surveys now enables information to be collected faster and much more cheaply where such methods are relevant to the information being sought.

Cost, therefore, has to be seen as a determinant of the intrinsic quality of the information received. It has to be assessed, not in terms of the value of the research assignment input, but as the usefulness of the actual research output.

Increasing sophistication in the use of marketing research techniques has made it a highly specialized function within the field of marketing management. For this reason, many service companies turn to outside research agencies rather than attempting to develop their own internal resources.

Budgeting for marketing research

As we have seen, marketing information can be costly to obtain. Not surprisingly, how much to spend on marketing research is, therefore, a key question that marketers must address.

> Information can, in many ways, be seen as a product, for, like a product, it has to be 'made', stored and distributed. Similarly, it has a limited shelf-life, after which it can have a deleterious effect on company health if consumed.

As with a product, the more use that can be extracted from a piece of information, the greater is its value.

> The utility value of information is, of course, its ability to reduce the risk attached to making a wrong decision. The greater the risk, the higher the value of the marketing research.

Since any decision to buy any product or service would be subject to some form of cost–benefit appraisal, it should be possible to handle information likewise. Any investment in research would have to be justified by the return it provided. However, whereas the costs are relatively easy to identify, the benefits can be more elusive to pin down. They can only be expressed as the additional profits that might be achieved through identifying new marketing opportunities, and avoiding the costly failures which would otherwise have resulted without the information. Thus, while the cost–benefit approach looks to be eminently sensible, in practice it is beset with many 'ifs' and 'maybes'.

Probability theory and expected value can be a useful method of calculating how much to spend on marketing research

Another approach which is used with some success is based on the theory of probability and expected value. This operates in the following way. Suppose that the launch of a new service would incur costs of $500,000. The decision to go ahead is hampered by the fact that it is reckoned that there is a 10% chance that the service will fail. In these circumstances, the maximum loss expectation can be calculated as

$500,000 • 0.10, i.e. $50,000. This would suggest that it would be worth the company spending up to $50,000 to acquire information which would help to avoid such a loss.

However, the implication of this approach is that perfect information can be put at the company's disposal. Since the cost of gathering perfect information is likely to be prohibitive, the method shown above can only be seen to provide a rough guideline.

In truth, budget setting is likely to be based upon a combination of cost–benefit analysis, probability and expected value, and empirical evidence that the service organization has accumulated over the years.

Marketing planning and company structure

Can marketing planning work in all organizations?

As should be clear by now, marketing planning is not something for the uncommitted manager. In order to get results, companies must undertake the task comprehensively.

However, as we have described it, the planning process has a distinctive shape and pattern, whereas service organizations come in all shapes and sizes. It is reasonable to ask, therefore, if such a universal approach can actually be made to fit this wide range of potential customers.

Can it, for example, fit the large service company and the small one equally well? Will it be appropriate for the bank and the professional service firm? Or does it have to be tailored in order to become suitable? It is equally relevant to ask if the organization should modify its own activities in order to accommodate marketing planning. These questions are asked in order to throw light on often overlooked issues which have a bearing upon the ultimate success of the marketing planning initiative.

In order to address these issues, we need to switch our focus of attention away from the marketing planning process and, for a moment, take a look at service organizations themselves. First of all, let us look at how organizations develop and grow.

The organizational life-line

While in some ways organizations have an individuality all of their own, in much the same way as people, it can be shown that they also have many similarities when it comes to looking at their overall pattern of development.

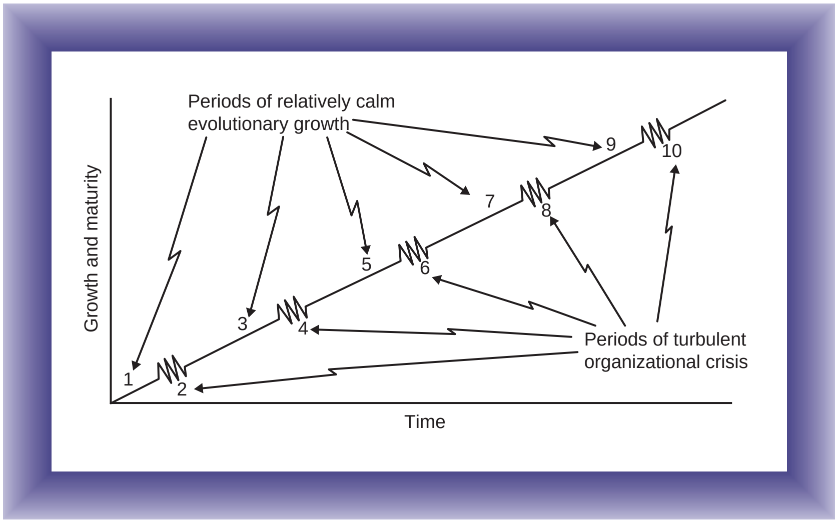

Figure 11.7
The organizational life-line

> Just as people go through life phases of infancy, youth, becoming an adolescent, and so on, do organizations experience a similar growth pattern?

Further, just as people experience problems in the transition from one phase of life to another, for example going through puberty or the menopause, do organizations have equivalent periods of discomfort and crisis?

There are several models upon which to draw to illustrate the organizational life-line, but that of Greiner[4] provides a comprehensive approach which is relevant to service (and most other) organizations. Figure 11.7 outlines the ten phases of evolution and crisis in this model.

Phase 1 – The first phase of organizational life is the *creative evolution* phase. Here, the organization is small, very informal and ill-organized, but powered by a sustainable business idea and the energy put in by the founder. This person is at the heart of everything – selling, creating, recruiting, rewarding, buying, and so on. The organization's plans are in the founder's head and the organization itself is used as an extension of the founder. They operate rather like a spider at the centre of a web. No activity in the organization, or indeed among customers, escapes their attention.

Such a company can be very profitable, since the person running it knows the customers personally and can respond to their changing needs immediately. Coupled with this excellent service is an organization low on overhead costs.

Phase 2 – The company can grow successfully in a relatively controlled way until, one day, it starts to have problems. Its very success overtaxes the central person, who finds it increasingly difficult to cope. The pressure might originate from extra customers, extra employees, extra machines, or whatever. The net result is that the source of decision-making becomes overcommitted. For example, he or she is with a customer when a problem crops up in the office, or they have to spend so much time negotiating a bank loan that they neglect bringing in new contracts. The organization has, in fact, reached its *leadership crisis* phase.

So serious is this phase that it overwhelms many organizations. This problem can be resolved in one of two ways:

- The entrepreneur/founder sells the business (and then, often, goes off somewhere to start something else).
- The company must manage a transition to its next phase of development.

Phase 3 – Here, the principles of textbook management start to be imposed on the organization. If the founder stays, he or she has to learn to devolve some jobs to others, start to employ specialists, define who does what, and introduce systems and procedures that 'run themselves'. From being a reactive type of organization, where planning was largely non-existent, the company starts to enter the world of scientific management, with a defined structure and sets of rules for coping with routines such as costing, payments, and the planning of work. Because it needs firm leadership to draw the company together and give it a new sense of purpose, there needs to be somebody strong at the helm, who knows more about management. With such a person in position, the company can look forward to another relatively calm period of evolutionary growth. This is the *directed evolution* phase.

Phase 4 – This period of growth eventually encounters problems, as the 'director's' expertise about markets, technology, or whatever is overtaken by subordinates whose day-to-day work ensures that they keep abreast of all the latest developments.

The leader may lose credibility to an extent that his or her judgement and ability to provide direction are no longer trusted by those in the organization. Subordinates who are on top of their jobs feel they could easily make better decisions faster than the out-of-touch boss. The company is now experiencing its *autonomy crisis* phase.

Phase 5 – This crisis is only solved by genuine power and authority being pushed down to lower levels in the organization. In this way, all the company's expertise is tapped and a new spirit of enterprise is released. Decisions are made by the people with the best and most current information, not by somebody remote from the situation, who cannot understand all the nuances of what is entailed. Again, if this transition is managed successfully, the company is equipped to benefit from another period of evolutionary growth, its *delegated evolution* phase.

Phase 6 – Once more, the seeds of the next crisis start as the company gets larger and more mature. Those at the top of the organization feel that they are losing control. Subordinates are making decisions which, in themselves, might be excellent, but which are essentially parochial and do not take into account the full ramifications for the organization as a whole. There is a *control crisis* as the issue of power and who is actually steering the business are addressed.

Phase 7 – As before, a solution is eventually found, whereby the organization is redefined on the basis of greater cooperation between different levels and functions. To facilitate this, roles are carefully defined and attention is paid to information flows. Rules, systems and procedures are developed to ensure that everyone knows their place and what is expected of them. When something slips through the organizational net, a new rule or procedure is established to ensure that it does not happen again. With the crisis of control resolved in this way, the company can enjoy another relatively trouble-free period of growth in its *coordinated evolution* phase.

Phase 8 – The next crisis phase occurs because, in its attempts to coordinate its decision-making and optimize the integration of all activities, too many bureaucratic procedures creep in. The company finds that rules, which once helped, now begin to slow down decision-making and blunt personal initiative. The organization becomes impersonal, and ensuring that procedures are completed seems to be the sole reason for its existence. Customers and markets may become distractions to the business of running the enterprise. The company is at its *red-tape crisis* phase and severely restricts itself unless action is taken.

Phase 9 – The answer seems to lie in returning to the days before the hand of bureaucracy took the energy out of the organization. A new approach to management needs to emerge. Once more, people have to be seen as more important than systems and procedures. Unnecessary routines are dismantled. Impersonal relationships are replaced with face-to-face transactions. Management is by exception, and over-control is replaced by trust. By adapting in this way, the company reaches its *collaborative evolution* phase. It becomes once more flexible and adaptive when it is beset by new challenges.

Phase 10 – As we have seen, every evolution phase is born out of a crisis and yet carried with it are the seeds of the next crisis. Since relatively few organizations have genuinely reached their collaborative evolution phase, the exact nature of the next crisis phase is somewhat speculative. There are suggestions that with the collaborative emphasis on teamwork and openness, managers lose the confidence to make decisions on their own. There is also a possibility that 'groupthink' takes over and too much time is spent looking at the functioning of internal teams, at the expense of keeping in touch with events in the outside world. However, as the *next crisis* phase materializes, no doubt human ingenuity will eventually find some way out of it.

There are two important points to make about the organizational life-line.

1. A company 'learns' by overcoming new problems and so its level of 'maturity' is not governed simply by its growth and size alone, but also by the complexity of its history. Thus, it is possible to have a very large company, in terms of turnover or number of employees, at an early stage in development terms, for example at its leadership crisis or directed evolution phase. Similarly, a relatively small company might just as easily be enmeshed in its red-tape crisis.
2. There is nothing to suggest that companies are more profitable at any one of the evolution phases than another. However, the organization can literally die at any of its crisis phases and so does not have a 'right' to experience all of the growth phases.

In his research, which examined marketing planning and corporate culture, Leppard[5] found that:

- The process of marketing planning is sophisticated and carries with it hidden values regarding organizational openness and access to information. It therefore needs an equally sophisticated organization to be able to accept it in its totality. In this sense, the introduction of marketing planning is more than a matter of introducing some systems and procedures, for it can bring with it a challenge to the credibility, authority and style of the management regime.
- It is difficult to introduce marketing planning at any of the crisis phases, because there are too many other unresolved contextual problems in the organization.
- The marketing planning process has to be congruent with the corporate culture at each of the evolution phases. Broadly speaking, this suggests the emphasis shown in Figure 11.8.

The conclusion to be reached is that the marketing planning process described in this book is of universal validity. Great care, however, is necessary to ensure that it does not strangle personal initiative and creativity by an overly bureaucratic implementation of the associated systems and that it is implemented at the appropriate stage of the evolutionary development of the organization.

Stage of evolution	Marketing planning approach
Creative evolution	No formal marketing planning procedures exist. The owner/manager tends to operate more like a hunter than a farmer. At best, a sales plan might be acceptable, but in general, any kind of formal planning is alien in this culture.
Directed evolution	Here, the marketing planning process has to be imposed from the top, and so an essentially 'top-down' planning system provides the best organizational fit.
Delegated evolution	Here, an essentially 'bottom-up' marketing planning approach works best.
Coordinated evolution	Here, a 'top-down' and 'bottom-up' marketing planning approach can be combined to provide a good organizational fit.
Collaborative evolution	Since few organizations are at this stage of development, no firm conclusions can be drawn. The life-line concept suggests that a radical rethink might be made regarding marketing planning. This might mean the process becomes more non-functional and less mechanical.

Figure 11.8 Approaches to marketing planning for different stages of evolution

Centralized versus decentralized marketing

Centralized organizations are effective at controlling costs

Regardless of where the service organization is on its life-line, it might at some time or other reach a stage, either from organic growth or by acquisition, where it operates with more than one unit. The question then arises regarding how best to locate the marketing function. The organizational structure might look like either of Figures 11.9 or 11.10.[6]

In Figure 11.9, the centralized head office has taken over the strategic components of the business, including marketing, leaving the operational units A, B and C to produce services as directed. This approach clearly maintains control at the centre and ensures there is no duplication of effort in the operating units. However, unless communications are exceedingly good, it is conceivable that those with responsibility for marketing will lose touch with both the operating unit and its markets. This is particularly true if each unit has a wide range of services and customers. The sheer logistics of managing so many service product/customer combinations is too much to handle.

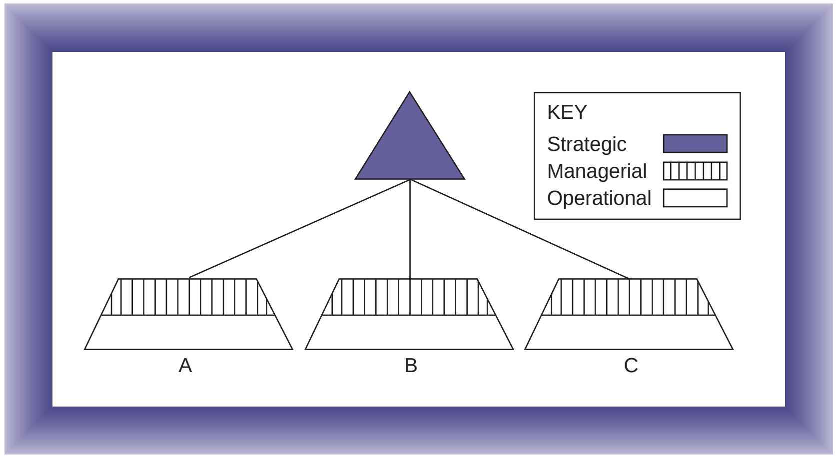

Figure 11.9
Centralized marketing, separate operating units

Decentralized organizations are effective at responding to market needs

The alternative possibility is shown in Figure 11.10. Here, the head office acts as a hub for largely self-autonomous units, which have their own marketing departments. Clearly, in these circumstances, the marketing activities will be highly relevant to the sub-units they are dedicated to serve. They will be well attuned to the specific needs of each business unit. However, unless all the marketing activities can be coordinated in some way, there could be a considerable duplication of work. For example, each unit might commission marketing research which is virtually identical, therefore spending much more than is necessary. If, however, some way can be found of gaining synergy from all this marketing energy, the rewards could be considerable.

As with so many aspects of marketing, there are no clear answers regarding which structure is the best. Both types have advantages and

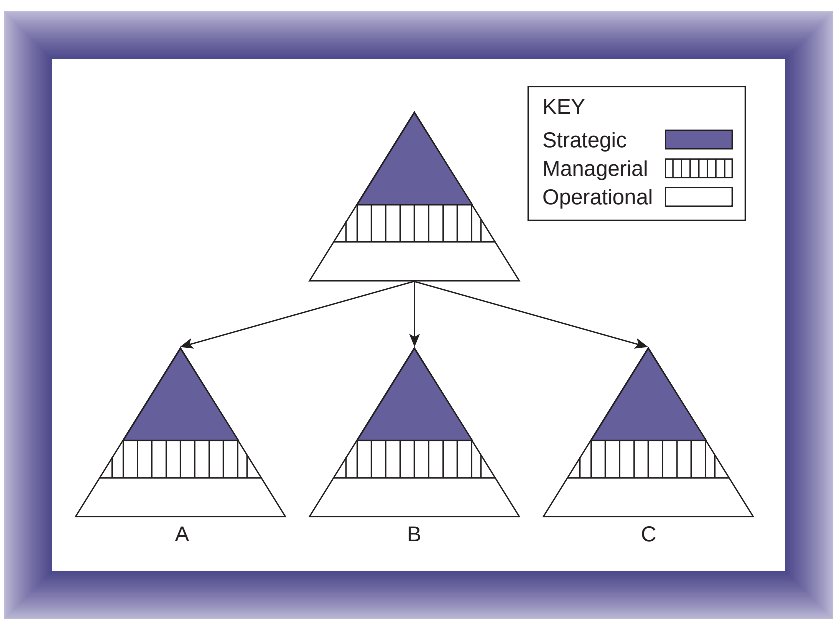

Figure 11.10
Decentralized marketing

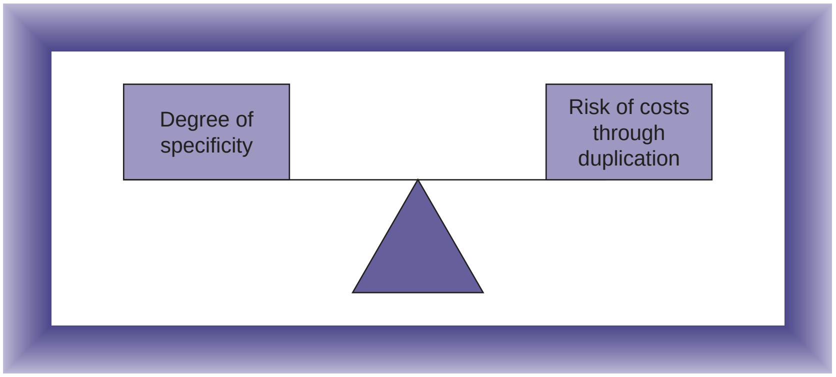

Figure 11.11
The specificity versus duplication balance in marketing planning

disadvantages. For this reason, each organization has to find a balance which allows for the right level of marketing specificity, yet imposes a mechanism for avoiding costly duplication (Figure 11.11).

There is no right or wrong answer for this organizational issue

> It is the responsibility of the headquarters to draw up the boundaries regarding how the marketing activities shall be managed and coordinated. Until this is resolved, any attempts to introduce, or improve, marketing planning will be beset with problems.

The matrix organization

There is another way of considering organization design, which is based on one of the foundations of marketing thinking – that all companies must integrate the management of both their services and their markets. In the so-called 'matrix organization'[7] (Figure 11.12), it is common to find the posts of 'product manager' or 'service manager' and 'market manager', and sometimes all three.

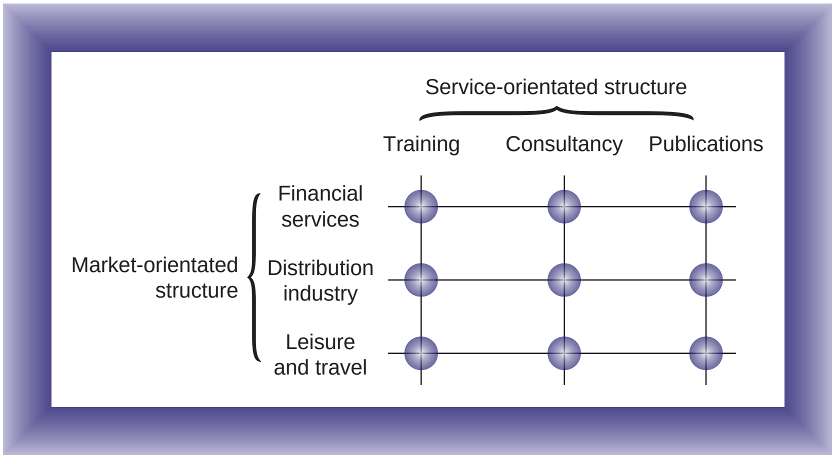

Figure 11.12
A matrix organization for a training and consulting firm

Having an overemphasis on services or markets can result in problems

In this example, we have a training/consultancy business which does business in three main markets: financial services; distribution; and leisure and travel. It could organize around 'service managers' so that, for example, one manager would be responsible for all training activities in all three markets. The advantage of doing this will be the strong service product orientation which results. While this is an undoubted plus, such a structure can easily lead to superficial market knowledge. Indeed, many companies have suffered from this approach by being slow to recognize changes in their markets.

In contrast to this approach, the 'market manager' orientation can maintain closeness to markets, but lead to unnecessary service duplication, service proliferation and the lack of a coherent policy for developing new services.

Because each approach has its strengths and weaknesses, there can be no simple answer regarding which might be the best. Common sense and experience of the market situation will, in the end, determine which approach is most appropriate.

The third option in this range of possibilities is to have both service and market managers. This ought to provide the best of all possible worlds, since close attention is being paid to both services and markets.

However, for it to work well, there must be close liaison between the two types of manager. Also, it is suggested, in order to avoid deadlock, that one or the other is given the ultimate responsibility to make decisions. It therefore needs a high level of maturity from the staff involved, and a willingness to keep all communication channels open, if it is to work in practice. Too often it is found that vested interests get in the way of genuine service/market issues.

The purpose of this brief discussion into organizational structures was to underline some of the potential drawbacks and advantages which particular structures bring with them. Unfortunately, no single organizational form can be recommended unconditionally, because the final choice must always reflect the particular situation faced by the company.

Even so, it is usually sensible to organize around customer groups or markets, rather than services, functions or geographical location.

By doing this, the whole organization can be mobilized to respond specifically to a unique set of market needs.

There are always a number of factors to take into consideration. We have touched upon these already. There are issues about authority and responsibility, ease of communication, coordination, flexibility, how the cross-functional interfaces are managed (e.g. between internal departments, or the company and its outside world), and, by no means least, human factors.

The way the company organizes for marketing will be one of the major determinants of the effectiveness of any marketing planning.

Plan for marketing planning

Just as important as getting the organization structure to complement the markets it serves, the company must also ensure that there is a plan for marketing planning. That is to say, everyone involved must not only be aware of the marketing planning process (as outlined in this book), but also be very clear about the role they are expected to play in it and the rate at which the planning process unfolds.

Often, when considering the reasons for marketing planning failures, we find that much of the blame can be attributed to chief executives.

The chief executive has to lead marketing planning

It is their principal role to get the planning process accepted and, by way of their personal commitment and enthusiasm, maintain the energy and momentum of the initiative.

Too often, they have little familiarity with and interest in marketing planning.

In companies where chief executives have been successful in bringing about change, they have actively intervened in:

- Defining the organizational framework
- Ensuring that the strategic analysis covers critical factors
- Maintaining the balance between short- and long-term results
- Waging war on unnecessary bureaucracy
- Creating and maintaining the right level of motivation
- Encouraging marketing talent and skills to emerge.

Another area which sometimes causes concern is that of the role of the planning department. As we have seen, it cannot operate successfully if it is trapped inside an ivory-tower mentality. Instead of operating in isolation, it needs to be at the hub of the marketing planning information network. In playing this role it can:

- Advise on improved planning structures and systems
- Facilitate the transmission of relevant data
- Request inputs from managers, departments, or operating divisions
- Act as a catalyst to break down interdepartmental/interfunctional rivalry or barriers
- Evaluate marketing plans against the overall corporate strategy
- Monitor ongoing plans and keep top management informed
- Support and advise line managers and staff
- Initiate special research on industries, markets, etc.

Where top management is weak, it might try to avoid its responsibility and ask the planning department to provide not only the plan, but also the objectives and strategies. While this is technically feasible (assuming that the expertise is available), it is not a desirable outcome, for top management input about corporate direction is absolutely necessary.

The marketing planning cycle

The schedule should call for work on the plan for the next year to begin early enough in the current year to permit adequate time for market research and analysis of key data and market trends. In addition, the plan should provide for the early development of a strategic plan that can be approved or altered in principle.

A key factor in determining the planning cycle is bound to be the degree to which it is practicable to extrapolate from sales and market data, but, generally speaking, successful planning companies start the planning cycle formally somewhere between nine and six months from the beginning of the next fiscal year.

It is not necessary to be constrained to work within the company's fiscal year; it is quite possible to have a separate marketing planning schedule if that is appropriate, and simply organize the aggregation of results at the time required by the corporate financial controller.

Planning horizons

It is clear that, in the past, one- and five-year planning periods have been by far the most common, although three years has now become the most common period for the strategic plan, largely because of the dramatically increasing rate of environmental change. Lead time for the initiation of major new product innovations, the length of time necessary to recover capital investment costs, the continuing availability of customers and raw materials, and the size and usefulness of existing plant and buildings, are the most frequently mentioned reasons for having a five-year planning horizon. Increasingly, however, these plans are taking the form more of 'scenarios' than the detailed strategic plan outlined in this book. (We provide some references for scenario planning later in this chapter.)

Many companies, however, do not give sufficient thought to what represents a sensible planning horizon for their particular circumstances. A five-year time-span is clearly too long for some companies, particularly those with highly versatile machinery operating in volatile fashion-conscious markets. The effect of this is to rob strategic plans of reality. A five-year horizon is often chosen largely because of its universality. Also, some small subsidiaries in large conglomerates are often asked to forecast for seven, ten and, sometimes, 15 years ahead, with the result that they tend to become meaningless exercises. While it might make sense for, say, a glass manufacturer to produce 12-year plans or scenarios because of the very long lead time involved in laying down a new furnace, it does not make sense to impose the same planning timescale on small subsidiaries operating in totally different markets, even though they are in the same group. This places unnecessary burdens on operating management and tends to rob the whole strategic planning process of credibility.

The conclusion to be reached is that there is a natural point of focus into the future, beyond which it is pointless to look. This point of focus is a function of the relative size of a company.

> Small companies, because of their size and the way they are managed, tend to be comparatively flexible in the way in which they can react to environmental turbulence in the short term. Large companies, on the other hand, need a much longer lead time in which to make changes in direction. Consequently, they tend to need to look further into the future and use formalized systems for this purpose so that managers throughout the organization have a common means of communication.

How the marketing planning process works

There is one other major aspect to be considered. It concerns the requisite location of the marketing planning activity in a company. The answer is simple to give.

Marketing planning should take place as near to the market place as possible in the first instance, but such plans should then be reviewed at high levels within an organization to see what issues have been overlooked.

It has been suggested that each manager in the organization should complete an audit and SWOT analysis on their own area of responsibility. The only way that this can work in practice is by means of a *hierarchy* of audits. The principle is simply demonstrated in Figure 11.13.

This illustrates the principle of auditing at different levels within an organization. The marketing audit format will be universally applicable. It is only the *detail* that varies from level to level and from company to company within the same group. For example, any one single company can specify without too much difficultly the precise headings under which information is now being sought.

At each operating level, this kind of information can be gathered in by means of the hierarchy of audits illustrated in Figure 11.13 with each

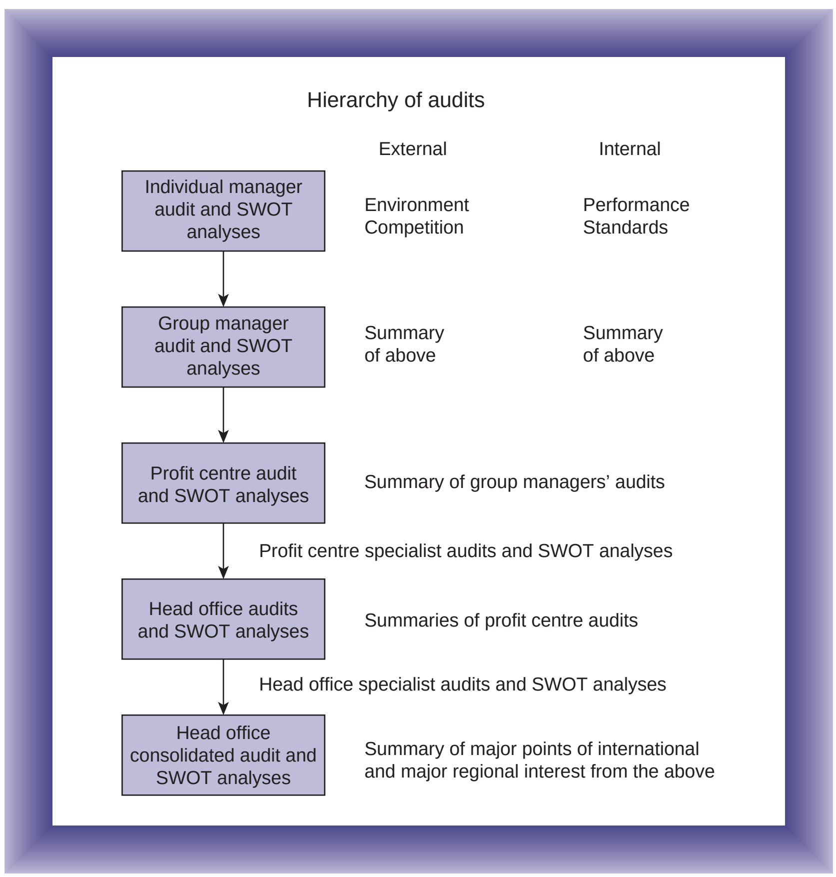

Figure 11.13
Hierarchy of audits

manager completing an audit for his or her area of accountability. While the overall format can be universal for a large and diversified group, uniformity is only necessary for units engaged in like activities. The advantages which accrue to the several headquarters' levels are substantial in terms of measuring worldwide potential for service products and market segments. Without such an information-collecting vehicle, it is difficult to formulate any overall strategic view.

> It has to be recognized that information and data are not always readily available in some parts of the world in the sort of format which is required but, given training, resources and understanding between headquarters and units, it is surprising how quickly information links can be forged which are of inestimable value to both sides. The same is also true of agents and distributors, who quickly respond to the give and take of such relationships in respect of audit-type information, which they inevitably find valuable for their own business.

Since, in anything but the smallest of undiversified companies, it is not possible for top management to set detailed objectives for operating units, it is suggested that at this stage in the planning process, strategic guidelines should be issued. One way of doing this is in the form of a *strategic planning letter*. Another is by means of a personal briefing by the chief executive at 'kick-off' meetings. As in the case of the audit, these guidelines would proceed from the broad to the specific, and would become more detailed as they progressed through the company towards operating units.

Under marketing, for example, at the highest level in a large group, top management may ask for particular attention to be paid to issues such as the impact of technology, leadership and innovation strategies, and vulnerability to attack from competitive services (e.g., a locally-based software developer or call centre company may be vulnerable to software developed in India or call centres being established in the Philippines). At operating company level, it is possible to be more explicit about target markets, service development, and the like.

It is important to remember that it is top management's responsibility to determine the strategic direction of the company, and to decide such issues as when businesses are to be milked, where to invest heavily in service development or market extension for longer-term gains, and so on. If this is left to operating managers to decide for themselves, they will tend to opt for actions concerned principally with *today's* service products and markets, because that is what they are judged on principally. There is also the problem of their inability to appreciate the larger, company-wide position.

Nevertheless, the process just described demonstrates very clearly that there is total interdependence between top management and the lowest level of operating management in the objective and strategy setting process.

In a very large company without any procedures for managing this process, it is not difficult to see how control can be weakened and how vulnerability to rapid changes in the business environment around the world can be increased. This interdependence between the top-down/bottom-up process is illustrated in Figures 11.14 and 11.15, which show a similar hierarchy in respect of objective and strategy setting to that illustrated in respect of audits.

The same degree of formality is not required in all cases

Having explained carefully the point about *requisite* marketing planning, these figures also illustrate the principles by which the marketing planning process should be implemented in any company, irrespective of whether it is a small exporting company or a major multinational. In essence, these exhibits show a hierarchy of audits, SWOT analyses, objectives, strategies and programmes.

The time it takes to produce a strategic marketing plan can be determined by looking at the overall sequence of ten steps and working out what is a reasonable time for completing each one. Of course, for any particular company, the times required will relate to the size of the company (i.e. the number of people likely to get involved) and the complexity of the business (the multiplicity of services and markets). Both of these factors can influence the degree of formality of the final plan as shown in Figure 11.16.

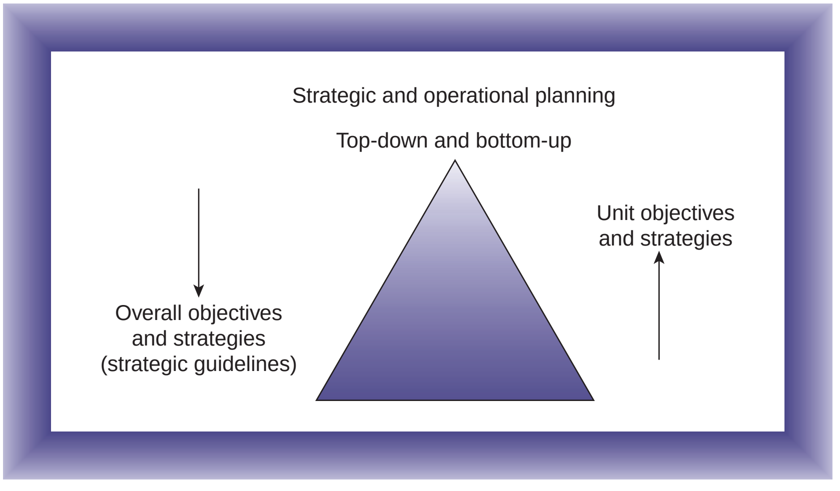

Figure 11.14 Strategic and operational planning hierarchy

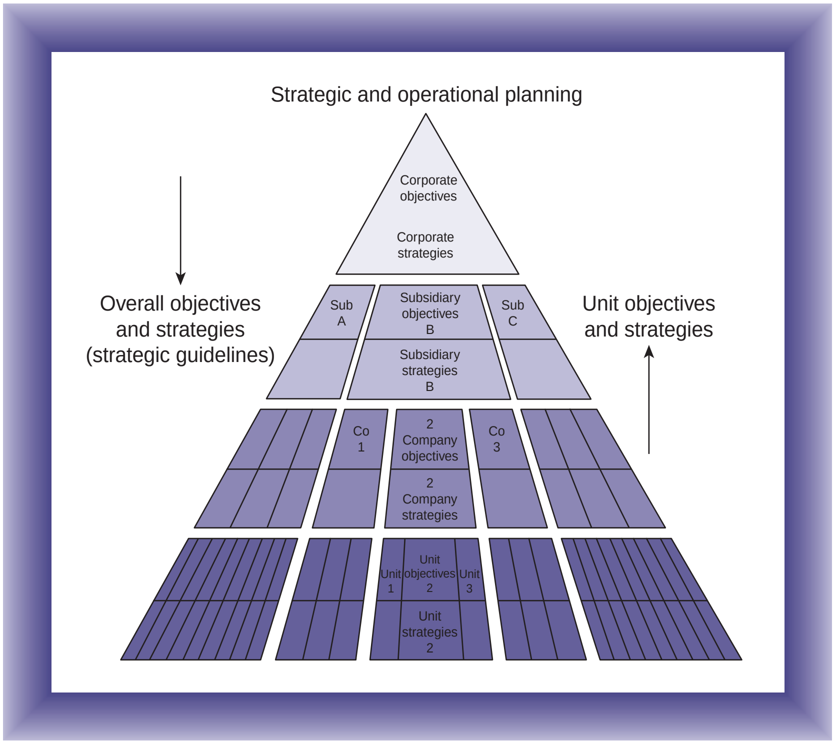

Figure 11.15 Strategic and operational planning hierarchy in detail

Service/market diversity	Small	Medium	Large
High	Medium formalization	Medium/high formalization	High formalization
Medium	Low formalization	Medium formalization	Medium/high formalization
Low	Very low formalization	Low formalization	Medium formalization

Company size

Figure 11.16 Broad guidelines to the degree of marketing plan formality

> Not unexpectedly, this shows that small service organizations with, perhaps, only one or two products or services can get by with much less formal marketing plans than, say, a market leader operating on a global scale.

Having established the degree of formality that will be appropriate for the company marketing plan, it then becomes possible to 'plan' the planning cycle. It is often easier to consider the time when the

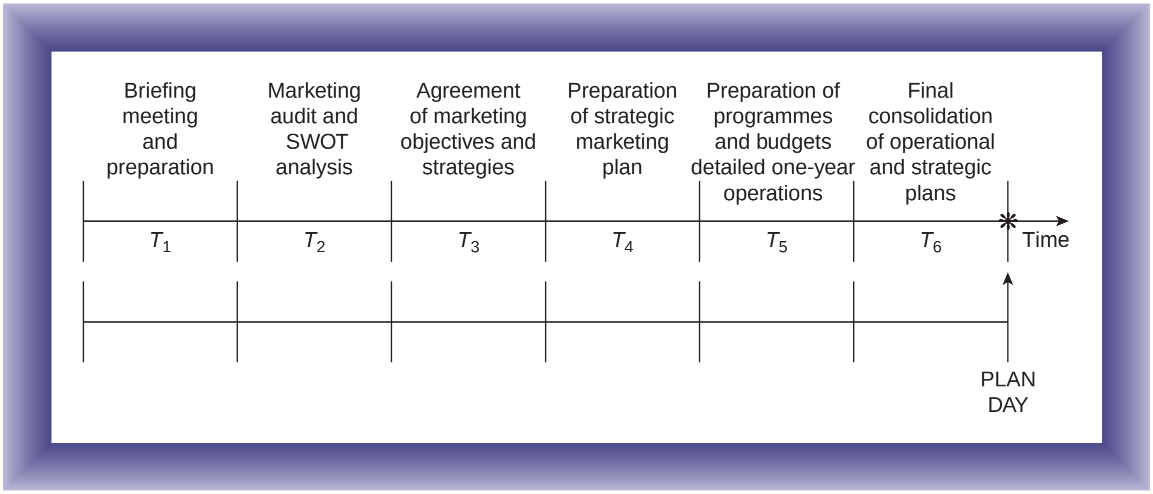

Figure 11.17 The marketing planning time cycle

plan should be available and then work backwards, as shown in Figure 11.17.

We can now see that the total planning time consists of $T_1 + T_2 + T_3 + T_4 + T_5 + T_6$, where:

T_1 represents the initial preparation time. This is an important, but often overlooked, part of the process. All those who have a part to play in the planning process should be briefed, so that they have a uniform approach to collecting and presenting data. Documentation should also be explained, so that there are no misunderstandings.

T_2 is the period for carrying out the marketing audit and distilling it into a SWOT analysis. Generally, this represents the largest span of time, because of the work involved. Nevertheless, there must be a deadline for this activity to be completed, otherwise the whole planning schedule will fall behind.

T_3 is the time it takes to formulate marketing objectives and strategies.

T_4 is the period in which the objectives and strategies are converted into a plan which covers the chosen marketing planning time horizon. Again, this will vary from company to company. In the past, the planning horizon was traditionally a five-year period. It is more common now, because of the accelerating rate of environmental change, to use a three-year horizon. To look too far ahead is meaningless, yet not to look sufficiently far ahead robs the company of the discipline to think long term. Because they can be more flexible and adaptable, small companies generally may not need to look ahead as far as their larger contemporaries.

Most companies will find that there is a natural point in the future beyond which it is meaningless to look. Those with a need to probe further into the future may do this through the use of 'scenario planning'. There are several approaches for doing this, but they all involve getting the most authoritative views about likely shifts such as advances in technology and changes in society and how they are likely to make impact on, and define, future markets. For those wishing to explore scenario planning in more detail, we provide some further reading in the references to this chapter.[8] Scenarios are a useful planning tool to enable organizations to consider longer-term opportunities and threats.

T_5 represents the time required to prepare detailed one-year operational programmes and budgets.

T_6 is the time required to consolidate the marketing plan, ensuring that the strategic and operational plans are consistent and represent the best options for the company.

All of these stages could be completed in a matter of weeks in smaller companies selling simple services. In larger, complex service organizations, it is likely to involve many months of work. Having estimated the likely time to complete a plan, it is now possible to look at the planning cycle in its entirety (Figure 11.18).

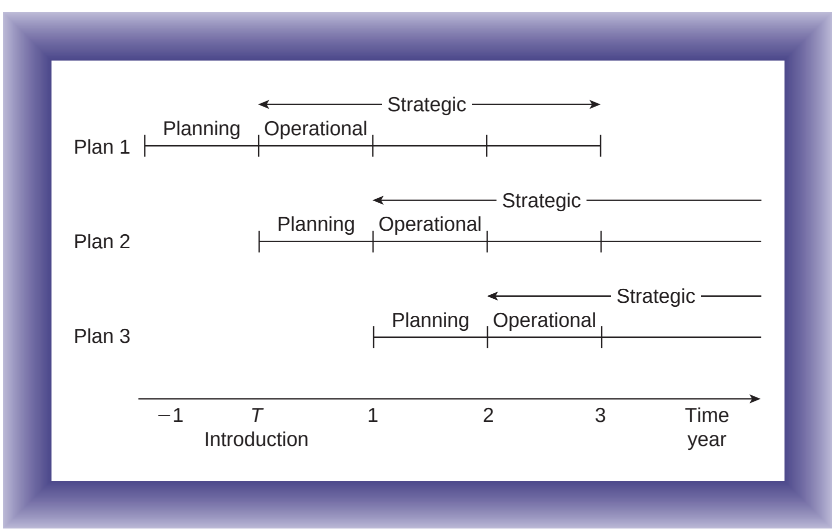

Figure 11.18
The marketing planning cycle – overview

We can now see that, in order to introduce our first strategic marketing plan on the date T, we must start our preparation in advance. This plan covers the year T to $T + 1$ in detail and that operational plan is derived from the strategic plan, which covers the period T to $T + 3$ (three years being taken as our planning horizon).

In order to produce an updated plan (Plan 2) a year later, preparation must start even before the first operational plan has run its course. The new operational plan will now cover the years $T + 1$ to $T + 2$, while the strategic plan covers $T + 1$ to $T + 4$.

This pattern is then repeated for each succeeding year. It is apparent from Figure 11.18 that the impact of the first strategic marketing plan cannot really be evaluated until it has run its course, i.e. at $T + 3$ years. For that reason, it could take up to three years before a fully refined planning process is developed.

However, since each marketing audit will take into account how the plan is working out in practice, corrective action and improvements can be introduced into the planning process while the plan is still unfolding.

Finally, while Figures 11.17 and 11.18 have been set out as a linear process for the purpose of clarity, it would be more realistic to show it as a *circular* process, which more effectively links operational plans to corporate objectives and shows both the ongoing nature, the process and the interdependence between top-down and bottom-up inputs.

Figure 11.19 is another way of illustrating the total corporate strategic and planning process. It includes a time element and the relationship between strategic planning letters, and long-term corporate plans and short-term operational plans are clarified. It is important to note that there are two 'open loop' points. These are the key times in the planning process when a subordinate's views and findings should be subjected to the closest examination by a superior. It is by taking these opportunities that marketing planning can be transformed into the critical and creative process it is supposed to be, rather than the dull, repetitive ritual it so often turns out to be.

Developing a marketing orientation

Little of what we have outlined in this book will be achieved if the organization does not have a 'marketing orientation'. There are other orientations adopted by service organizations (see Figure 11.20). However, it is only the marketing orientation which specifically seeks to create an organization which proactively responds to customers and their needs.

Figure 11.19 Strategic and operational planning cycle

Type of orientation	Typical associated attitudes
Marketing orientation	What we do is based on an in-depth understanding of the needs and aspirations of our customers and clients.
Product orientation	The technical quality of what we do means that our services sell themselves.
Response orientation	We will respond to any enquiry.
Financial orientation	If we can make money at anything, then we will do it.
Self-orientation	The company exists for the sole benefit of the owner/ partners.
Sheep orientation	We will follow whatever is happening in the marketplace.
Erratic orientation	We run with new ideas only to drop them when a newer 'flavour-of-the-month' appears.

Figure 11.20 Some possible types of organizational orientation

Within the services sector, we have found that a marketing orientation cannot be taken for granted.

In Chapter 1, we described how we have surveyed over 1,500 senior managers from large and medium-sized service organizations and asked if the service companies they dealt with – both the suppliers of services to their companies and the services supplied to them as individual consumers – were 'market-led', 'customer-focused', or 'marketing-oriented'. The responses showed only 5–10% of the organizations they dealt with were considered to have a marketing orientation.

Most chief executives consider their companies to be marketing-oriented, but their customers do not consider them to be marketing-oriented

There is a considerable difference between how the CEOs of service organizations perceive their marketing orientation and how it appears to outsiders. This suggests to us that most service companies need to do much more in order to improve their market and customer focus.

In Chapter 1, we discussed the use of an audit tool which can be used to help a company audit its marketing effectiveness – a key component of marketing orientation. Executives wishing to use this audit tool in their organizations should refer to the appropriate section of Philip Kotler's book detailed in the references of this chapter.[9] This audit is generic to all organizations, but can to be adapted to suit a specific service sector or service organization.

We have used this audit with many different service organizations. The results have shown that most of these service businesses were operating at less than half their potential in terms of the scale of marketing effectiveness. As outlined in Chapter 1, the audit measures performance on five attributes: *customer philosophy*; *integrated marketing organization*; *adequate marketing information*; *strategic orientation*; and *operational efficiency*.

The attributes which generally tended to be especially low were in the areas of integrated marketing organization (the extent to which the firm is staffed to undertake market analysis, competitive analysis, planning, implementation and control) and 'operational efficiency' (does the firm have marketing plans which are implemented cost-effectively, and are the results monitored to ensure rapid action?), but in every service organization surveyed there was scope for improvement in all five areas of the audit.

Such an audit can provide useful data regarding how an organization can improve marketing orientation. It can also provide interesting comparisons between:

- Different operating divisions or subsidiaries
- Different departments or functional areas of the business
- Different companies in the same service industry.

Learning and planning for change

Change will not happen without considerable effort

Having identified a need for improvements to be made, it then becomes necessary to formulate a plan for achieving them. Such a plan will involve the steps outlined in Figure 11.21.

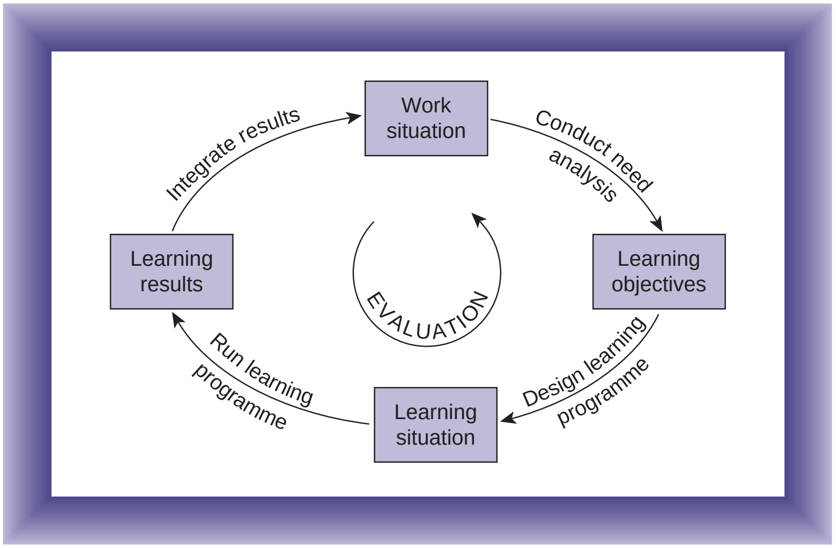

Figure 11.21
The learning/change process

The first stage will be to recognize that a problem exists in the work situation. A problem in this sense is a departure from the expected behaviour, or operational efficiency. Next, the situation has to be analysed so that the various factors that impinge on it can be put into perspective. From this analysis, it becomes possible to specify what learning objectives are required (i.e. who has to learn what and to what standard). Having established what needs to be learned/changed, it is then possible to design a 'learning' programme which, to a large extent, establishes the parameters of the learning situation. Is the learning best carried out on or off the job? Is it for an individual or a group? Does it require special facilities? The programme is run and achieves results, which are then integrated back into the work situation.

The particular advantage of following this learning 'model' is that it facilitates evaluation. For example, if the change does not bring about the required level of performance in the work situation, is this because the learning results were not properly integrated? The next evaluation question needs to address whether the right learning results were achieved. If they were not, was this to do with the way the programme was run? Was the learning situation the right one? Was the programme correctly designed? Were the learning objectives incorrect? Was the initial analysis at fault? In fact, the evaluation of the required change is achieved by following the model loop in Figure 11.21 in the *reverse* direction.

If the programme is not successful, finding exactly where the attempted improvement programme went wrong enables the organization to learn from its mistakes and do better next time.

The chief executive's role in this process is critical

The attitude of chief executives can be a determining factor in whether or not the change to marketing orientation succeeds or fails. Although they can lend weight and show considerable interest in the process, it is unlikely that they will have the time available to become deeply involved.

For this reason, it is important that the chief executive nominates and gives full backing to a change agent, whose task is to facilitate the improvements and champion the marketing cause.

In some organizations this can be a full-time job, at least in the short term, until momentum gathers pace. It is not always easy to shift deep-rooted attitudes, thus the role of change agent requires a person with experience, imagination, tenacity and belief in what he or she is doing. The whole initiative has to be seen as more than a token management development exercise.

In-company workshops are often necessary to provide appropriate knowledge, skills and attitudes

The exact nature of what is to be done must, of course, relate to the individual company analysis. However, it is not unusual for the outcome to involve in-company workshops or programmes involving marketing staff and senior managers from all other functions. In general, the content will cover the skills, knowledge and attitudes necessary to develop and sustain a marketing-oriented service organization. The more that such development programmes can be focused on actual company marketing problems, the more relevant they become, as the development of skills to cope with real situations far outweighs the acquisition of knowledge.

In order to support the drive towards an improved marketing orientation, some additional support activities need to be considered. These are not necessarily relevant to all service companies.

- *Establish a marketing task force* – This should comprise a group of cross-functional senior managers. The group can work with the change agent, not only to provide ideas and suggestions about what might be done, but also to create change within their own parts of the organization.
- *Get rid of the 'wrong culture' carriers* – Senior managers convey by the way they react to situations, especially crises, what they really believe to be important. It is important to change the views or get rid of people who do not fit in with an organization dedicated to building a long-term relationship with its customers.
- *Acquire marketing talent* – A programme should be put in place to ensure that suitable marketing talent is hired.

This will involve external recruitment and internal development of staff.

- *Use external consultants* – Few companies possess the necessary in-house skills to be able to analyse, let alone organize and staff, all marketing activities such as advertising, marketing research, PR, information systems, and even training at senior levels. Therefore, there may be a case for using carefully chosen consultants to help solve problems and develop the company's own staff.
- *Promote market-oriented executives* – By making marketing orientation a significant criterion in the company's performance review, promotion and reward systems, the message can be clearly spelled out that it is important and career-enhancing for managers to be market-focused.
- *Maximize the impact of management development* – Ensuring that management development is endorsed by the chief executive, is well designed and produces results which can be measured and transferred to the business is often critical to success.
- *Keep the marketing structure under review* – As we have seen earlier, successful companies organize themselves around their markets and deliberately seek to maintain close contact with their customers. There should be a continual search for improving the way that marketing is organized.
- *Develop a marketing information system* – Again, as we saw earlier, information is critical to successful marketing decision-making. Developing an effective MIS can greatly assist the drive to an improved marketing orientation.
- *Recognize the long-term nature of the task* – The development of a marketing orientation where it has not previously existed will require a major change in attitudes and a fundamental shift in shared values. One major company set up a marketing orientation programme in which all senior managers were involved. Continuous activity lasting five years was necessary before a marketing orientation was achieved. It can take from three to six years before a real marketing orientation is developed.
- *Publicize successes* – Whenever something is achieved which demonstrates that the market orientation has paid off, ensure that it is publicized, either by word of mouth or by more formal channels. Success breeds further success.

From the above list, it is evident that the drive for marketing orientation must have a high profile. It must also operate across a broad front and leave no part of the organization untouched. It has become clear from the studies of excellent companies that their success was no accident. It was won by the total commitment of top management and staff alike to do whatever was necessary to overcome all obstacles in the way of serving customers.

Summary

In this chapter, we looked at some of the issues which, although not directly part of the marketing planning process itself, nonetheless have a direct and profound impact on its ultimate effectiveness.

The first of these was the underlying need for there to be a well-thought-out marketing intelligence system. Without provision of accurate data, marketing planning will not be effective. Attention was paid not only to how a system should be designed, but also to how it might be managed.

Marketing research was also considered in terms of how special information requirements might be identified. In addition to a brief look at research techniques, we addressed the issue of how much to spend on marketing research.

We then looked at marketing planning in terms of how the process might need to be adapted in order to be congruent with the organization's stage of development. We saw that, at some stages of a company's life, it was inappropriate to consider the introduction of marketing planning until more immediate organizational issues had been resolved. There are also other problems facing the marketer, in terms of where to position marketing planning in centralized or decentralized marketing organizations and issues around matrix management in terms of the relative importance placed on product/service management versus market management.

The service organization company still also needs a plan for the introduction of planning. It needs to establish a schedule and a planning cycle in which everyone involved knows when to make their particular contribution.

Finally, we looked at perhaps the most critical issue of all, how the service organization might develop or improve their marketing orientation. We saw that the gap between the degree of marketing orientation that the top management of a service organization believes it has and what actually exists could, in many companies, be vast. Part of the reason for this is a lack of understanding, but often it is because other orientations are too deeply engrained in the organization to allow a marketing orientation to develop. We saw that it was possible to measure marketing effectiveness, an important component of marketing orientation, by analysing the company's approach to customer philosophy, integrating its marketing organization, gathering marketing information, strategy formulation and operational efficiency.

Knowing the extent of a company's marketing orientation is one thing – setting out to improve it is another and far more difficult task. As we saw, it needs a high level of commitment in the company to change and to give marketing initiatives a chance of succeeding. Any change programme has to be underpinned by a number of supporting activities designed to make an impact on the corporate culture. Above all, seeking to raise the level of market orientation is a different task and it requires a carefully formulated approach to achieve success. Such initiatives, while difficult and time-consuming, are critical to the success of marketing planning activity.

We have now covered most of the key phases of marketing planning and the related organizational issues in detail. In the next chapter we examine the measurement of marketing plan effectiveness including a number of marketing investment appraisal techniques which form an important part of marketing strategy and marketing planning. In the final chapter we provide an overview and summary of the book and a detailed step-by-step approach for developing a services marketing planning system.