Missions and Objectives

8.1 LEARNING OBJECTIVES

When you have read this chapter you should be able to understand:

(a) the purpose of planning;

(b) the nature of the corporate mission and how a mission statement can best be developed;

(c) the significance of vision;

(d) the factors influencing objectives and strategy;

(e) the nature of corporate objectives;

(f) the nature of marketing objectives.

8.2 INTRODUCTION

To be effective, a strategic planning system must be goal-driven. The setting of goals or objectives is therefore a key step in the marketing planning process since, unless it is carried out effectively, everything that follows will lack focus and cohesion. In terms of its position within the overall planning process, which forms the basis of this book, objectives setting can be seen to follow on from the initial stage of analysis and, in particular, the marketing audit, which provided the focus of Chapter 3 (see Figure 8.1).

By setting objectives, the planner is attempting to provide the organization with a sense of direction. In addition, however, objectives provide a basis for motivation, as well as a benchmark against which performance and effectiveness can subsequently be measured. The setting of objectives is thus at the very heart of the planning process, and is the prelude to the
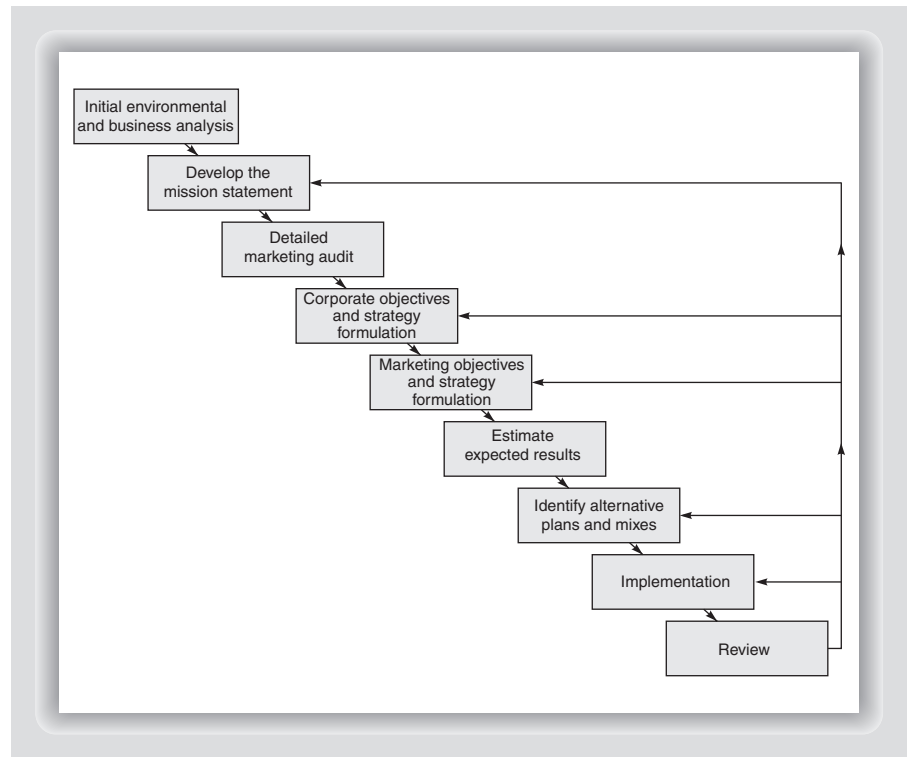
FIGURE 8.1 *The strategic planning process*

development of strategies and detailed plans. Perhaps surprisingly therefore, in view of its fundamental importance, the literature on *how* to set marketing objectives is surprisingly thin, something that is reflected in a comment made more than 20 years ago by McDonald (1984, p. 82):

> *The literature [on marketing planning] is not very explicit, which is surprising when it is considered how vital the setting of marketing objectives is. An objective will ensure that a company knows what its strategies are expected to accomplish and when a particular strategy has accomplished its purpose. In other words, without objectives, strategy decisions and all that follow will take place in a vacuum.*

Although the situation has undoubtedly improved since McDonald made this comment, the reality is that marketing planning appears in many ways to be one of those areas that is seen to be important, but which is subjected to relatively little fundamental scrutiny.

There are several possible explanations for this, the most obvious of which is that, in principle at least, the process of setting objectives is relatively

straightforward and, as such, merits little discussion. The rest of the planning and strategy development process is then seen by some to follow easily and logically. In practice, however, the process is infinitely more difficult, particularly in divisionalized organizations, or where the company has an extensive product range being sold across a variety of markets. Regardless of whether we are talking about principles or practice, the sequence should be the same, beginning with an identification of the organization's current position and capabilities, a statement of assumptions about environmental factors affecting the business, and then agreement among stakeholders as to the objectives themselves.

In moving through this process, the majority of commentators recommend that the planner moves from the general to the specific and from the long term to the short term. This frequently translates into statements on three aspects of the business:

1. The nature of the current business (what business *are* we in?)

2. Where it should go (what business *should* we be in?)

3. How we should get there.

Identifying where the company is, however, is often far more difficult than it might appear, something which is reflected in a comment by the ex-Chairman of ICI, Sir John Harvey-Jones (1988):

> *There is no point in deciding where your business is going until you have actually decided with great clarity where you are now. Like practically everything in business this is easier said than done.*

Recognizing the validity of this point should encourage the marketing planner to focus not just upon the business's current position, but also *how* and *why* it has achieved its current levels of success or failure. Having done this, he or she is then in a far better position to begin specifying the *primary* or *most important* corporate objectives, as well as a series of statements regarding the key results areas, such as sales growth, market penetration and new product development, in which success is essential to the organization. Following on from this, the planner should then begin developing the *secondary* or *subobjectives*, such as geographical expansion and line extension, which will need to be achieved if the primary objectives are to be attained.

This process of moving from the general to the specific should lead to a set of objectives that are not just attainable within any budgetary or other constraints that exist, but that are also compatible with environmental conditions as well as organizational strengths and weaknesses. It follows from this that the process of setting objectives should form what is often referred to as an internally consistent and mutually reinforcing hierarchy. As an illustration of this, if we assume that corporate management is concerned

first and foremost with, say, long-term profits and growth, it is these objectives that provide the framework within which the more detailed subset of operational objectives, including market expansion and product-specific increases in sales and share, are developed. Taken together, these then contribute to the achievement of the overall corporate objectives.

It is these operational objectives that are the principal concern of those in the level below corporate management. Below this, managers are concerned with objectives that are defined even more specifically, such as creating awareness of a new product, increasing levels of distribution, and so on. This hierarchy points in turn to the interrelationship, and in some cases the confusion, that exists between corporate objectives and marketing objectives. The distinction between the two is an important one and is discussed at a later stage in this chapter. However, as a prelude to this, and indeed to the process of objectives setting, there is a need for the strategist to decide upon the business mission. We therefore begin this chapter with a discussion of the role and purpose of planning as the background against which we can more realistically examine approaches to the development of the mission statement and, subsequently, corporate and marketing objectives.

8.3   THE PURPOSE OF PLANNING

In discussing the nature and role of the planning process, Jackson (1975) comments that:

> *Planning attempts to control the factors which affect the outcome of decisions; actions are guided so that success is more likely to be achieved. To plan is to decide what to do before doing it. Like methods, plans can be specially made to fit circumstances or they can be ready made for regular use in recurrent and familiar situations. In other words, a methodical approach can be custom built or ready made according to the nature of the problems involved.*

The purpose of planning can therefore be seen as an attempt to impose a degree of structure upon behaviour by allocating resources in order to achieve organizational objectives. This is reflected in a somewhat cumbersome but nevertheless useful comment by Drucker (1959), who suggests that:

> *business planning is a continuous process of making present entrepreneurial decisions systematically and with best possible knowledge of their futurity, organizing systematically the effort needed to carry out these decisions against expectations through organized feedback.*

While not particularly succinct, this definition has a certain value in that it highlights the three major elements of planning:

1. The need for systematic decision-making

2. The development of programmes for their implementation

3. The measurement of performance against objectives, as a prelude to modifications to the strategy itself.

It follows from this that if the planning process is to be effective, then the planner needs to give full recognition to the changing nature and demands of the environment, and to incorporate a degree of flexibility into both the objectives and the plan itself. Any failure to do this is likely to lead to a plan that quickly becomes out of date. Simmons (1972) pointed to the dangers of this both in the planning carried out by the Eastern bloc countries and by American business. In the case of the Eastern bloc countries in the 1940s, 1950s and 1960s, for example, he suggests that:

> They tried to impose a fixed five-year plan on changing conditions. Unfortunately, some American businesses are still making this mistake … frequently a well constructed plan only six months old will be found to be very much out-of-date.

If, therefore, planning is to prove effective, there is an obvious need for a regular review process, something that is particularly important when the environment in which the organization is operating is changing rapidly. Amongst the examples that illustrate this are the high street coffee market, in which large numbers of new players have entered the market in recent years; the retail grocery market, in which Tesco has led with a series of innovations and put their competitors at a disadvantage; and the consumer electronics market, in which the pace of innovation is getting ever faster.

The principal purpose and indeed benefit of planning can therefore be seen in terms of the way in which it imposes a degree of order upon potential chaos and allocates the organization's resources in the most effective way. Among the other benefits are the ways in which the planning process brings people together and, potentially at least, leads to 'a shared sense of opportunity, direction, significance and achievement'. The planning process can therefore be seen to consist of four distinct stages:

1. Evaluation (where are we now, where do we want to go, and what level of resource capability do we have?)

2. Strategy formulation (how are we going to get there?)

3. Detailed planning

4. Implementation and review.

For many organizations, it is the implementation stage that proves to be the most difficult, but which paradoxically receives the least attention. There are several possible explanations for this. Peters and Waterman (1982, pp. 9–12), for example, suggest that all too often emphasis is placed upon what they refer to as the 'hard-ball' elements of strategy, structure and systems, with too little recognition being given to the significance of the 'soft-ball' elements of style, skills, staff and subordinate systems.

The problems of marketing planning

Although marketing planning has an inherent logic and appeal, McDonald (1995, p. 64) suggests that the vast majority of organizations experience significant problems in developing truly effective planning systems and cultures. There are, he believes, nine factors that contribute to this:

1. Too little support from the chief executive and top management. As a result, the resources that are needed are not made available and the results are not used in a meaningful way.

2. A lack of a plan for planning. As a consequence, too few managers understand how the plan will be built up, how the results will be used, the contribution that they are expected to make and the timescales that are involved.

3. A lack of support from line managers. A confusion over planning terms – remember that not everyone is familiar with Ansoff and the Directional Policy matrix.

4. Numbers are used instead of written objectives and strategies.

5. The emphasis is on too much detail, too far ahead.

6. Planning becomes a once-a-year ritual instead of an integral part of the day-to-day management process.

7. Too little thought or attention is given to the differences between operational or short-term planning and strategic planning.

8. There is a failure to integrate marketing planning into the overall corporate planning system.

9. The task of planning is left to a planner who fails to involve those who are actually managing the business.

McDonald goes on to suggest that far too many plans also fail to take sufficient account of the issues associated with the plan's implementation. The consequences of this, which have also been discussed by Bonoma (1985), are illustrated in Figure 8.2.
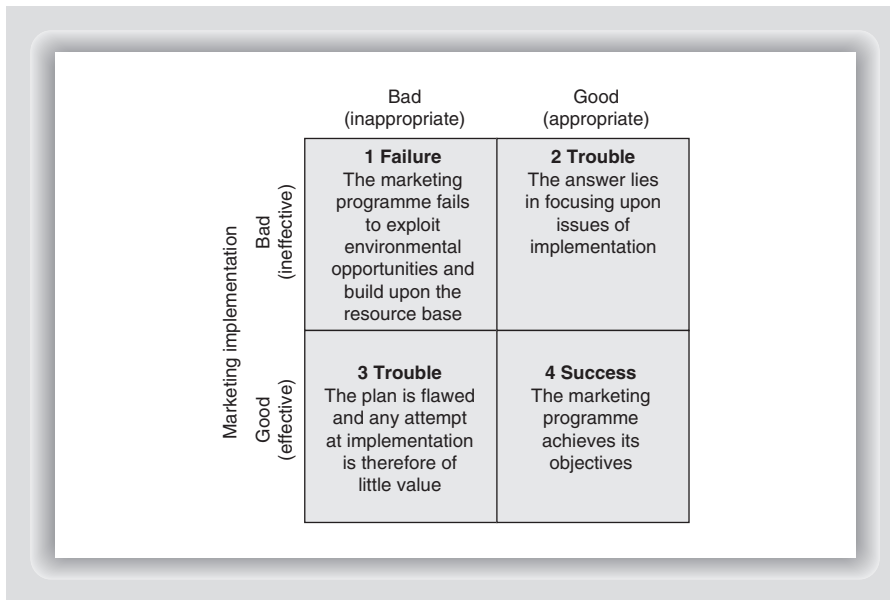
	Bad (inappropriate)	Good (appropriate)
Bad **(ineffective)**	**1 Failure** The marketing programme fails to exploit environmental opportunities and build upon the resource base	**2 Trouble** The answer lies in focusing upon issues of implementation
Good **(effective)**	**3 Trouble** The plan is flawed and any attempt at implementation is therefore of little value	**4 Success** The marketing programme achieves its objectives

Marketing implementation

FIGURE 8.2   *The planning and implementation matrix (adapted from Bonoma, 1985)*

8.4   ESTABLISHING THE CORPORATE MISSION

Referring to Figure 8.1 it can be seen that, following an initial environmental and business analysis, the development of a mission statement is the starting point both for corporate and marketing planning, since it represents a vision of what the organization is or should attempt to become. This is typically expressed in terms of the two questions to which we have already referred: 'What business are we in?' and 'What business should we be in?'. It is the answer to this second question in particular that sets the parameters within which objectives are subsequently established, strategies developed and action programmes implemented. In the case of the UK drinks industry, a series of changes and market pressures have led to a radical reconfiguration of the market, with the focus today being not upon brewing, but upon licensing deals, hotels and restaurants. It is also the question that many organizations, when faced with a rapidly changing market environment, find difficult to answer. In the case of the high street retailer W.H. Smith, for example, the question of what business the organization should be in was thrown into sharp relief at the beginning of 2004, as it became increasingly evident that many of the company's core product lines, such as CDs, DVDs and even books, were being targeted by other Internet retailers such as Amazon, as well as seemingly very different types of retail organization such as Tesco. Equally, at the same time Boots found its core lines under attack both from the low-price retailers such as

Superdrug and the large supermarket chains such as Tesco and Sainsbury's, both of which offered convenience and relatively low prices.

Given these sorts of issues, the role of the mission statement should be seen in terms of the way in which it is – or should be – capable of performing a powerful integrating function, since it is in many ways a statement of core corporate values and is the framework within which individual business units prepare their business plans, something that has led to the corporate mission being referred to as an 'invisible hand' that guides geographically scattered employees to work independently and yet collectively towards the organization's goal. A similar sentiment has been expressed by Ouchi (1983, p. 74), who suggests that the deliberate generality of the mission statement performs an integrating function of various stakeholders over a long period of time. This is illustrated in the case of the earth-moving equipment manufacturer J.C. Bamford, which has a clearly stated policy of quality and product improvement, something of which everyone in the organization is fully aware and which acts as a consistent guideline in determining behaviour at all levels, but particularly within the planning process.

For a mission statement to be worthwhile, it should be capable of providing personnel throughout the company with a shared sense of opportunity, direction, significance and achievement, factors which are particularly important for large organizations with divisions that are geographically scattered.

The potential benefits of a strong binding statement of fundamental corporate values and good communication have been highlighted by a variety of writers, including Collins and Porras (1998), who have highlighted the importance of a powerful vision that is then driven throughout the organization. Equally, a study of European managers by Management Centre Europe found that what gave highly successful companies an edge over their competitors was the importance they attached to basic corporate values.

In many ways, therefore, the mission statement, the position of which within the overall planning process is illustrated by the acronym MOST (Mission, Objectives, Strategy, Tactics), represents a visionary view of the overall strategic posture of an organization and, as Johnson and Scholes (2002, p. 239) comment, 'is a generalized statement of the overriding purpose of an organization. It can be thought of as an expression of its *raison dêtre*.' Richards (1978) has referred to the mission in much the same way, calling it 'the master strategy' and suggesting that it is a visionary projection of the central and overriding concepts on which the organization is based. He goes on to suggest that 'it should not focus on what the firm is doing in terms of products and markets currently served, but rather upon the services and utility within the firm.'

It follows from this that any failure to agree the mission statement is likely to lead to fundamental problems in determining the strategic

direction of the firm. Recognizing this, the managment teams of The Body Shop and easyJet have both concentrated upon developing *and communicating to their staff* their mission statements. The rationale in each case is straightforward and is a reflection of the fact that a mission statement is of little value unless it is understood by everyone in the organization and *acted upon*.

In the case of easyJet, for example, the mission statement is:

to manage and extend Europe's leading value brand to more products and services, whilst creating real wealth for all stakeholders.

For The Body Shop, which is now owned by L'Oreal, the mission is based on the values of the company's founder, Anita Roddick, and reflects the view that business can be both profitable and responsible. This is encapsulated in the five principles that underpin the business:

■ Opposition to animal testing

■ The support of community trade

■ The defence of human rights

■ The protecting of the planet

■ Activating individuals' self-esteem.

The characteristics of good mission statements

Good mission statements can be seen to exhibit certain characteristics, the most notable being that they are, as Wensley (1987, p. 31) has commented, 'short on numbers and long on rhetoric while (still) remaining succinct'. Having said this, Toyota's mission statement, expressed in 1985, did contain a useful and significant number. (Note: In 2009, Toyota overtook General Motors to become the world's largest car manufacturer.) Sometimes called the Global 10 mission, it expressed Toyota's intention to have 10 per cent of the world car market by the late 1990s. In many cases, however, the mission statement emerges as little more than a public relations exercise. In making this comment we have in mind the temptation that exists for over-ambition, which is typically reflected in the too frequent use of phrases such as 'first in the field', 'excellent', and so on. For a mission statement to be worthwhile, it is essential that it is realistic and specifies the business domain in which the company will operate. According to Abell (1980, Chapter 3), this domain is best defined in terms of three dimensions:

1. The *customer groups* that will be served

2. The *customer needs* that will be met

3. The *technology* that will satisfy these needs.

Given the nature of Abell's comments, the six tests for a successful mission statement are that it must:

1. Be sufficiently specific to have an impact on the behaviour of staff throughout the organization

2. Be founded more on customer needs and their satisfaction than on product characteristics

3. Reflect the organization's core skills

4. Reflect opportunities and threats

5. Be attainable

6. Be flexible.

Modifying the mission statement over time

Having developed a mission statement, it should not be seen as a once-and-for-all expression of the organization's purpose, but rather as something that changes over time in response to changing internal conditions, and external environmental opportunities and threats. A mission statement developed in the 1990s, for example, is unlikely to be appropriate today, when issues such as environmentalism and the green consumer are of considerably greater importance. Equally, the mission statement needs to reflect changing emphases as the organization grows, adds new products and moves into new markets. Over the past decade, for example, many of the drinks companies have, as we suggested earlier, moved away from the focus upon brewing that dominated for several decades to a far broader focus upon leisure, and in doing this have redefined their mission statements on several occasions.

Influences on the mission statement

In developing the mission statement for a company, there are likely to be five major factors that need to be taken into account:

1. The company's history and in particular its performance and patterns of ownership

2. The preferences, values and expectations of managers, owners and those who have power within the organization

3. Environmental factors, in particular the major opportunities and threats that exist and are likely to emerge in the future

4. The resources available, since these make certain missions possible and others not

5. Distinctive competences. While opportunities may exist in a particular market, it would not necessarily make sense for an organization to enter the market if it would not be making the fullest use of its areas of distinctive competence.

However, for the majority of organizations, the development of a mission statement often proves to be a difficult process, involving a series of decisions on strategic trade-offs between different groups of stakeholders both inside and outside the organization. These stakeholders can conveniently be grouped under three main headings:

1. *Internal stakeholders*, including owners, decision-makers, unions and employees

2. *External stakeholders*, such as the government, the financial community, trade associations, pressure groups and society

3. *Marketplace stakeholders*, including customers, competitors, suppliers and creditors.

Of these three groups it is the internal stakeholders who undoubtedly exert the greatest and most immediate effect upon the mission and subsequently the objectives pursued, since it is their expectations and patterns of behaviour that influence the organization most directly on a day-to-day basis.

The impact of external stakeholders is by contrast less direct, although still felt in a variety of ways. The implications of legislation, for example, in the form of, say, compulsory seat belts in the rear of cars, have an effect both upon the manufacturers of cars and seat belts. Equally, the financial community represents a significant influence in that the availability and cost of finance, as well as financial expectations in terms of returns, will all force the planner to behave in particular ways. In the case of pressure groups, the most obvious factor in recent years has been the emergence of environmental issues, with the 'greening' of business policies having subsequently been felt across a wide spectrum of products, including petrol, foodstuffs and white goods such as refrigerators.

The third category of stakeholders is made up of those in the marketplace. Of the four major types of marketplace stakeholder, it is customers and competitors who have the most obvious and direct impact upon planning since, in order to succeed, the company needs to understand in some detail their expectations and likely patterns of behaviour. It follows from this that both the organizational mission and the objectives pursued must of necessity be a direct reflection of both elements. By contrast, the influence of suppliers is generally seen to be less direct. There is, however, an obvious need for planning to take account of issues of supply availability, consistency and quality, since without this problems of shortfall or irregular supply are likely to be experienced.

Mission statements: the starting point

Before attempting to write a mission statement the strategist needs to spend time preparing a meaningful statement about the purpose of the firm. In doing this, it is important to recognize the organization's capabilities, the constraints upon it both internally and externally, and the opportunities that exist currently and those that might feasibly develop.

For a mission statement to be useful, it therefore needs to exhibit certain characteristics. It should, for example, focus upon *distinctive values* rather than upon every opportunity that is likely to exist. A statement that includes comments on producing the highest-quality product, offering the most service, achieving the widest distribution network and selling at the lowest price is both unrealistic and too ambitious. More importantly, it fails to provide the sorts of guidelines needed when trade-offs are necessary. Equally, the mission statement must define what we can refer to as the *competitive domain* within which the organization will operate. This competitive domain can be classified by a series of statements on scope:

1. *Industry scope*. This is the range of industries that are of interest to the organization. Some organizations, for example, will operate in just one industry sector, while others are willing to operate in a series. Equally, some organizations will only operate in an industrial or consumer goods market, while others are willing to operate in both.

2. *Geographical scope*. The geographical breadth of operations in terms of regions, countries or county groupings is again part of the mission statement, and varies from a single city right through to multinationals, which operate in virtually every country of the world.

3. *Market segment scope*. This covers the type of market or customer that the company is willing to serve. For a long time, for example, Johnson & Johnson sold its range of products only to the baby market. Largely because of demographic shifts, the company redefined its market segments and, with considerable success, moved into the young adult market.

4. *Vertical scope*. This refers to the degree of integration within the company. Thus, Ford, as part of its car manufacturing operations, has owned rubber plantations, glass manufacturing plants and several steel foundries. Others, by contrast, buy in everything and simply act as middlemen (refer back to our comments about the hollow corporation, page 27).

It should be apparent, therefore, that in developing the mission statement a variety of considerations need to be borne in mind. The end purpose, however, should be that of *motivation* by ensuring that stakeholders recognize the significance of their work in a far broader sense than simply that of making profits.

The third aspect of the mission statement is that it should only give emphasis to the *major policies* that the organization wishes to pursue. These policies are designed to narrow the range of individual discretion, with the result that the organization should operate in a more consistent manner.

The danger of bland mission statements: rethinking the approach by developing 'the awesome purpose'

Although mission statements have a potentially valuable role to play in clarifying what an organization stands for (its singular purpose), far too many mission statements have proved to be bland and meaningless. The extent to which this is the case was highlighted by Abrahams (1999), who in *The Mission Statement Book* analyses 301 corporate mission statements from America's top companies. The words used most frequently were: service (230 times); customers (211); quality (194); value (183); employees (157); growth (118); environment (117); profit (114); shareholders (114); leader (104); and best (102). Many of the 301 statements proved to be interchangeable and gave no real indication of the nature of the organization from which it emerged or any insight to what might make the organization distinctive. First-generation companies know instinctively what they stand for, but after several generations of management, the singular purpose to which we referred above becomes far harder to identify. One of the few vary large organizations not to have lost sight of this in its mission statement is Chrysler, which has as its mission 'To produce cars and trucks that people will want to buy, will enjoy driving, and will want to buy again.'

Mission statements have also been criticized by Piercy (1997, p. 181), who has suggested that numerous organizations are guilty of a 'holier than thou' posturing in which the mission statement is full of phrases such as 'we will be a market leader … A total quality supplier … A socially responsible producer … A green/environmentally friendly firm, … A global player … A good corporate citizen … a responsible partner with distributors … [and] a caring employer'.

It was in an attempt to overcome this that the management consultant Nigel MacLennan (2000, p. 13) has argued that what companies need instead is an 'awesome purpose'. Awesome purpose, he suggests, is the framework into which every element of the organization's culture should be aligned. Examples of an awesome purpose include that of the Toyota 10 (page 305), to which reference was made earlier, and companies such as Ryanair and easyJet deciding to redefine the airlines market and, in this way, hitting hard and/or beating the established market players. Others who have taken a similar and seemingly impossible approach include the management team of Toyota, who pursued a vision of creating a car that would allow them to undercut the prices of German luxury cars while at the same time beating them on quality. The result was the Lexus.

The need for communication and the growth of visioning

Once a mission has been developed it is, of course, imperative that it is communicated to employees so that everyone in the organization is aware of it, since (as we suggested earlier) the statement is designed to provide a sense of vision and direction for the organization over the next 10–20 years. A mission statement is therefore of little value if employees are either not made aware of it or misunderstand it, or if it is revised every few years in response to minor environmental changes. There is, however, a need for it to be redefined either when it has lost its appropriateness or when it no longer defines the optimal course for the organization.

However, although mission statements have an undoubted value in that they are capable of highlighting an organization's core values, many mission statements have, as suggested above, been criticized in recent years on the grounds that they are far too general ('to be the best'), too ambitious ('to be the world leader') and too similar. Therefore, if a mission statement is to be meaningful, it is essential that it is firmly rooted in organizational realities, capabilities and competences. Without this, it is quite simply empty rhetoric.

It is partly in recognition of this that a greater emphasis is now being given to the idea of *visioning*. The thinking behind visioning is straight-forward and designed to encourage management teams at the corporate level, the business unit or the brand level to think in detail about what they are trying to create. The vision can therefore be seen to be the picture that the planner has of what exactly the organization will look like in three or five years' time. In developing this picture of the future size and profile of the organization, there is an obvious need for a clear understanding both of the ways in which the environment might develop (or be encouraged to develop) and of the organization's competences. Against this background, an initially broad but then an increasingly detailed vision of the organiza-tion or brand in, say, three, five and ten years' time can be developed (an example of the Swatch vision appears in Illustration 8.1).

Illustration 8.1   The Swatch vision

One of the major successes of the last 25 years has been the Swiss Corporation for Microelectronics and Watchmaking (SMH). The company was formed in 1983 by the merger of two of Switzerland's biggest watchmakers, both of which were insolvent. The new company, under the leadership of Nicholas Hayek, developed the Swatch watch, which, Hayek openly admits, was the result not of detailed financial analysis but of a burning desire to rebuild the Swiss watch industry and a vision of how this might be done.

Hayek recognized that in order to beat his Asian competitors he would have to produce something distinctive. In the event, this was a watch with a European sense of style that, despite being built in a high-labour-cost environment, was able to compete against – and beat – watches from SMH's Japanese competitors such as Seiko.

Where visioning has been successful, it has therefore tended to reflect a clarity of managerial thinking about several areas, including:

- The size of the organization, business unit or brand in three, five or 10 years' time

- The image and reputation that will have been created

- The corporate and brand values that will be developed

- The nature of the customer base and the customer segments that will be served

- How these customers should perceive the organization or brand

- The geographic coverage that will have been achieved

- The overall position within the market and the competitive stance

- The links with other organizations.

The significance of vision has been highlighted by a variety of writers over the past few years, but most notably by Collins and Porras (1998), who argue the case not just for corporate (or brand) vision, but also for visionary product concepts and visionary market insights. However, vision cannot be developed in isolation, but needs to be based on the planner's clarity of thinking and understanding of organizational values. The ways in which the two dimensions come together and contribute to performance are illustrated in Figure 8.3.

In commenting on this, Hayek the CEO of Swatch to whom we referred on the previous page, said:

Everywhere children believe in dreams. And they ask the same question: Why? Why does something work a certain way? Why do we behave in certain ways? We ask ourselves those questions every day.

People may laugh – the CEO of a huge Swiss company talking about fantasy. But that's the real secret of what we've done.

Ten years ago, the people on the original Swatch team asked a crazy question: Why can't we design a striking, low-cost, high-quality watch and build it in Switzerland? The bankers were sceptical. A few suppliers refused to sell us parts. They said we would ruin the industry with this crazy product. But this was our vision and we won!

Having created the mission and the vision, the management team can then begin to focus upon the development of the specific objectives and the detail of the strategy. However, it is not enough for this strategy to be appropriate in that it builds upon organizational capabilities and environmental demands, it must also be implementable. The reader needs to recognize at this stage that there are numerous barriers to the effective implementation of any strategy, and that good leadership and well-developed patterns
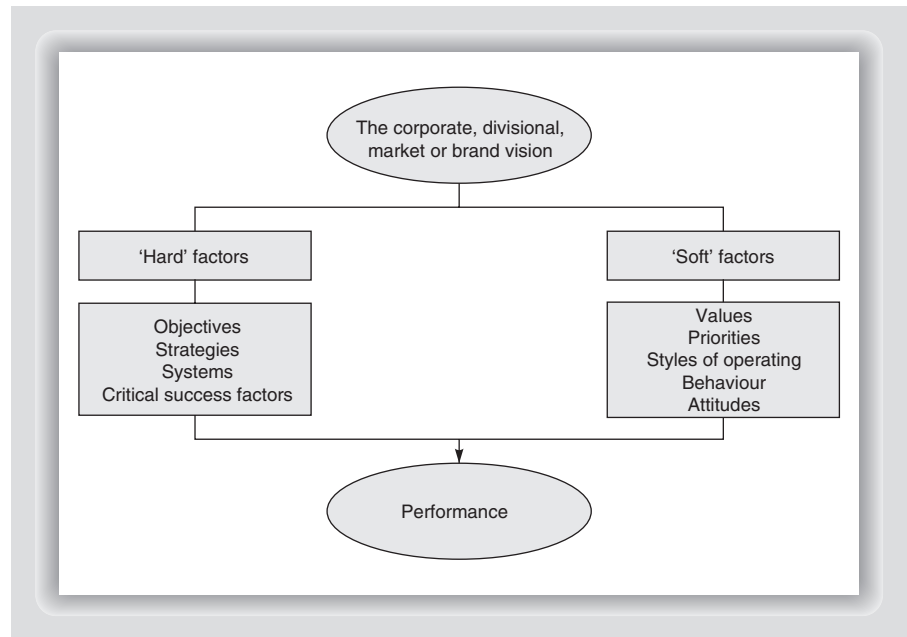
FIGURE 8.3   *Influences on the vision*

of communication are a fundamental part of overcoming these barriers. Without these, it is almost inevitable that the staff will have little real understanding of the core values or what is expected of them.

It is because of this that considerable emphasis in recent years has been given to the idea of *internal marketing*. This term, which is used to describe the work that is done within the organization in terms of training, motivating and communicating with the employees, was developed largely within the service sector. Increasingly, however, it is becoming recognized that it is a fundamental part of the marketing equation for any organization, since in its absence the ways in which employees interact with customers will lack true focus (see Figure 8.4).

Vision, inspiring commitments and leadership principles

Having developed the vision, be it at corporate, divisional, brand or market level, there is then the need to link this to a series of what might be referred to as inspiring commitments and then, in turn, to leadership principles; this is illustrated in Figure 8.5 and reflects how Shell Oils operated at the beginning of this decade.

Although it has often been argued that a fundamental underpinning for any marketing strategy, be it at the corporate, divisional or brand level, is a shared vision of what the management team is trying to achieve, research at Cranfield School of Management (see Kakabadse, 1999) has highlighted
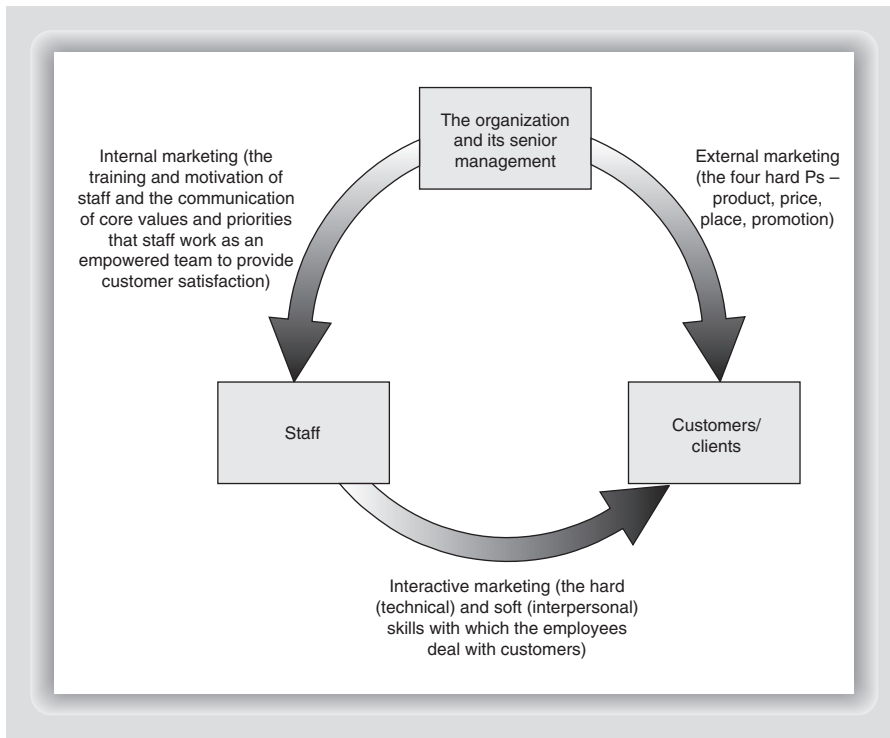
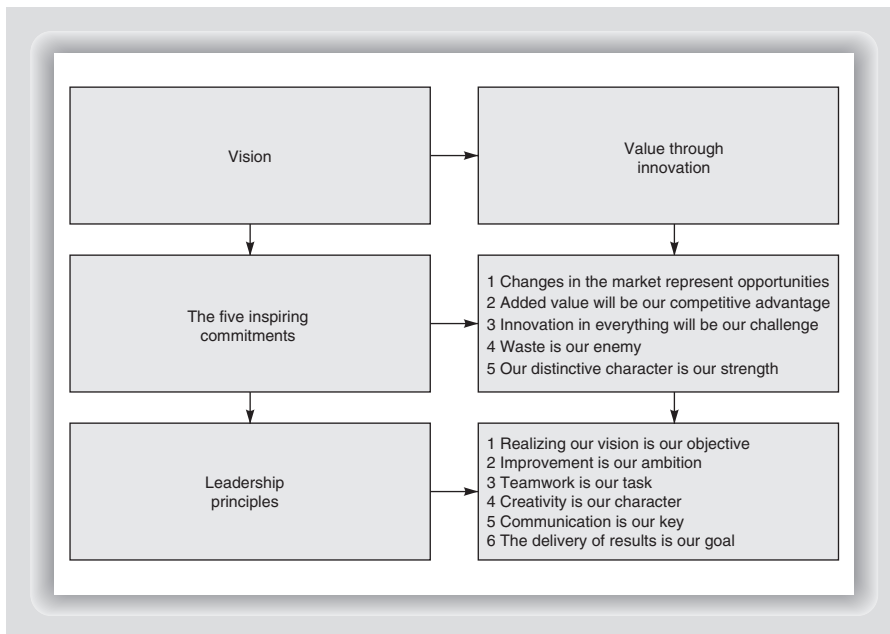**FIGURE 8.4**   *The three dimensions of marketing*

FIGURE 8.5   *The vision, inspiring commitments and leadership principles*

the degree of dissension that often exists within senior management teams. His findings suggested:

the [senior] management of 20% of Swedish, 23% of Japanese, 30% of British, 31% of Austrian, 32% of German, 39% of French, 42% of Finnish, 46% of Spanish, 68% of Irish companies and 56% of top civil servants in the Australian Commonwealth government, report that the members of the top team hold deeply different views concerning the shape and direction of their organization – in effect differences of vision.

The common retort is that differences such as these are only to be expected and can be seen to be the sign of a healthy organization characterized by a degree of creative tension. However, the research suggests that this is not in fact the case and those differences in vision manifest themselves in a number of ways, including:

■ Organizational turbulence

■ An emphasis upon the short term

■ Infighting

■ Staff keeping their heads down.

In order to overcome this, Kakabadse argues for more open communication amongst senior management; the promotion of a stronger feedback culture from further down the organization; the development of more overtly shared values; attention to be paid to the detail of the differences in ambitions and goals that each person has for their own department, division or function; and for the (revised) vision then to be established and driven throughout the organization.

Although vision is an important early stage in the planning process, a series of studies suggest that staff are only rarely included in discussions about corporate brand and reputation. The consultants ORC, for example, found that only 6 per cent of European employees are involved in discussions at departmental level, compared with 12 per cent in the USA and 17 per cent in the Pacific Rim. In addition, 43 per cent of European employees do not know their employer's brand mission, vision or values.

Given that a considerable amount of emphasis has been given in recent years to the idea that there is a need for staff to 'live the brand', the failure to understand it has potentially significant implications for the process of planning and implementation. Recognizing this, BBC Worldwide has spent a considerable time ensuring that the organization's vision, strategy and values are family integrated and then communicated throughout the organization (see Illustration 8.2).

Illustration 8.2   Vision, strategy and values

BBC Worldwide is the BBC's international marketing arm, with a brief for marketing and selling BBC programmes overseas. The vision, strategy and values represent the framework from within which marketing planning takes place.

The vision

To be recognized as one of the UK's leading international consumer media companies, admired around the world for its outstanding products and exceptional commercial performance, thereby bringing substantial and growing benefit to the BBC – not just commercially but also creatively.

The strategy

BBC Worldwide aims to become a world-class marketing organization, able to understand, respond to and anticipate market needs better than its competitors. In particular, it will develop outstanding skills in driving value major brands across media and markets. It will continue to focus on developing the most creative, cost-effective and high-quality range of consumer media products on the market. It will build lasting partnerships with the BBC and independents that ensure unique access to the best of BBC brands and properties. And it will help make the BBC the natural first choice for talent.

Our UK strategy is to be the first choice provider of quality media products for many 'communities of interest' by exploiting the BBC's unique broadcast strengths across all media platforms, past and future, and in the majority of genres.

Our international strategy is to focus on fewer market segments, where the BBC has clear competitive advantage. It will understand these target segments better than its competitors, and will seek to build a robust cross-media business around major BBC brands.

The values

We have worked to identify the key behaviours which characterize successful performance at BBC Worldwide. We believe that these should define 'the way we do things around here'. Therefore, BBC Worldwide embraces these values and guiding behaviours:

- *Clarity* – we have a clarity of direction, purpose and goals

- *Responsibility* – we are responsible for creating our own success

- *Excellence* – we foster and encourage innovation and creativity as the life-blood of our business

- *Appreciation* – we fully appreciate and respect each other

- *Teamwork* – we are team players and believe in cooperation and collaboration at all levels

- *Effective* – we are committed to delivering high-quality products that delight our partners and customers.

8.5   INFLUENCES ON OBJECTIVES AND STRATEGY

Having developed the mission statement and the vision, the planner is then in a position to turn to the objectives and strategy. It has long been recognized that any organization represents a complex mix of cultural and political influences, all of which come to bear in some way on the objectives that are pursued. It follows from this that objectives and strategy are not simply set in a vacuum or just by reference to environmental factors, but rather that they emerge as the product of a complex interaction at various levels of the organization. This is reflected in Figure 8.6, which illustrates the various layers of cultural and political influences on objectives (and subsequently strategy), ranging from the values of society to the far more specific influences such as organizational objectives, individuals' expectations, and indeed the power structures that exist within and around the organization.

It logically follows that, if we are to understand fully the process of setting objectives, we need to recognize the complexities of these interrelationships.

These have been commented on by Johnson and Scholes (1988, pp. 113–15), and it is worth quoting them at some length:

- There are a number of cultural factors in an organization's *environment* which will influence the internal situation. In particular the values of society at large and the influence of organized groups need to be understood.

- The *nature of the business*, such as the market situation and the types of product and technology are important influences not only in a direct sense but in the way they affect the expectations of individuals and groups.

- Most pervasive of all these general influences is the organizational *culture* itself.

- At a more specific level, individuals will normally have shared expectations with one or more groups of people within the organization. These shared expectations may be concerned with undertaking the company's tasks and reflect the formal structure of the organization, e.g. departmental expectations. However, *coalitions* also arise as a result of specific events, and can transcend the formal structure.

- Internal groups and individuals are also influenced by their contacts with *external stakeholders* – groups which have an interest in the operation of the company such as customers, shareholders, suppliers or unions. For example, sales staff may be pressurized by customers to represent their interests within the company.

- Individuals or groups, whether internal or external, cannot influence an organization's strategies unless they have an influencing

mechanism. This mechanism is called *power*, which can be derived in a variety of ways.

■ Organizational *objectives* traditionally have been afforded a central/dominant role in influencing strategy, i.e. strategy is seen as the means of achieving preordained and unchangeable objectives. That is not our view. Whereas organizations do have objectives, which are often valuable in strategy formulation, they should not be regarded as an unchangeable set of expectations. They should be viewed as an important part of the strategic equation, and open to amendment and change as strategies develop.

■ Objectives tend to emerge as the wishes of the most dominant coalition, usually the management of the organization, although there are notable exceptions. However, in pursuing these objectives the dominant group is very strongly influenced by their reading of the political situation, i.e. their perception of the power struggle. For example, they are likely to set aside some of their expectations in order to improve the chance of achieving others.

8.6 GUIDELINES FOR ESTABLISHING OBJECTIVES AND SETTING GOALS AND TARGETS

Few businesses pursue a single objective; instead they have a mixture, which typically includes profitability, sales growth, market share improvement, risk
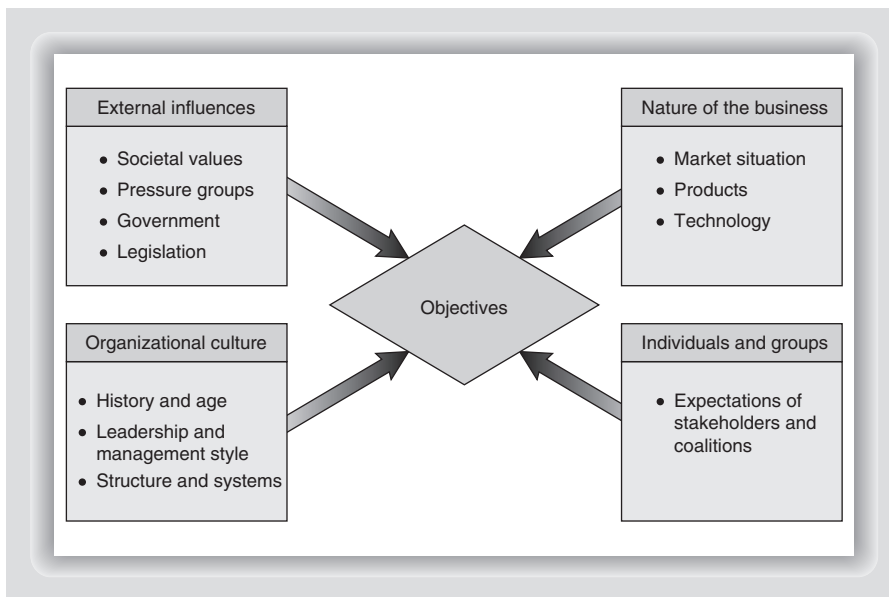

FIGURE 8.6 *Influences on organizational objectives and strategy (adapted from Johnson and Scholes, 1988)*

containment, innovativeness, usage, and so on. Each business unit should therefore set objectives under a variety of headings and then *manage by objectives*. In other words, it is the pursuit of these objectives that should provide the framework both for the planning and control processes. However, for this to work, several guidelines must be adhered to, with objectives being:

1. *Hierarchical*: going from the most important to the least important

2. *Quantitative*: in order to avoid ambiguity – the objective 'to increase market share' is not as satisfactory a guideline as 'to increase market share by 5 per cent' or indeed 'to increase market share by 5 percentage points within 18 months'

3. *Realistic*: it is only too easy for objectives to reflect a degree of wishful thinking; instead they should be developed as the result of a detailed analysis of opportunities, corporate capability, competitive strengths and competitive strategy

4. *Consistent*: it is quite obviously unrealistic to pursue incompatible objectives; as an example of this, to aim for substantial gains in both sales and profits simultaneously is rarely possible.

It is also essential that they satisfy the SMART criteria of being **S**pecific rather than general in their nature, **M**easurable, **A**ctionable, **R**ealistic and **T**ime-based. In the case of marketing objectives, there is also the need for them to be built upon to or fall out of the corporate objectives.

Primary and secondary objectives

Although for a long time economists argued that firms aimed to maximize profits, it is now generally recognized that the modern large corporation, managed by professionals, pursues a far broader and infinitely more diverse set of objectives. As a consequence, traditional views of profit maximization as the principal objective have been challenged by the reality of the behaviour of corporate management. With this in mind, two types of objective can be identified: *primary* and *secondary*.

Traditionally the primary objective was, as observed above, profit maximization. Other objectives are, however, often seen by managers to be of more immediate relevance and, as Chisnall (1989, p. 137) points out, may affect the organization's profit-earning ability:

> *These secondary objectives, which are not in any way inferior to the primary objective, are necessary if a company is to plan effectively for its future progress. In the short term, for instance, a profit maximization policy may be affected by changes in economic conditions which demand some restructuring of corporate resources to meet new levels of competition. Survival or market share defences may, in fact, become primary objectives.*

This issue of the multiplicity of objectives has also been discussed by Drucker (1955), who isolated eight areas in which organizational objectives might be developed and maintained:

1. Market standing

2. Innovation

3. Productivity

4. Financial and physical resources

5. Manager performance and development

6. Worker performance and attitude

7. Profitability

8. Public responsibility.

Rethinking business objectives: the significance of the triple bottom line and the alternative three Ps

The eighth of Drucker's objectives, public responsibility, has received far greater attention over the past few years than at any time since he first identified them almost 50 years ago. With a far greater emphasis having been given in recent years to the impact upon society of marketing behaviour, issues of sustainable development have led to the emergence of the triple bottom line and the alternative three Ps.

The triple bottom line is based on the idea that business should not simply pursue economic objectives, but that decisions should also reflect social and ecological considerations. This has, in turn, led to the three Ps of People, Planet and Profit, in which environmental quality and social equity are seen to be just as important as profit. Amongst the advocates of such an approach was Anita Roddick, the founder of The Body Shop. The Body Shop's corporate philosophy was – and still is – that social justice, human rights and spirituality are integral parts of modern business practice. With business and marketing decision-making having long been based on quantifiable measures such as efficiency, proponents of the triple bottom line argue that highlighting social issues and taking responsibility for business practice will increasingly prove to be the way in which firms will gain a competitive advantage.

Objectives and time horizons

It should be apparent by this stage that, in setting objectives, the marketing planner needs to take account of a wide variety of factors. Perhaps the final influence that we need to examine here before focusing upon the detail of corporate and marketing objectives is that of the time horizons involved. In

the case of those industries that are highly capital-intensive, for example, the planning horizons tend to be considerably longer than is the case in faster-moving consumer goods markets. We can therefore usefully distinguish between the short, medium and long terms.

From the planner's point of view, the short term is concerned essentially with issues of tactics, while the long term is concerned with the major issues of strategy and the allocation and reallocation of resources. The medium term then sits neatly between these in that it provides the focus for determining how effectively resources are being used. Although there is perhaps an understandable temptation to tie each of these phases to specific periods of time (e.g. up to one year in the case of the short term, one to five years for the medium term and over five years for the long term), such an exercise is generally only useful when carried out in relation to a specific industry or company.

At a more general level, the significance of planning time horizons relates rather more to the degree of environmental change being experienced and the ability of the organization to respond by reallocating resources. A useful distinction (derived from economics) between long-term and short-term focuses on *capacity*. Within the short run capacity is given, hence the aim should be to make the best use of available capacity – whether this is defined in terms of sales personnel, productive facilities, distribution systems or any other resource constraint. One moves from the short run to the long run when capacity is increased (or reduced). Making extra capacity available involves capital expenditure/investment, and its existence – in whatever time frame – is usually associated with fixed (or establishment) costs. The significance of this from the point of view of establishing objectives can therefore be seen in terms of the need to identify objectives both for the short term and the long term. The long-term objectives will then be concerned with the direction in which the organization is heading, while the short-term objectives will be allied far more closely with the stages through which the organization will have to move in order to achieve this position.

The nature of corporate objectives

In the light of our discussion here and in Chapter 1, it should be apparent that corporate management, having established the corporate mission and vision, then has to take these a stage further by developing a series of specific objectives for each level of management. Most typically these objectives are expressed in terms of sales growth, profitability, market share growth and risk diversification. Because the majority of organizations generally pursue a number of objectives, it is, as we have seen, important that they are stated in a hierarchical manner, going from the most important to the least important, with this hierarchy being both internally consistent and mutually

reinforcing. By doing this, the strategist is clarifying priorities so that if, at a later stage, a conflict of objectives emerges, a decision can then be made as to which particular objective is to dominate. At the same time it is essential that the objectives established are realistic both in terms of their magnitude and the timescale over which they are to be achieved. Almost invariably, however, organizations experience difficulties and conflicts in establishing objectives, problems that are in turn compounded by the need to establish multiple objectives. For example, it is seldom, if ever, possible for an organization to satisfy concurrently objectives of rapid growth *and* risk aversion, or to maximize both sales *and* profits. Recognizing this, Weinberg (1969) has identified eight basic strategic trade-offs facing firms:

1. Short-term profits versus long-term growth

2. Profit margins versus competitive position

3. Direct sales effort versus market development effort

4. Penetration of existing markets versus the development of new markets

5. Related versus non-related new opportunities as a source of long-term growth

6. Profit versus non-profit goals

7. Growth versus stability

8. A 'riskless' environment versus a high-risk environment.

It follows from this that the strategist has to decide upon the relative emphasis that is to be given to each of these dimensions. Any failure to do this is ultimately likely to lead to conflict and reduce the extent to which the objectives provide useful strategic guidelines.

However, while the need for clear objectives may well be self-evident, it is relatively unusual to find explicit references as to just *how* managers should go about developing these objectives in the first place. One of the few who has attempted to provide guidelines for formulating objectives is McKay (1972), who suggests that it is possible to identify two categories of issues that should be considered: the general issues that apply to all organizations, and the more specific, which force a more detailed examination. These general issues are:

- *Business scope* – what business should we be in?

- *Business orientation* – what approach is most appropriate for our business scope and to our purposes of survival, growth and profit?

- *Business organization* – to what extent is our organizational style, structure and staff policy suited to the orientation chosen?

- *Public responsibility* – is there a match between our selection of opportunities and the existing and future social and economic needs of the public?

- *Performance evaluation* – is there a match between our appraisal and planning systems?

The *specific* areas that then follow from this, he suggests, relate to each strategic business unit (SBU) and include:

- Customer classes

- Competitors

- Markets and distribution

- Technology and products

- Production capability

- Finance

- Environment.

Taking account of competitors' objectives

Objectives should never be set in a vacuum. Instead they should be set against the background of a detailed understanding of environmental demands and opportunities. In doing this, particular attention needs to be paid to the objectives that are likely to be pursued by competitors, since these will often have a direct impact upon subsequent levels of performance.

A competitor's objectives are likely to be influenced by many factors, but particularly by its size, history, managerial culture and performance. They are also affected by whether the company is part of a larger organization. If this is the case, the strategist needs to know whether it is being pressured to achieved growth or whether it is viewed by the parent as a 'cash cow' and is being milked. Equally, we need to know just how important it is to the parent: if it is central to the parent company's long-term plans, this will have a direct influence upon how much money will be spent in fighting off an attack. As mentioned earlier (Chapter 7), Rothschild (1984), for example, argues that the worst competitor to attack is the competitor for whom this is the sole or principal business, and who has a global operation.

There is therefore, as discussed in Chapter 7, a strong argument for the strategist to develop a detailed competitive map in which issues of competitive capability and priority figure prominently. In doing this, a useful assumption, at least initially, is that competitors will aim for profit targets and choose their strategies accordingly. Even here, however, organizations differ in the emphasis they put on short-term as opposed to long-term profits. In reality, of course, few organizations aim for profit maximization, be it in the short or

long term, but instead opt for a degree of *satisficing* (a term coined by Simon (1960) to refer to an acceptable level of performance, typically across multiple objectives, rather than an optimal performance on just one). They have target profit figures and are satisfied to achieve them, even if greater profits could have been achieved by other strategies with perhaps a greater degree of risk.

An alternative approach is to assume that each competitor has a variety of objectives, each of which is of different importance and which has therefore a different weight in the minds of the members of the management team. Recognizing this, the marketing strategist needs to determine, at least in broad terms, the relative weighting that each competitor gives to areas such as current and long-term profitability, market share retention and growth, risk avoidance, technological leadership, distribution dominance, service, and so on. Knowing this provides an insight into whether each competitor is broadly satisfied with its current strategy and results, whether – and how – it will respond to different forms of competitive movement and attack, and so on. The competitor who, for example, is pursuing a service-based strategy is far more likely to respond aggressively to a similar competitive move than if the move is based on, say, an advertising-led attack by the same competitor.

The argument for looking in detail at your competitors as a prelude to developing your own objectives is, in many ways, self-evident, since what a competitor has done in the past will typically provide potentially strong insights to what the competitor is likely to do in the future. This is particularly the case when the organization has been performing strongly and the managerial priorities and mindsets have become well established. The management team will have developed a business model and, although it would be foolish to suggest that this is never reviewed or questioned, its success is likely to lead to its continued pursuit. Given this, a competitor's marketing strategists should, within certain parameters, be able to predict future patterns of behaviour. Firms such as GE, Mars, P&G and Kellogg's all have a focus upon brand leadership, whilst hotel chains such as Four Seasons have a focus on the premium end of the business market, an approach that is unlikely to change.

Having said this, competitive attitudes, objectives and strategies, but especially approaches to implementation, do of course change over time, even when a particular strategy is proving to be successful. History has shown though that the probability of change is far greater when a particular strategy is not working, or when there is a change in management at the top of the organization. There are therefore several specific factors that should be taken into account, as well as the rather more general issue of competitive posture referred to above. These include:

- *Each competitor's previous successes and failures*. It is quite normal to continue with a successful formula and to change one that is not working.

- *The volume and direction of investment in advertising and plant*. A rational competitor will concentrate advertising effort on the products and markets that appear to offer the greatest scope. Monitoring patterns of competitive advertising spend can therefore provide the strategist with a good indication of the directions in which to concentrate. Equally, a knowledge of competitors' investment in plant, which can often be picked up from equipment suppliers, planning applications and the trade press, provides an invaluable guide to profitable future plans.

- *Each competitor's relative cost position*. The starting point for this is to arrive at an assessment of each competitor's relative cost position in each major market sector. Working on the assumption that each competitor will have conducted a similar exercise, it is reasonable to suppose that they will give priority to cost-reduction strategies in those markets in which they are currently high-cost operators.

By focusing upon areas such as these, the strategist should be in a far better position to answer four fundamental questions:

1. What is each competitor seeking?
2. What is it that drives each competitor?
3. What is each competitor's potential competitive capability?
4. In what ways might this capability be translated into objectives and strategy?

It is against this background that the strategist can then define and perhaps redefine his or her own organization's objectives.

Developing offensive corporate objectives

Firms can be broadly classified as *proactive* or *reactive*. The former are characterized by an entrepreneurial and highly positive attitude to their markets, with a constant searching and pursuit of new business opportunities; in essence they try to shape the environment to fit the organization's resources and objectives. By contrast, reactive firms adopt a far more passive and less entrepreneurial posture, responding to rather than initiating environmental change. These contrasting styles have an obvious effect upon the sorts of objectives pursued and indeed, in most cases, upon subsequent levels of trading performance.

The implications of this for the way in which marketing objectives are set are reflected in the way in which there are few incentives for the marketing strategist to take an offensive approach within the marketplace unless ambitious marketing objectives have been set and a proactive and aggressive and high-performing marketing culture established.

With regard to the specific objectives that an offensive or proactive organization might pursue, these will depend to a large degree upon the organization's market position. If, for example, it is intent on increasing its market share, the starting point involves deciding upon which competitor(s) to attack. The options open to it are essentially:

1. *To attack the market leader*. This is typically a high-risk but potentially high-return strategy and one which makes sense if the leader is generally complacent or not serving the market as well as it might – Xerox, for example, chose to attack 3M by developing a cleaner, faster and more convenient copying process (dry copying rather than wet). Equally, Dyson attacked Hoover with a technologically different product, whilst Airbus Industries attacked Boeing.

2. *To attack firms of its own size*, an approach in which is typically suited when they are either underfinanced or undermanaged.

3. *To attack local and regional firms*. This strategy was pursued with considerable success in the 1960s and 1970s by a small number of large brewers who gobbled up the small, regional brewers in the UK. It has been adopted subsequently by some of the major car producers such as Ford, who bought some of the smaller and specialist manufacturers such as Volvo and Aston Martin, and Volkswagen, who bought Skoda and Seat. (Note: Faced with a significant downturn in the economy, Ford sold Aston Martin in 2008.)

4. *To ignore the major players and to pursue instead* a flanking strategy that leads to the development and growth of a new market sector, something that has been done with considerable success by Ryanair and easyJet, both of whom sidestepped the major flag carriers.

Given the nature of these comments, it should be apparent that this question of *who* to attack is therefore at the very heart of an effective offensive strategy, since to make the wrong choice is likely to prove immensely costly.

Setting truly ambitious objectives: the significance of BHAGs

In discussing goals, Collins and Porras (1998) argue the case for what they term Big Hairy Audacious Goals (BHAGs). As examples of BHAGs, they point to a variety of organizations, including Boeing, which in the 1950s gained a significant advantage over its principal competitor Douglas aircraft (later to become McDonnell-Douglas) by establishing itself as the dominant player in the commercial aircraft industry with its 707, despite having little experience in that sector of the market. It then followed this in quick succession with the 727 (Douglas launched the DC-9 more than two years later), the 737 and then the 747 jumbo jet.

For Collins and Porras (1998, p. 94):

a BHAG engages people – it reaches out and grabs them in the gut. It is tangible, energizing, highly focused. People 'get it' right away; it takes little or no explanation.

Amongst the other organizations they cite as having or having had BHAGs are the cigarette manufacturer Philip Morris, which in 1961 was a sixth-place also-ran with less than 10 per cent of the tobacco market. The BHAG that the management team set themselves was that of replacing RJ Reynolds as the market leader, something that they achieved largely through their Marlboro brand. Other BHAGs include Sam Walton's objective of becoming the world's largest retailer (Wal-Mart), Walt Disney's ideas for the new type of amusement park that became Disneyland, IBM's reshaping of the computer industry in the 1960s, and Jack Welch's reshaping of General Electric.

In doing this, Welch stated that the first step – before all other steps – is for the company to 'define its destiny in broad but clear terms. You need an overarching message, something big, but simple and understandable'. In the case of GE, Welch developed the BHAG of 'To become number 1 or number 2 in every market we serve and revolutionize this company to have the speed and agility of a small enterprise.' Employees throughout GE fully understood – and remembered – the BHAG which was 'to become the number 1 or number 2 in every market we serve and to revolutionize this company to have the speed and agility of a small enterprise'. The compelling clarity of GE's BHAG can be contrasted with the difficult-to-understand, hard-to-remember 'vision statement' articulated by Westinghouse in 1989 which was based on a series of largely general and interchangeable comments about 'total quality, market leadership, technology, globalization, focused growth and diversification.'

The point that the reader needs to take from this is not that GE had the 'right' goal and Westinghouse had the 'wrong' goal. Rather, it is that GE's goal was clear, compelling and more likely to stimulate progress. Similar BHAG thinking was at the heart of the Amazon.com strategy, with Jeff Bezos becoming the biggest Internet bookseller by pursuing his GBF (Get Big Fast) philosophy.

Establishing the marketing objectives

Against the background of the comments made so far, we can identify a firm's competitive situation and hence its marketing decisions as being concerned with just two major elements: products and markets. This has been discussed by a variety of writers (see, for example, Ansoff, 1968; McKay, 1972; and Guiltinan and Paul (1988) and has led to the recognition that there are just four principal marketing objectives:

1. To establish and defend a clear position within the market
2. To defend and possibly increase market share

3. To grow the market, and

4. To sustain/grow levels of profitability.

To these, it is possible to add one other that reflects the growing importance of the social responsibility of business and the nature of the triple bottom line:

5. To deliver these in a socially responsible manner.

In many ways, the thinking that underpins these objectives can be seen to come together in Ansoff's ideas of a product/market matrix. This is illustrated in Figure 8.7.

The matrix in Figure 8.7 which focuses upon the product (what is sold) and to whom it is sold (the market), highlights four distinct strategic alternatives open to the marketing strategist:

1. Selling more existing products to existing markets

2. Extending existing products to new markets

3. Developing new products for existing markets

4. Developing new products for new markets.

Although in practice there are of course *relative* degrees of newness both in terms of products and markets – and hence the number of strategies
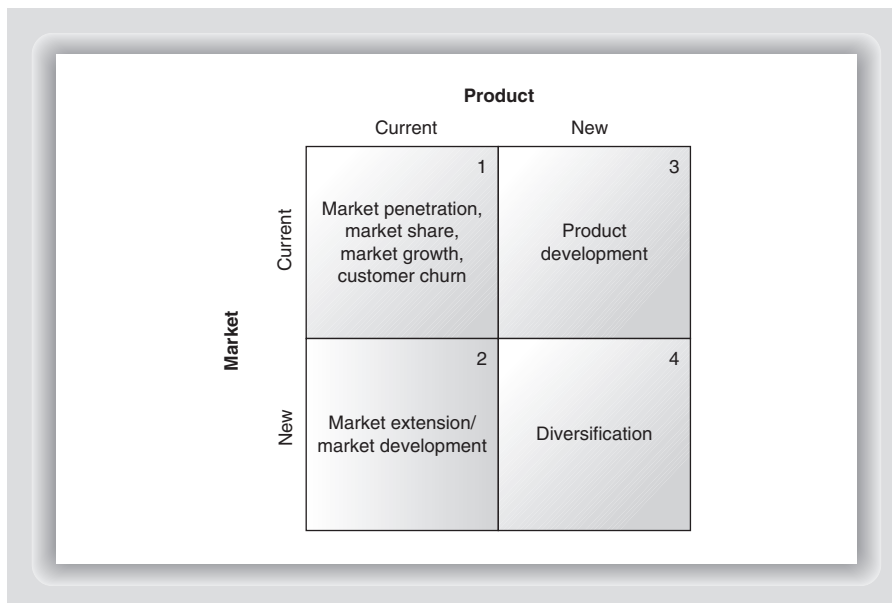

FIGURE 8.7 *Ansoff's growth vector matrix (source: Ansoff, 1957)*

open to the organization is substantial – Ansoff's matrix is useful in that it provides a convenient and easily understood framework within which marketing objectives and strategies can be readily developed, something that is reflected in Figure 8.8.

It follows from this that setting objectives and strategies *in relation to products and markets* is a fundamental element of the marketing planning process. These marketing objectives then represent performance commitments for the future, and are typically stated in terms of market share, sales volume, levels of sterling distribution, and profitability. For these to be worthwhile, however, they need to be stated both quantitatively and unambiguously. In this way they are capable of measurement, something which is not possible if they are stated only in broad directional terms.

The argument for explicit and quantitatively expressed objectives is therefore overpowering, since any failure to do this simply offers scope for confusion and ambiguity at a later stage, not just in terms of the sort of action required, but also in terms of the performance measurement standards that are to be used. In stating objectives they also need to be related to the fundamental philosophies and policies of a particular organization, something
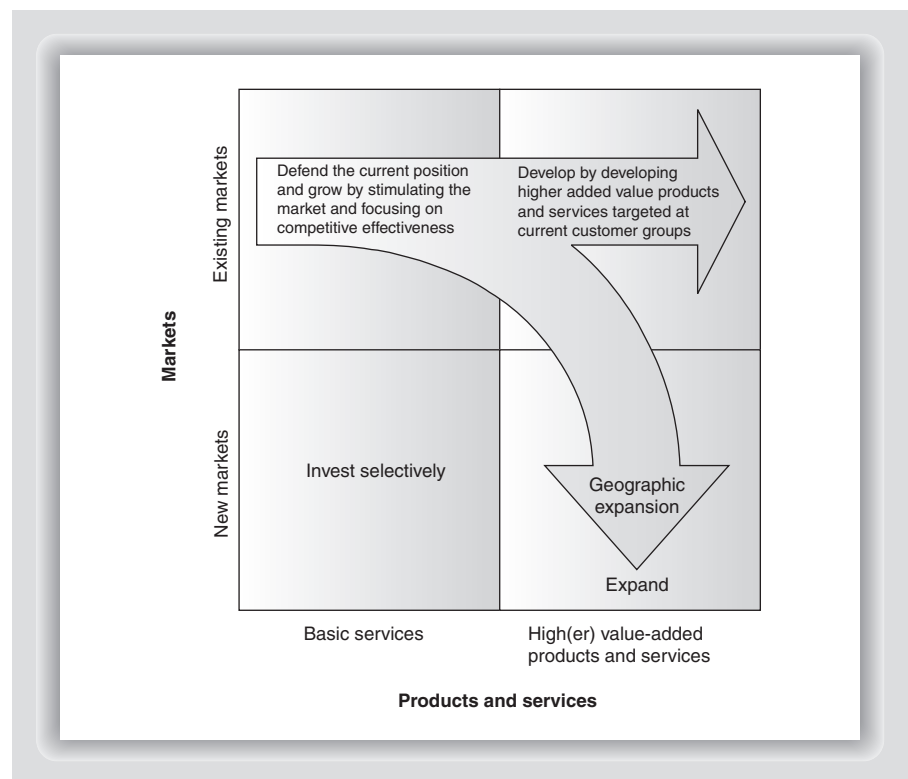

FIGURE 8.8 *Developing strategic direction*

which again argues the case for a clear and well-communicated mission statement. The *process* of setting objectives is therefore central to its effectiveness.

Ansoff's matrix revisited and expanded

Against the background of the comments so far, it should be apparent that marketing objectives relate to the four categories of Ansoff's product/market matrix, with decisions being needed on:

1. Existing products in existing markets

2. New products in existing markets

3. Existing products in new markets

4. New products in new markets.

But, although Ansoff's matrix is undoubtedly useful, the simplicity of a 2×2 matrix has a number of limitations. Recognizing this, Wills *et al.* (1972) have taken the matrix a step further by highlighting the degree of product and market newness and what this potentially means for planning and strategy; the expanded matrix is illustrated in Figure 8.9.

The general nature and direction of the choices between these strategic alternatives is influenced both by the product life cycle and the current shape of the company's product portfolio. This in turn leads to a series of choices for each product/market condition, choices that can be expressed in terms of five types of strategy:

1. *Maintenance* of the current competitive position

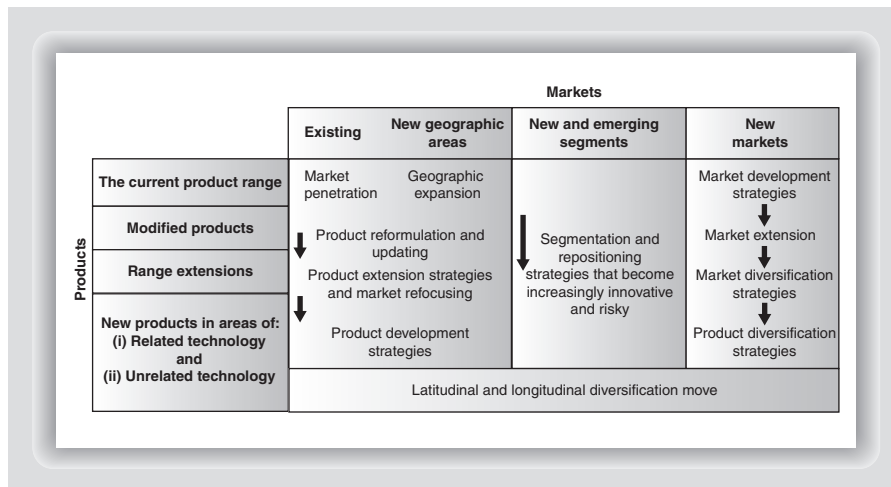2. *Improvement* of the current competitive position

FIGURE 8.9   *Developing the Ansoff matrix*

3. *Harvesting*, which involves reducing or relinquishing the current competitive position in order to capitalize upon short-term profit and improve cash flow

4. *Exiting*, which typically occurs when the company is suffering from a weak competitive position or recognizes that the cost of staying in the market and/or improving upon the position is too high. As an example of this, ICI, now part of AkzoNobel, sold its loss-making European fertilizer business to Europe's second largest fertilizer producer, the Finnish company Kemira Oy. The decision to withdraw from this market sector was made after ICI had experienced losses for four years, despite having made major attempts to improve the business, including vigorous cost reductions and investment in new technology

5. *Entry* to a new sector.

However, while considering either the need or the feasibility of each of these strategies, the marketing planner needs to recognize the danger of adhering slavishly to any particular set of rules relating to the five categories and to be fully aware of the major constraints within which he or she is operating. Among the most commonly used and useful frameworks for identifying these is the concept of the limiting factor (a limiting factor might include costs of distribution that limit the market to a small geographic region, limitations on production capacity, and so on) and techniques of gap analysis, which are designed to highlight any gaps that exist between long-term forecasts of performance and the sales or financial objectives that have been set (see Figure 8.10).

In the case of Figure 8.10(a), the lowest curve represents a projection of expected sales from the organization's current portfolio of businesses. The highest curve traces the sales targets for the next five years, which, as can be seen, are more ambitious than the current portfolio will permit. The question that then quite obviously follows is how best to fill this strategic planning gap. The courses of action open to the strategist can then be examined in several ways. The first involves subdividing the gap into the *operations gap* and the *new strategies gap*. In the case of the *operations gap*, the approaches to reducing or eliminating it totally include:

■ Greater productivity by means of reduced costs

■ Improvements to the sales mix or higher prices

■ Higher levels of market penetration.

In the case of the *new strategies gap*, the courses of action include:

■ A reduction in objectives

■ Market extension in the form of new market segments, new user groups or expansion geographically
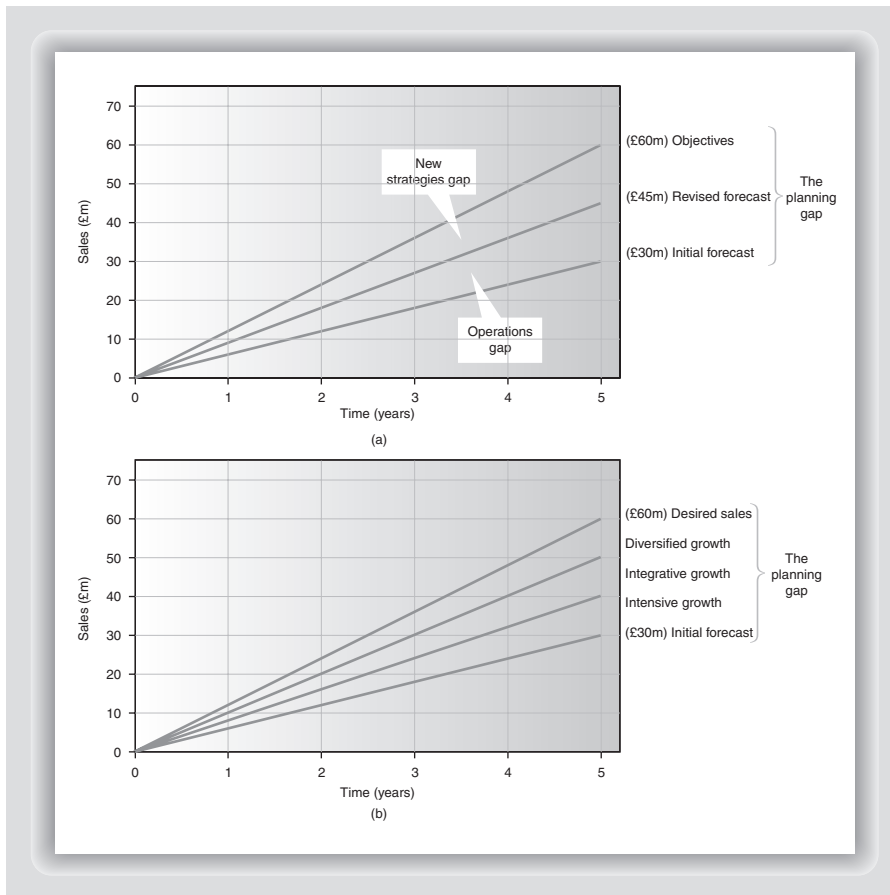
FIGURE 8.10   *The strategic planning gap*

- Product development

- Diversification by selling new products to new markets.

An alternative way of looking at the strategic planning gap is illustrated in Figure 8.10(b). Here, the solutions to the shortfall have been categorized as:

- Identifying further opportunities to achieve growth within the company's current business (intensive growth)

- Identifying opportunities to build or acquire businesses related to the current sphere of operations (integrative growth)

- Adding businesses that are unrelated to current operations (diversification).

In weighing up which of these alternatives to pursue, the planner needs to give consideration to a variety of issues. For many companies the most

attractive option proves to be greater market penetration, since this is concerned with existing products and markets, and typically therefore involves less cost and risk than would be incurred by moving outside existing areas of knowledge. Equally, it generally pays an organization to search for growth within existing and related markets rather than moving into new markets, since by doing this it is more readily able to build upon its reputation. If, however, the company decides to move into new and possibly unrelated areas, there is then a need not only to establish itself against a new set of competitors, but also to build new distribution networks and come to terms with a different technology. This should not in itself be seen as an argument against moving into new markets with new products, but rather an argument for the planner to develop objectives and strategies against the background of a firm understanding of the organization's strengths, weaknesses and overall corporate capability, all of which should emerge clearly from the marketing audit.

The levels of risk associated with each of the strategic alternatives identified in the Ansoff matrix can perhaps be better understood by considering an extension to the basic model. While undoubtedly useful as a framework, Ansoff's four-cell matrix is not able to reflect different *degrees* of technological or market newness, or indeed of the risk associated with the four alternatives. By returning for a moment to Figure 8.7, it should be apparent that, all other things being equal, the lowest level of risk is associated with the market penetration strategy of cell 1. This then increases through cells 2 and 3, peaking in cell 4 with a strategy of diversification.

8.7 THE DEVELOPMENT OF STRATEGIES

In the light of what has been discussed so far, it should be apparent that a marketing objective is what the organization wants to achieve in terms of sales volume, market share, and so on (i.e. the ends). How the organization then sets out to achieve these objectives is the *strategy* (i.e. the means). An effective strategy statement should therefore make reference not just to the allocation of resources but also to timescales; inevitably it is broad in scope. Following on from this, the planner then moves to develop the *tactics* and *programme for implementation*. From the viewpoint of the marketing planner, the major aspects of strategy are the individual elements of the marketing mix. Before moving on, however, it is worth focusing on one of the other major influences upon strategic success. Although decisions are typically taken against a background of resource constraint, their effects can often be minimized by the strategist giving full recognition to the importance of the *leverage* that can be gained by the development of one or more *distinctive competences* to gain a comparative marketing advantage. Although the importance of distinctive competences has long been recognized, their

strategic significance was highlighted by the results of a study carried out by the American management consultants, McKinsey & Co. Prominent among their findings was that:

> *the distinguishing characteristic shared by (successful companies) was that they did one particular thing well. They had developed significant strength in one feature of their business which gave them a comparative advantage over their competitors.*

It follows from this that, in developing strategies, the planner needs to identify these distinctive competences and build on them. As an example of how this can be done, the Dominos Pizza chain in the USA developed as its USP (unique selling proposition) rapid delivery times with a refund to the customer if delivery of the pizza took longer than it should.

The changing focus of strategic and marketing planning

Although portfolio analysis has been subjected to a number of criticisms, its contribution to strategic planning has undoubtedly been significant. However, at the beginning of the 1990s, a number of writers, including Mintzberg (1994) and Stacey (1991), began questioning the traditional and well-established lines of thinking about strategic planning. With its origins in the late 1960s and early 1970s, strategic planning had been held up by many as the most logical and effective way of devising and implementing the strategies that would improve the competitiveness of a business unit. However, Mintzberg argues that the creation in many large organizations of specialist departments staffed by strategic planners who were involved in the thinking but not the doing or the implementation has created a series of difficulties and tensions. The net effect of this, he suggests, is that 'strategic planning has long since fallen from its pedestal' (1994, p. 107). He goes on to say that:

> *But even now, few people really understand the reason: strategic planning is not strategic thinking. Indeed, strategic planning often spoils strategic thinking, causing managers to confuse real vision with the manipulation of numbers. And this confusion lies at the heart of the issue: the most successful strategies are visions, not plans.*

In making this comment, Mintzberg highlights the way in which the traditional approach to strategic planning is, in essence, *strategic programming*, an activity that involves articulating strategies or visions that already exist. What is needed, he believes, is that managers should understand the differences between planning and strategic thinking so that they can then focus upon what the strategy development process should really be. This process, he suggests, involves capturing what the manager learns from all sources (the soft insights from his or her personal experiences, the

experiences of others throughout the organization, and the hard data from market research and the like) and then synthesizing that learning into a vision of the direction that the business should pursue.

Recognition of this means that the role of the planner changes significantly and, for Mintzberg, highlights the way in which the planner's contribution should be *around* rather than *inside* the strategy-making process. In other words, the planner should provide the analyses and data inputs that strategic thinkers need and not the one supposedly correct answer to the strategic challenge being faced.

This redefinition of roles illustrates, in turn, the distinction that needs to be made between the analytical dimension of planning and the synthesis, intuition and creativity that characterize effective strategic thinking. It also goes some way towards highlighting the way in which the formal and traditional approach to planning (Mintzberg, 1994, p. 109):

> *rests on the preservation and rearrangement of established categories, the existing levels or strategy [corporate, business, functional], the established types of products (defined as 'strategic business units'), and overlaid on the current units of structure [divisions, departments, etc.].*
>
> *But real strategic change requires not merely rearranging the established categories, but inventing new ones. Search all those strategic planning diagrams, all those interconnected boxes that supposedly give you strategies, and nowhere will you find a single one that explains the creative act of synthesizing experiences into a novel strategy. Strategy making needs to function beyond the boxes, to encourage the informal learning that produces new perspectives and new combinations. As the saying goes, life is larger than our categories. Planning's failure to transcend the categories explains why it has discouraged serious organizational change. This failure is why formal planning has promoted strategies that are extrapolated from the past or copied from others. Strategic planning has not only amounted to strategic thinking but has often impeded it. Once managers understand this they can avoid other costly misadventures caused by applying formal technique, without judgement and intuition, to problem-solving.*

These criticisms of the traditional logical and sequential approach to planning have, in turn, been developed by Stacey (1992), who in his book *Managing Chaos*, argues for a managerial emphasis upon adaptability, intuition, paradox and entrepreneurial creativity in order to cope with an unpredictable and, indeed, inherently unknowable future.

In many ways, Stacey's ideas are a reflection of chaos and complexity theories ('chaos' in these terms refers not to muddle and confusion, but to the behaviour of a system that is governed by simple physical laws but is so

unpredictable as to appear random) in which the complexity of interaction between events is so great that the links between cause and effect either disappear or are so difficult to identify as to be meaningless. The implication of this for strategic planning is potentially far-reaching and, according to Stacey, highlights the importance of intuition and the need for managers to deal with problems in a truly holistic fashion. He goes on to suggest that managers 'must learn to reason through induction rather than deduction; and to argue by analogy, to think in metaphor and to accept paradox' (Stacey, 1994, p. 64).

Like Mintzberg, Stacey (1994, p. 65) argues for a greater creativity within organizations and refers to the scientific concept of the 'edge of chaos' as a metaphor for more independence of managerial thought:

> *Tucked away between stability and instability, at the frontier, non-linear feedback systems generate forms of behaviour that are neither stable nor unstable. They are continuously new and creative. This property applies to non-linear feedback systems no matter where they are found. All human organizations, including businesses, are precisely such non-linear feedback systems; and while it is not necessary or indeed desirable for all organizations to be chaotically creative all the time those that do should not think in terms of stability and adapting to their environment but in terms of using amplifying feedback loops or self-reinforcing mechanisms to shape customer needs.*

With regard to the detail of planning and strategy, Stacey's views rest upon the idea that, because of the nature and complexity of the business system, anything useful about the future is essentially unknowable, something which negates the value of the conventional planning wisdom that success depends upon developing a vision of where the company wants to be in five, ten or twenty years' time, the strategy that will achieve this, and a shared culture. Instead, he believes that:

> *managers should recognize that these strategic planning meetings every Monday morning serve a ritual rather than a functional purpose rather like the ceremonial laying of the foundation stone on a building. They should recognize too that those elaborate computer-modelled forecasts presented to the board to convince them of the wisdom of a proposed business venture are a fiction, and that their purpose is to allay anxiety rather than perform any genuinely predictive purpose. Real strategy is not derived from this sort of planning. No, real strategy emerges from group dynamics, from the politicking and informal lobbying in the corridors, from the complicated patterns of relationships and interplay of personalities, from the pressure groups that spring up after the formal meeting is*

over and real success lies not in total stability and 'sticking to your knitting', but in the tension between stability (in the day-to-day running of the business) and instability (in challenging the status quo). Instability is not just due to ignorance or incompetence, it is a fundamental property of successful business terms.

Given this, he suggests that creative organizations deliberately set out to encourage counter-cultures and subversion. Among the examples that he cites of organizations that have done this with a high degree of success is Honda, which, during the past decade, has hired large numbers of managers in mid-career from other organizations as a means of introducing a series of pressures, challenges and contention into the organization. The effect of this has been to encourage a culture of creative destruction, greater learning and an increase in flexibility (see also Stacey, 1991).

8.8 SUMMARY

In this chapter we have focused on four main areas:

1. The nature and purpose of planning

2. The significance of vision, and the corporate mission and vision

3. The nature and purpose of corporate and marketing objectives

4. How the thinking about the development of the marketing strategy might begin.

The starting point in the planning process involves the strategist in identifying where the organization is currently (where are we now?), and the short- and long-term direction for the organization (where do we want to be?). In addressing this second question, a variety of issues need to be considered, including:

■ Environmental opportunities and threats (see Chapter 3)

■ The organization's strategic capability (again, see Chapter 3)

■ Stakeholders' expectations.

Having done this, it then becomes possible to give far more explicit and realistic consideration to the question of how the organization should go about achieving its objectives.

As a background to the planning process there needs to be agreement on the corporate mission, the mission being an aspirational statement of what the organization is or should attempt to become. The significance of the mission statement has been highlighted by a wide variety of writers, most of whom have given emphasis to its integrating role and to the way

in which it provides a strong binding statement of fundamental corporate values – so long as it avoids platitudinous statements.

In developing a mission statement, the strategist needs to take account of a variety of factors, including:

- The organization's history, performance and patterns of ownership

- Managerial values and expectations

- The environment

- Resource availability

- The existence of any distinctive competences.

Having developed a mission statement and then the vision, the planner is in a far stronger position to begin the process of establishing corporate and marketing objectives. Objectives are typically influenced by several issues, including:

- The nature of the business (products, markets and technology)

- External factors (societal values, pressure groups, government and legislation)

- Organizational culture

- Individuals and groups within the organization.

Having identified the organization's corporate and marketing objectives, the marketing planner needs to ensure that they satisfy certain criteria, the four most significant of which are that they are arranged hierarchically, that they are expressed quantitatively, that they are realistic and that there is internal consistency. It is at this stage also that the planner is in a position to identify the nature and size of any gaps that are likely to emerge between where the organization wants to go and where in practice it is capable of going. Once this has been done, it then becomes possible to begin the process of developing the strategies that are to be used to achieve the agreed objectives.