

Chapter

12

IMPLEMENTATION ISSUES IN MARKETING PLANNING

SUMMARY

- The implications of size and diversity on marketing planning
- The role of the chief executive in marketing planning
- The role of the strategy or planning department in marketing planning
- Organizing for marketing planning
- The marketing planning cycle
- Marketing planning timescales and horizons
- Barriers to marketing planning and how to overcome them
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THE IMPLICATIONS OF SIZE AND DIVERSITY ON MARKETING PLANNING

Our research has exposed some of the many myths that surround marketing planning and spelled out the conditions that must be satisfied if any company is to have an effective marketing planning system.¹⁻⁵ These are:

1. Any closed-loop marketing planning system (but especially one that is essentially a forecasting and budgeting system) will lead to entropy of marketing and creativity. Therefore, there has to be some mechanism for preventing inertia from setting in through the over-bureaucratization of the system.
2. Marketing planning undertaken at the functional level of marketing, in the absence of a means of integration with other functional areas of the business at general management level, will be largely ineffective.
3. The separation of responsibility for operational and strategic marketing planning will lead to a divergence of the short-term thrust of a business at the operational level from the long-term objectives of the enterprise as a whole. This will encourage a preoccupation with short-term results at operational level, which normally makes the firm less effective in the long term.

- 4. Unless the chief executive understands and takes an active role in marketing planning, it will never be an effective system.
- 5. A period of up to three years is necessary (especially in large firms) for the successful introduction of an effective marketing planning system.

Some indication of the potential complexity of marketing planning can be seen in Figure 12.1. Even in a generalized model such as this, it can be seen that, in a large diversified group operating in many foreign markets, a complex combination of product, market and functional plans is possible. For example, what is required at regional level will be different from what is required at headquarters level, while it is clear that the total corporate plan has to be built from the individual building blocks.

Furthermore, the function of marketing itself may be further functionalized for the purpose of planning, such as marketing research, advertising, selling, distribution, promotion, and so on, while different customer groups may need to have separate plans drawn up.

Let us be dogmatic about requisite planning levels. First, in a large diversified group, irrespective of such organizational issues, anything other than a systematic approach approximating to a formalized marketing planning system is unlikely to enable the necessary control to be exercised over the corporate identity.

Second, unnecessary planning, or overplanning, could easily result from an inadequate or indiscriminate consideration of the real planning needs at the different levels in the hierarchical chain.

Third, as size and diversity grow, so the degree of formalization of the marketing planning process must also increase. This can be simplified in the form of a matrix (Figure 12.2).

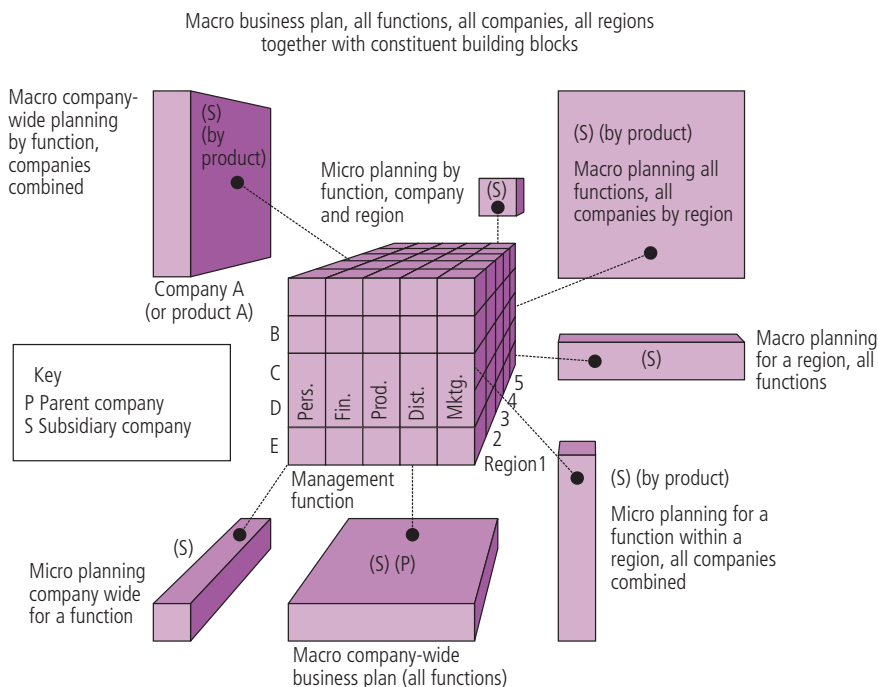


Figure 12.1: The potential complexity of marketing planning.

		Company size		
		Large	Medium	Small
Market/product diversity	High	High formalization	High/medium formalization	Medium formalization
	Medium	High/medium formalization	Medium formalization	Low formalization
	Low	Medium formalization	Low formalization	Very low formalization

Figure 12.2: Guidelines for formalization of the marketing planning process.

The degree of formalization must increase with the evolving size and diversity of operations. However, while the degree of formalization will change, the need for a complete marketing planning system does not. The problems that companies suffer, then, are a function of either the degree to which they have a requisite marketing planning system or the degree to which the formalization of their system grows with the situational complexities attendant upon the size and diversity of operations.

It has already been stressed that central to the success of any enterprise is the objective-setting process. Connected with this is the question of the design of the planning system and, in particular, the question of who should be involved in what, and how. For example, who should carry out the situation review, state the assumptions, set marketing objectives and strategies, and carry out the scheduling and costing-out programme, and at what level?

These complex issues revolve essentially around two dimensions – the size of the company and the degree of business diversity. There are, of course, many other issues, such as whether a company is operating through subsidiary companies or through intermediaries, but these can only be considered against the background of the two major dimensions of size and diversity.

SIZE

Of these two dimensions, size of operations is, without doubt, the biggest determinant of the type of marketing planning system used.

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In small companies, there is rarely much diversity of products or markets, and top management has an in-depth knowledge of the key determinants of success and failure.

There is usually a high level of knowledge of both the technology and the market. While in such companies the central control mechanism is the sales forecast and budget, top managers are able to explain the rationale lying behind the numbers, have a very clear view of their comparative strengths and weaknesses, and are able to explain the company's marketing strategy without difficulty. This understanding and familiarity with the strategy is shared with key operating subordinates by means of personal, face-to-face dialogue throughout the year. Subordinates are operating within a logical framework of ideas, which they understand. There is a shared understanding between top and middle management of the industry and prevailing business conditions. In such cases, since either the owner or a director is usually also deeply involved in the day-to-day management of the business, the need to rely on informational inputs from subordinates is considerably less than in larger companies. Consequently, there is less need for written procedures about marketing audits, SWOT analyses, assumptions, and marketing objectives and strategies, as these are carried out by top management, often informally at meetings and in face-to-face discussions with subordinates, the results of which are the basis of the forecasts and budgets. Written documents in respect of price, advertising, selling, and so on, are very brief, but those managers responsible for those aspects of the business know what part they are expected to play in achieving the company's objectives.

Such companies are, therefore, operating according to a set of structured procedures, and complete the several steps in the marketing planning process, but in a relatively informal manner.

On the other hand, many small companies that have a poor understanding of the marketing concept, and in which the top manager leaves their strategy implicit, suffer many serious operational problems.

These operational problems become progressively worse as the size of company increases. As the number and level of management increase, it becomes progressively more difficult for top management to enjoy an in-depth knowledge of industry and business conditions by informal, face-to-face means. In the absence of written procedures and a structured framework, the different levels of operating management become increasingly less able to react in a rational way to day-to-day pressures. Systems of tight budgeting control, without the procedures outlined in this book, are, in the main, only successful in situations of buoyant trading conditions, are often the cause of high levels of management frustration, and are seen to be a major contributory factor in those cases where eventual decline sets in.

In general, the bigger the company, the greater is the incidence of standardized, formalized procedures for the several steps in the marketing planning process.

DIVERSITY OF OPERATIONS

From the point of view of management control, the least complex environment in which to work is an undiversified company. For the purpose of this discussion, 'undiversified' is taken to mean companies with limited product lines or homogeneous customer groups. For example, hydraulic hose could be sold to many diverse markets, or a diverse range of products could be sold into only one market such as, say, the motor industry. Both could be classified as 'undiversified'.

In such cases, the need for institutionalized marketing planning systems increases with the size of the operation, and there is a strong relationship between size and the complexity of the management task, irrespective of any apparent diversity.

MARKETING INSIGHT

For example, an oil company will operate in many diverse markets around the world, through many different kinds of marketing systems, and with varying levels of market growth and market share. In most respects, therefore, the control function for headquarters management is just as difficult and complex as that in a major, diversified conglomerate. The major difference is the greater level of in-depth knowledge which top management has about the key determinants of success and failure underlying the product or market worldwide, because of its homogeneity.

Because of this homogeneity of product or market, it is usually possible for headquarters to impose worldwide policies on operating units in respect of things such as certain aspects of advertising, public relations, packaging, pricing, trade marks, product development, and so on, whereas in the headquarters of a diversified conglomerate, overall policies of this kind tend to be impracticable and meaningless.

The view is often expressed that common planning in companies comprising many heterogeneous units is less helpful and confuses, rather than improves, understanding between operating units and headquarters.

However, the truth is that conglomerates often consist of several smaller multinationals, some diversified and some not, and that the actual risk of marketing rests on the lowest level in an organization at which there is general management profit responsibility. Forecasting and budgeting systems by themselves rarely encourage anything but a short-term, parochial view of the business at these levels, and in the absence of the kind of marketing planning procedures described in this book, higher levels of management do not have a sufficiently rational basis on which to set long-term marketing objectives.

Exactly the same principles apply at the several levels of control in a diversified multinational conglomerate, in that, at the highest level of control, there has to be some rational basis on which to make decisions about the portfolio of investments. In our research, the most successful companies were those with standardized marketing planning procedures to aid this process. In such companies, there is a hierarchy of audits, SWOT analyses, assumptions, strategies and programmes, with increasingly more detail required in the procedures at the lowest levels in the organization. The precise details of each step vary according to circumstances, but the eventual output of the process is in a universally consistent form.

The basis on which the whole system rests is the informational input requirements at the highest level of command. Marketing objectives and strategies are frequently synthesized into a multidisciplinary corporate plan at the next general management profit-responsible level until, at the highest level of command, the corporate plan consists largely of financial information and summaries of the major operational activities.

This is an important point, for there is rarely a consolidated operational marketing plan at conglomerate headquarters.

This often exists only at the lowest level of general management profit responsibility, and even here it is sometimes incorporated into the corporate plan, particularly in capital goods companies, where engineering, manufacturing and technical services are major factors in commercial success.

Here, it is necessary to distinguish between short-term operational plans and long-term strategic plans, both products of the same process. Conglomerate headquarters are particularly interested in the progress of, and prospects for, the major areas of operational activities, and while obviously concerned to ensure a satisfactory current level of profitability, are less interested in the detailed short-term scheduling and costing out of the activities necessary to achieve these objectives. This, however, is a major concern at the lowest level of general management profit responsibility.

To summarize, the smaller the company, the more informal and personal the procedures for marketing planning. As company size and diversity increases, so the need for institutionalized procedures increases.

The really important issue in any system is the degree to which it enables control to be exercised over the key determinants of success and failure.

The really important issue in any system is the degree to which it enables control to be exercised over the key determinants of success and failure. To a large extent, the issue, much debated in the literature, of where in an international organization responsibility for setting marketing objectives and strategies should lie, is something of a red herring. Of course, in a diversified multinational conglomerate, detailed marketing objectives and strategies for some remote country cannot be set by someone in London. It is precisely this issue, that is, finding

the right balance between the flexibility of operating units to react to changes in local market conditions and centralized control, that a formally designed system seeks to tackle.

Those companies that conform to the framework outlined here have systems which, through a hierarchy of bottom-up/top-down negotiating procedures, reach a nice balance between the need for detailed control at the lowest level of operations and centralized control. The main role of headquarters is to harness the company's strengths on a worldwide basis and to ensure that lower level decisions do not cause problems in other areas and lead to wasteful duplication.

Figure 12.3 explores four key outcomes that marketing planning can evoke. It can be seen that systems I, III and IV, that is, where the individual is totally subordinate to a formalized system, or where individuals are allowed to do what they want without any system, or where there is neither system, nor creativity, are less successful than system II, in which the individual is allowed to be entrepreneurial within a total system. System II, then, will be an effective marketing planning system, but one in which the degree of formalization will be a function of company size and diversity.

Creativity cannot flourish in a closed-loop formalized system. There would be little disagreement that in today's abrasive, turbulent and highly competitive environment, it is those firms that succeed in extracting entrepreneurial ideas and creative marketing programmes from systems that are necessarily yet acceptably formalized that will succeed in the long run. Much innovative flair can so easily get stifled by systems.

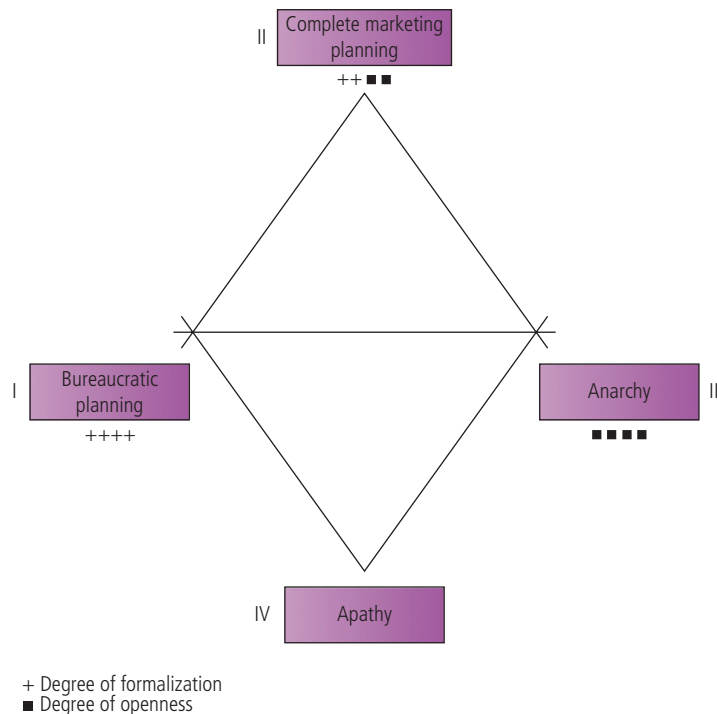


Figure 12.3: Marketing planning effectiveness model.

Certainly there is ample evidence of international companies with highly formalized systems that produce stale and repetitive plans, with little changed from year to year and that fail to point up the really key strategic issues as a result. The scandalous waste this implies is largely due to a *lack of personal intervention by key managers during the early stages of the planning cycle*.

There is clearly a need, therefore, to find a way of perpetually renewing the planning lifecycle each time around. Inertia must never set in. Without some such valve or means of opening up the loop, inertia quickly produces decay.

Such a valve has to be inserted early in the planning cycle during the audit or situation review stage. In companies with effective marketing planning systems, whether such systems are formalized or informal, the critical intervention of senior managers, from the chief executive down through the hierarchical chain, comes at the audit stage. Essentially, what takes place is a personalized presentation of audit findings, together with proposed marketing objectives and strategies and outline budgets for the strategic planning period. These are discussed,

The critical intervention of senior managers, from the chief executive down through the hierarchical chain, comes at the audit stage.

amended where necessary, and agreed in various synthesized formats at the hierarchical levels in the organization before any detailed operational planning takes place. It is at such meetings that managers are called upon to justify their views, which tends to force them to be more bold and creative than they would have been had they been allowed merely to send in their proposals. Obviously, however, even here much depends on the degree to which managers take a critical stance, which is much greater when the chief executive takes an active part in the process. *Every hour of time devoted at this stage by the chief executive has a multiplier effect throughout the remainder of the process.* And let it be remembered we are not, repeat not, talking about budgets at this juncture in anything other than outline form.

Until recently, it was believed that there may well be fundamental differences in marketing planning approaches, depending on factors such as the type of business-to-business goods and markets involved, company size, the degree of dependence on international sales and the methods used to market goods abroad. In particular, the much debated role of headquarters management in the marketing planning process is frequently put forward as being a potential cause of great difficulty.

One of the most encouraging findings to emerge from our research is that the theory of marketing planning is universally applicable, and that such issues are largely irrelevant.

While the planning task is less complicated in small, undiversified companies, and there is less need for formalized procedures than in large, diversified companies, the fact is that exactly the same framework should be used in all circumstances, and that this approach brings similar benefits to all.

In a multinational conglomerate, headquarters management is able to assess major trends in products and markets around the world, and is thus able to develop strategies for investment, expansion, diversification and divestment on a global basis. For their part, subsidiary management can develop appropriate strategies with a sense of locomotion towards the achievement of coherent overall goals.

This is achieved by means of synthesized information flows from the bottom upwards, which facilitates useful comparison of performance around the world, and the diffusion of valuable information, skills, experiences and systems from the top downwards. The particular benefits which accrue to companies using such systems can be classified under the major headings of the marketing mix elements as follows:

- *Marketing information* – there is a transfer of knowledge, a sharing of expertise and an optimization of effort around the world.
- *Product* – control is exercised over the product range. Maximum effectiveness is gained by concentrating on certain products in certain markets, based on experience gained throughout the world.
- *Price* – pricing policies are sufficiently flexible to enable local management to trade effectively, while the damaging effects of interaction are considerably mitigated.
- *Place* – substantial gains are made by rationalization of the supply chain management function.
- *Promotion* – duplication of effort and a multitude of different platforms/company images are ameliorated. Efforts in one part of the world reinforce those in another.

The procedures which facilitate the provision of such information and knowledge transfers also encourage operational management to think strategically about their own areas of responsibility, instead of managing only for the short term.

It is abundantly clear that it is through a marketing planning system and planning skills that such benefits are achieved, and that discussions such as those about the standardization process are largely irrelevant. Any standardization that may be possible will become clear only if a company can successfully develop a system for identifying the needs of each market and each segment in which it operates, and for organizing resources to satisfy those needs in such a way that best resource utilization results worldwide.

The Role of the Chief Executive in Marketing Planning

Our research showed that few chief executives have a clear perception of:

- purposes and methods of planning
- proper assignment of planning responsibilities throughout the organization
- proper structures and staffing of the planning department
- the talent and skills required in an effective planning department.

The role of the chief executive is generally agreed as being:

- to define the organizational framework
- to ensure the strategic analysis covers critical factors
- to maintain the balance between short- and long-term results
- to display his or her commitment to planning
- to provide the entrepreneurial dynamic to overcome bureaucracy
- to build this dynamic into the planning operation (motivation).

In respect of planning, the chief executive's principal role is to open up the planning loop by means of personal intervention. The main purpose of this is to act as a catalyst for the entrepreneurial dynamic within the organization, which can so easily decay through bureaucratization. This is not sufficiently recognized in the literature.

When considering this in the context of the reasons for failures of marketing planning systems, it is clear that, for any system to be effective, the chief executive requires to be conversant with planning techniques and approaches, and to be committed to and take part in the marketing planning process.

The Role of the Strategy or Planning Department in Marketing Planning

This raises the important question of the role of the strategy department or planning department, which many larger firms have – though its name and responsibility differs. The role of such a central function in marketing planning is:

- to provide the planning structure and systems
- to secure rapid data transmission in the form of intelligence
- to act as a catalyst in obtaining inputs from operating divisions
- to forge planning links across organizational divisions, e.g. R&D and marketing
- to evaluate plans against the chief executive's formulated strategy
- to monitor the agreed plans.

The planner is a coordinator who sees that the planning is done – not a formulator of goals and strategies.

The planner's responsibility has three basic dimensions. They are:

1. Directive.
2. Supportive.
3. Administrative.

In the *directive* role, the planning executive acts on behalf of top management to supervise the planning procedure to promote orderly and disciplined implementation of the planning process. This function can be performed well only when managers have both the *ability* and *willingness* to make it happen. The planning executive is likely to be more effective by acting in a *supportive*, rather than in a *directive*, role.

A *supportive* role brings the planning executive into service as an internal consultant and advisory resource. In this role, the planning executive:

- advises line management on the application of planning principles
- assembles background information to provide insight into the economy, industries, markets, investment alternatives, etc., which are relevant to each business served
- directs or supports forecasting of the economy, industries and end user markets
- renders assistance in installing progress-monitoring systems and interpreting their output
- renders assistance to line executives in applying advanced methods and procedures
- provides other internal and consulting assistance to line managers in preparing their plans and monitoring their progress.

In their *administrative* role, planners ensure that planning procedures are implemented on schedule and that communications are accurate and rapid. In this role, it is suggested that they have limitations. They can provide coordinating and communicating services, but they cannot enforce them. If line management does not participate willingly, someone else with the appropriate authority must take corrective or disciplinary action.

Again, when this is taken in the context of the failures of marketing planning systems, it is clear that an understanding of the proper role of the planning department is an important determinant of planning success.

The Marketing Planning Cycle

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

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

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

Planning Horizons

It is clear that, in the past, one- and five-year planning periods have been by far the most common, although three years has now become the most common period for the strategic plan, largely because of the dramatically increasing rate of environmental change. Lead time for the

initiation of major new product innovations, the length of time necessary to recover capital investment costs, the continuing availability of customers and raw materials, and the size and usefulness of existing plant and buildings are the most frequently mentioned reasons for having a five-year planning horizon. Increasingly, however, these five-year plans are taking the form more of 'scenarios' than the detailed strategic plan outlined in this book.

Many companies, however, do not give sufficient thought to what represents a sensible planning horizon for their particular circumstances. First, a five-year time span is clearly too long for some companies, particularly those with highly versatile machinery operating in volatile fashion-conscious markets. The effect of this is to rob strategic plans of reality. A five-year horizon is often chosen largely because of its universality. Second, some small subsidiaries in large conglomerates are often asked to forecast for 7, 10 and, sometimes, 15 years ahead, with the result that they tend to become meaningless exercises. While it might make sense for, say, a glass manufacturer to produce 12-year plans (or scenarios) because of the very long lead time involved in laying down a new furnace, it does not make sense to impose the same planning timescale on small subsidiaries operating in totally different markets, even though they are in the same group. This places unnecessary burdens on operating management and tends to rob the whole strategic planning process of credibility.

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

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

ORGANIZING FOR MARKETING PLANNING

The purpose of this brief section is not to delve into the complexities of organizational forms, but to put the difficult process of marketing planning into the context of the relevant environment in which it will be taking place. The point is that you start from where you *are*, not from where you would like to be, and it is a fact of business that marketing means different things in different circumstances. It is not our intention here to recommend any one particular organizational form. Rather, it is to point out some of the more obvious organizational issues and their likely effect on the way marketing planning is carried out. As a result of the seemingly permanent debate surrounding organizational forms, one of the authors carried out a research study over a two-year period between 1987 and 1989, taking great care in the process to read the literature on the subject of marketing planning. Despite all the dramatic changes in business life since, a repeat exercise with the blue-chip members of the Cranfield Customer Management Forum 20 years later reached very similar conclusions.

The interesting fact to emerge was that most approaches to the subject concentrated almost exclusively on the 'medicine' itself and showed relatively little concern for the 'patient' (if indeed the company can be viewed as being ill and in need of attention).

That this should happen makes about as much sense as a doctor dispensing the same drug to every patient, irrespective of his or her condition. Certainly, the treatment might help a proportion of the clients, but for a vast number it will be at best irrelevant and, at worst, perhaps even dangerous.

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

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

Since the research study referred to above set out to consider how marketing planning might be introduced more effectively into organizations, let us remember that, like the good doctor, we are going to try to understand more about our patients.

ORGANIZATIONAL LIFE PHASES

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

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

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

The significance of this is that the senior executives can then understand the nature of their company's growing pains and how these might contribute to current operational problems and even to a particular organizational culture.

Moreover, sometimes this culture will be most receptive to marketing planning, at other times less so. Equally, the marketing planning process itself might need to be modified to sit more comfortably within a given corporate culture.

For now, however, let us look at the way companies grow and develop. First, as firms grow in sales, so they tend to go through an organizational evolution. Figure 12.4 shows a firm starting off its existence and growing in turnover over a period of time.

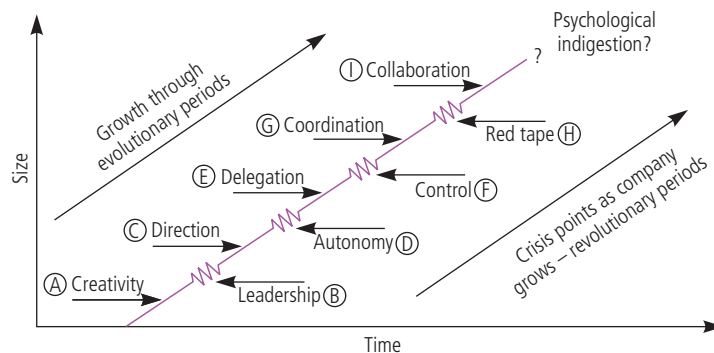


Figure 12.4: Organizational life phases.⁶

When such a firm starts off, it is often organized totally around the owner who tends to know more about customers and products than anyone else in the company.

This organizational form can be represented as in Figure 12.5, with all decisions and lines of communication revolving around one person. The point here is that formalized marketing planning by means of systems and written procedures will certainly be less relevant than in, say, a diversified multinational.

The First Crisis and the Solution

However, as this firm grows in size and complexity, as new products and new markets are added, this organizational form begins to break down and the first crisis appears, which is resolved in one of two ways. Either the owner/entrepreneur sells the business and retires or starts up again, or he or she adopts the more traditional organizational form with which most of us are familiar (Figure 12.6) in which certain functional duties are allocated to individuals to manage by means of their own specialized departments. Some aspects of the work will need

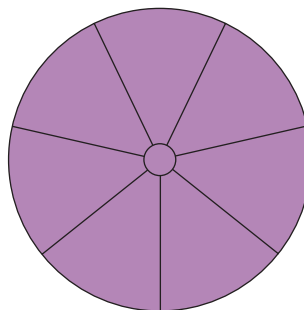


Figure 12.5: Sole owner organizational structure.

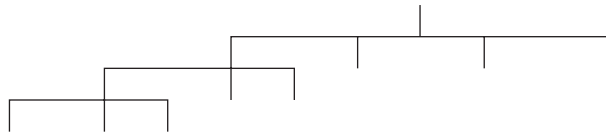


Figure 12.6: Functional organizational structure.

to be delegated and systems and procedures will have to be developed to replace the ad hoc arrangements of the initial phase. Above all, organizational loose ends have to be tidied up and a new sense of purpose and direction instilled in the employees.

Thus, a strong leader is required to bring the company out of the leadership crisis phase and into the next, relatively calm period of directed evolution.

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

The Second Crisis and the Solution

Eventually the company will reach a certain size or complexity at which the directive leadership is no longer so appropriate.

Individuals working in their particular spheres of activity know more than the central authority. Not only do they resent being told what to do by someone they perceive to be 'out of touch', they actually want to have more personal autonomy to influence company policies and operations. The struggle for power at the 'autonomy crisis' can be accompanied by a tightening of central control, which, in turn, exacerbates the problem, causing poor morale and even, perhaps, high staff turnover.

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

The Third Crisis and the Solution

However, as growth continues, senior management become increasingly concerned about the high levels of autonomy lower down the organization. They experience feelings of powerlessness and sense the need to regain control.

This control crisis can be another very destabilizing phase of the company's development. Understandable though the feelings of impotence might be for senior management, it seems to be very difficult to turn the clock back to a directive style again. Too much has happened in the intervening years.

The solution to the control crises seems to be to embark upon a programme for establishing better coordination between the various parts of the organization.

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

The Fourth Crisis and the Solution

With continued growth, there is a tendency for the coordinating practices to become institutionalized, thus planning procedures become ritualized, special projects become meaningless chores and too many decisions seem to be governed by company rules and regulations.

A new crisis point has been reached – the 'bureaucracy' or 'red-tape' crisis. Procedures seem to take precedence over problem solving.

The only solution seems to be for the company to strive towards a new phase of collaboration in which, once again, the contributions of individuals and teams are valued as much, if not more, than systems and procedures.

There has to be a concerted effort to re-energize and re-personalize operating procedures. More emphasis has to be put on teamwork, spontaneity and creativity.

If a company can win through to the collaborative phase of evolution then, again, a period of relatively trouble-free growth can be expected as a reward. However, as we have seen, this pattern of evolutionary growth followed by a crisis appears to be ever-repeating.

Each solution to an organizational development problem brings with it the seeds of the next crisis phase.

The Fifth Crisis?

Thus it is that the collaborative evolutionary crisis will probably end when there is a surfeit of integrating mechanisms and, perhaps, employees begin to lose the ability to function independently.

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

Centralization or Decentralization?

Within this second phase of growth, there are basically two kinds of organization, which can be described as either decentralized or centralized, with several combinations within each extreme.

Looking first at decentralization, it is possible to represent this diagrammatically as in Figure 12.7. The shaded area of the triangle represents the top-level strategic management of the firm. It can be seen from this diagram that the central services, such as market research and public relations, are repeated at the subsidiary company level. It can also be seen that there is a strategic level of management at the subsidiary level, the acid test being whether subsidiary company/unit top management can introduce new products without reference to headquarters.

The point about this kind of decentralized organizational structure is that it leads inevitably to duplication of effort and differentiation of strategies, with all the consequent problems, unless a major effort is made to get some synergy out of the several systems by means of a company-wide planning system.

MARKETING INSIGHT

One telecommunications company had a range of 1,500 products, and one of those products had 1,300 different variations, all of which was the result of a totally decentralized marketing-orientated approach in the subsidiary companies. It was not surprising that any sensible economies of scale in production were virtually impossible, with the result that the company made a substantial loss.

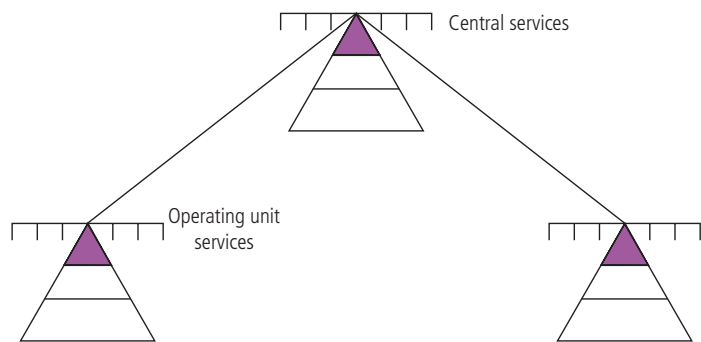


Figure 12.7: Decentralized organization structure.

The same problems apply to marketing research, advertising, pricing, distribution and other business areas. When someone takes the trouble to find out, it is often very salutary to see the reaction of senior managers at headquarters when they are told, for example, that the very same market problem is being researched in many different countries around the world, all at enormous expense.

MARKETING INSIGHT

It is this kind of organizational structure which, above all others, requires strong central coordination by means of some kind of planning system, otherwise everyone wastes enormous amounts of corporate resources striving to maximize their own small part of the business.

If, however, some system can be found of gaining synergy from all the energy expended, then the rewards are great indeed. The point is that marketing in this kind of system means something different from marketing in other kinds of system, and it is as well to recognize this from the outset.

A centrally controlled company tends to look as depicted in Figure 12.8. Here it will be seen that there is no *strategic* level of management in the subsidiary units, particularly in respect of new product introductions. This kind of organizational form tends to lead to standardized strategies, particularly in respect of product management. For example, when a new product is introduced, it tends to be designed at the outset with as many markets as possible in mind, while the benefits from market research in one area are passed on to other areas, and so on.

The problem here, of course, is that unless great care is exercised, subsidiary units can easily become less sensitive to the needs of individual markets, and hence lose flexibility in reacting to competitive moves.

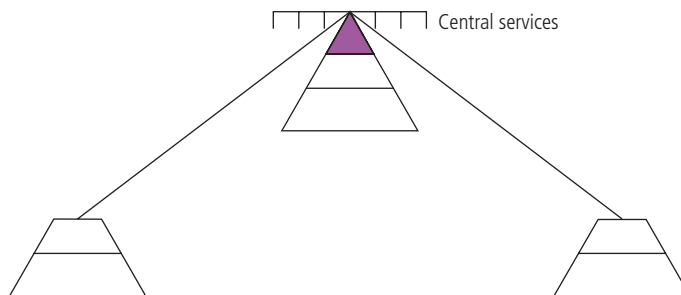


Figure 12.8: A centrally-controlled organization structure.

The point here, again, is that marketing in this kind of system means something different from marketing in the kind of system described above.

There is a difference between financial manipulation and business management in respect of the headquarters role. There is a difference between a corporation and its individual components, and often there is confusion about what kind of planning should be done by managers at varying levels in the organization, such confusion arising because the chief executive has not made it clear what kind of business is being managed.

We have looked briefly at two principal organizational forms, both of which consist essentially of a central office and various decentralized divisions, each with its own unique products, processes and markets which complement the others in the group. In enterprises of this type, planning within the divisions applies to the exploration of markets and improved efficiency within the boundaries laid down by headquarters. The problems and opportunities that this method throws up tend to make the headquarters role one of classifying the boundaries for the enterprise as a whole, in relation to new products and markets that do not appear to fall within the scope of one of the divisions.

In this type of organization, the managers of affiliated companies are normally required to produce the level of profit set by headquarters management within the constraints imposed on them, and such companies need to institutionalize this process by providing a formal structure of ideas and systems so that operating management know what they are expected to do and whether they are doing the essential things.

The point about these kinds of organization seems to be that some method has to be found of planning and controlling the growth of the business in order to utilize effectively the evolving skills and growing reputation of the firm, and so avoid an uncontrolled dissipation of energy.

It is probably easier to do this in a centrally organized firm, but, as we have pointed out, both organizational forms have their disadvantages.

Finally, the *financial trust* type of organization needs to be mentioned briefly, in which the primary concern of central management is the investment of shareholders' capital in various businesses. The buying and selling of interests in various firms is done for appreciation of capital rather than for building an enterprise with any logic of its own. Planning in this type of operation requires different knowledge and skills, and addresses itself to kinds of problems that are different from those in the two organizational forms described above.

Organizing for Marketing at Board Level

Before going on to describe marketing planning systems, there are two further points worth making briefly about organizing for marketing.

The first is that where marketing and sales are separated at board level, marketing planning is going to be a very different kind of activity from a situation in which both functions are coordinated at board level.

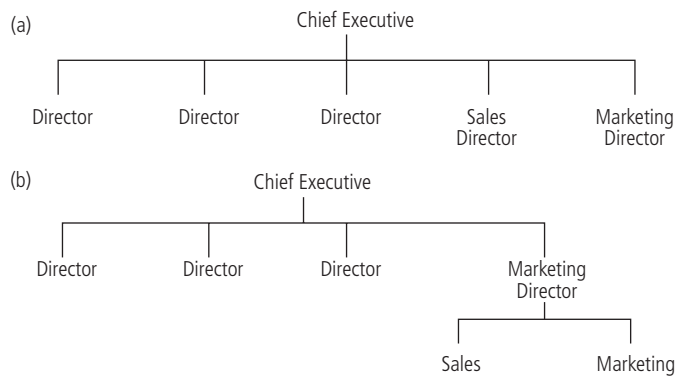


Figure 12.9: Sales and marketing separated and combined.

Figure 12.9 illustrates these two different situations.

In the first of these organizational forms, marketing is very much a staff activity, with the real power vested in the sales organization. While a strong chief executive can ensure that the two activities are sensibly coordinated, unfortunately this rarely happens effectively because he or she is often too busy with production, distribution, personnel and financial issues to devote enough time to sales and marketing. The point here is that a sales force is quite correctly concerned with today's products, problems, customers, and so on, while a marketing manager needs to be thinking about the future. The sales force is also quite correctly concerned mainly with individual products, problems and customers, while a marketing manager needs to be thinking about groups of products and customers (portfolio management and market segmentation).

The two jobs are closely connected, but fundamentally different, and great care is necessary to ensure that what the marketing department is planning is the same as what the sales force is actually doing in the field. All too often they are not.

The second kind of organizational form tends to make it easier to ensure a sensible coordination between planning and doing.

The second and final point about marketing organizational forms is that there are a number of issues that all firms have to address.

These are:

- functions (such as advertising, market research, pricing, etc.)
- products
- markets
- geographical locations
- channels.

Of these, most firms would readily agree that, in most cases, the two main issues are products and markets, which is why many companies have what are called 'product managers' and/or 'market managers'.

There can be no right or wrong answer to the question of which of these is the better, and common sense will dictate that it is market circumstances alone that will determine which is most appropriate for any one company.

Each has its strengths and weaknesses. A product manager-orientated system will ensure good strong product orientation, but can also easily lead to superficial market knowledge.

MARKETING INSIGHT

Many a company has been caught out by subtle changes in their several markets causing a product to become practically redundant. In consumer goods, for example, many companies are beginning to admit that their rigid product/brand management system has allowed their major customers to take the initiative, and many are now changing belatedly to a system where the focus of marketing activity revolves around major customer/market groups rather than individual products.

On the other hand, a market manager-orientated system can easily result in poor overall product development.

Ideally, therefore, whatever organizational form is adopted, the two central issues of products and markets constantly need to be addressed. This conundrum can be summarized in the following brief case study.

Northern Sealants Limited manufactures a range of adhesives that fall into two main categories: seals and sealants. The company supplies these products to a large number of markets. However, the main users come under four industry headings: gas, oil and petrochemical refineries; automotive; electrical; and OEM. *Advise how the marketing function should be organized.*

Figure 12.10 illustrates this case diagrammatically in what is often referred to as a matrix organization. Figure 12.11 puts this structure into the context of this particular company. Here, it will be seen that, organizationally, Northern Sealants has both a product management and a market management structure. The basic role of the product manager is to ensure that the aspects of the product are properly managed, while the role of the market manager is to pay particular attention to the needs of the market. Close liaison between the two is obviously necessary and a basic principle of this kind of organization is that ultimate authority for the final decision must be vested in either one or the other. Even when this is done, however, communications can still be difficult, and great care is necessary to ensure that vested interests are not allowed to dominate the real product/market issues.

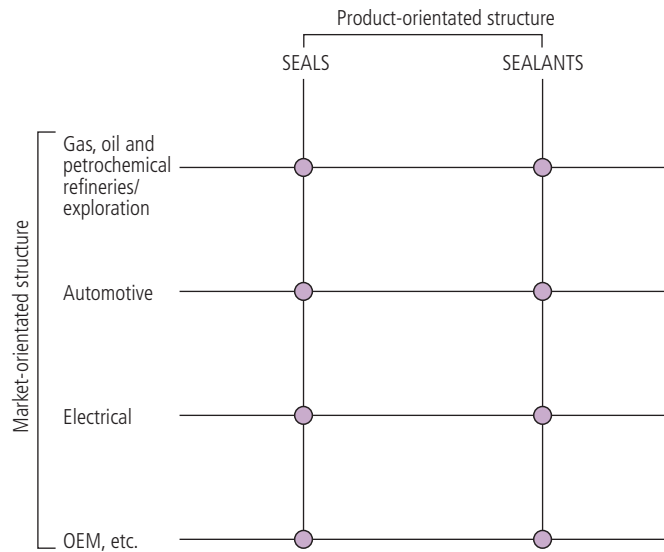


Figure 12.10: The product market range of Northern Sealants.

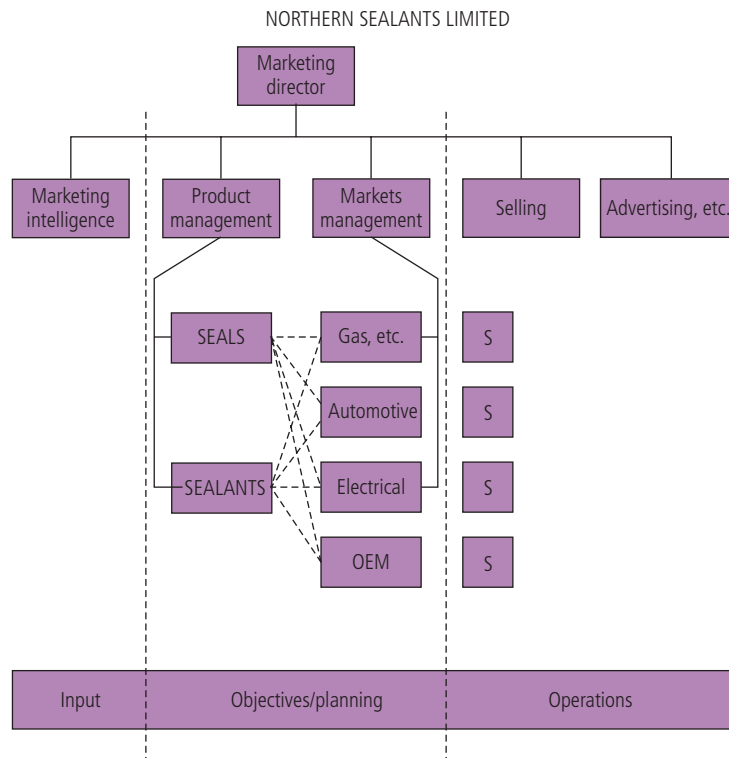


Figure 12.11: The organization structure of Northern Sealants.

Organizing for Marketing Planning at the Operational Level

In our experience, the very best marketing plans emerge from an inclusive process. Fundamentally, marketing planning is simply a process, with a set of underlying tools and techniques, for understanding markets and for quantifying the present and future value required by the different groups of customers within these markets – what marketers refer to as segments. It is a strictly specialist function, just like accountancy or engineering, which is proscribed, researched, developed and examined by professional bodies such as the Chartered Institute of Marketing in Europe and Asia and the American Marketing Association in the USA. Sometimes customer-facing activities such as customer service, selling, product development and public relations are controlled by the marketing function, but often they are not, even though many of them are included in the academic marketing curriculum.

In the model in Figure 12.12, representatives from appropriate functions are members of marketing planning teams, with the main body of work being done by the marketing representative who has the professional skills to accomplish the more technical tasks of data and information gathering and market analysis. The team might also include a representative from product development, brand managers, key account managers, and so on, depending on circumstances.

The advantages of this approach are as follows:

- 1. Any plans emerging are based on a deep understanding of the organization’s asset base and capabilities.
- 2. Members of the team ‘own’ the plan, thus preventing implementation problems later on.
- 3. The marketing director, or whoever is responsible to the board for integrating and coordinating all the plans emanating from this process, can be sure that he or she is not foisting unwanted plans onto reluctant functional heads.
- 4. Any strategic functional plans, such as IT, logistics, purchasing, R&D, and so on, will be genuinely market driven or customer needs driven rather than production driven.
- 5. Any business or corporate plans that emerge at a higher level will also be market driven.

But this is not how most organizations plan for creating superior value. Too often marketing plans emerge from a marketing ‘department’ and are developed in isolation and largely ignored by the power brokers.

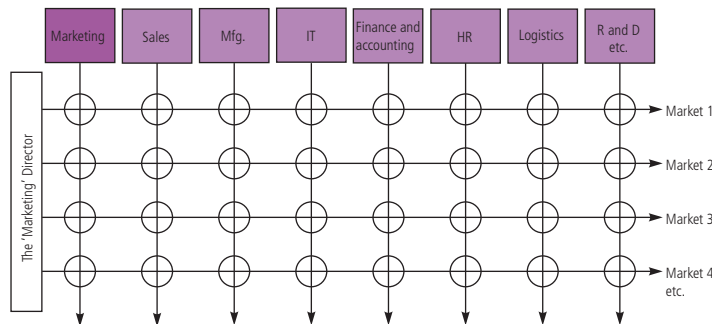


Figure 12.12: Organizing for marketing planning.

To summarize, no one particular organizational form can be recommended, common sense and market needs being the final arbiters. However, the following factors *always* need to be considered:

- marketing ‘centres of gravity’
- interface areas (e.g. present/future; salespeople/drawing office; etc.)
- authority and responsibility
- ease of communication
- coordination
- flexibility
- human factors.

Wherever practicable, however, it appears to be sensible to try to organize around customer groups, or markets, rather than around products, functions or geography. Increasingly, firms are organizing themselves around customers or around processes, such as product development. Quite a large ‘industry’, known as Business Process Redesign (BPR), has grown up around this issue. The Cranfield/Chartered Institute of Marketing research study into the future of marketing has clearly demonstrated that the world’s leading companies now organize themselves around customer groups and processes rather than around products. Computer firms, such as AT&T, for example, organize around end-use markets and appoint multidisciplinary teams to focus their attention on their specific needs. The result is personnel, accounting, production, distribution and sales policies that are tailored specifically to a unique set of market needs.

While this team-building approach has gone a long way towards overcoming this kind of organizational barrier, of much more importance is to get the task of defining strategic business units (SBUs) right. Let us repeat the definition of an SBU:

The world’s leading companies now organize themselves around customer groups and processes rather than around products.

A strategic business unit:

- will have common segments and competitors for most of its products
- is a competitor in an external market
- is a discrete, separate and identifiable unit
- will have a manager who has control over most of the areas critical to success.

But SBUs are not necessarily the same as operating units, and the definition can, and should, be applied all the way down to a particular product, or customer, or group of products or customers, and it is here that the main marketing planning task lies.

What is certain is that one of the major determinants of the effectiveness of any marketing planning which is attempted within a company will be the way that it organizes for marketing. The purpose of this section has been to point out some of the more obvious facts and pitfalls before attempting to outline a marketing planning system, to which we can turn in the final chapter.

THE MARKETING PLANNING PROCESS AND CORPORATE CULTURE

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

Creative Evolution Phase

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

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

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

Directed Evolution

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

The first type we have referred to as 'Directed Marketing Planning Type 1'. Here, the senior executive took responsibility or delegated the task of producing a marketing plan. This person would then spend time analysing data, performing a situational review, and so on, until he or she finished up with a document. Generally, an approving mechanism was built into the process. For example, the board of directors would have to vet the marketing plan before it could be issued, but by and large thereafter the plan acts as a directive for the organization.

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

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

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

Delegated Evolution

As a solution to the autonomy crisis, which can develop when directive leadership becomes inappropriate, more delegation becomes an operational feature of organizations.

What seemed to be a problem for marketing planning in these companies was that people in the 'front line', or operating units, of large companies were expected to produce marketing plans, but without very much guidance.

MARKETING INSIGHT

For example, one company had to send its marketing plans to head office, where they were rigorously examined and then given the corporate thumbs up or down. Only through a process of acceptance or dismissal were the criteria for 'good' plans eventually pieced together.

Our conclusion was that a delegated form of marketing planning can lead to some very high quality inputs and certainly to high levels of commitment on behalf of those involved. Yet, ultimately, the solely bottom-up planning procedures seem to be difficult to integrate and can be demotivating to those involved. Somehow, the sum of the parts is less in stature than it ought to be.

Coordinated Evolution

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

Equally, a coordinated approach enables the company to make best use of its specialized resources and to generate commitment from the staff.

In many ways, the marketing planning processes which are the stuff of textbooks, and so on, appear to be most suited for a company at this stage of its development.

However, as we have seen, it is possible for the planning process to degenerate from essentially a problem-solving process into a fairly meaningless, bureaucratic ritual. It is at this stage that the planning process will become counterproductive.

Collaborative Evolution

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

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

CONCLUSIONS

We have shown how the acceptance of marketing planning is largely conditioned by the stage of development of the organization and the corporate culture. Thus it is that different modes of marketing planning become more appropriate at different phases of the company's life.

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

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

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

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

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

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

HOW THE MARKETING PLANNING PROCESS WORKS

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

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

It has been suggested that each manager in the organization should complete an audit and SWOT analysis on their own area of responsibility. The only way that this can work in practice is by means of a *hierarchy* of audits. The principle is simply demonstrated in Figure 12.13.

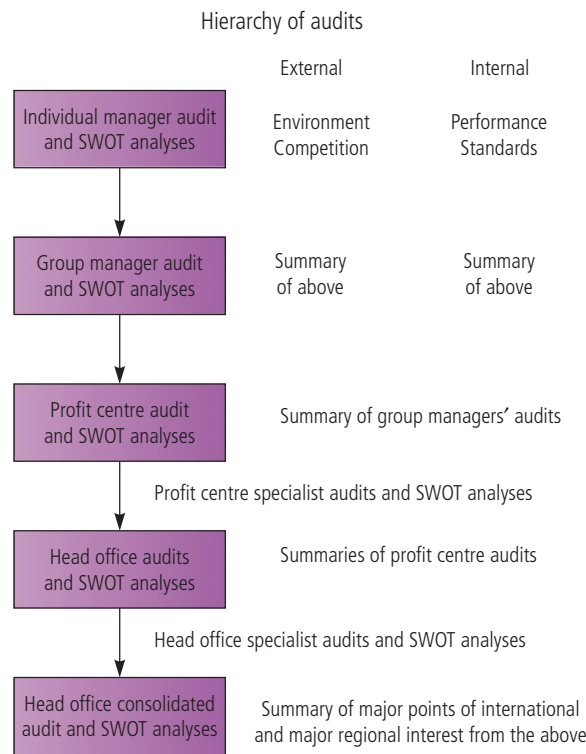


Figure 12.13: A hierarchy of audits.

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

In the case of an industrial lubricants company, under an assessment of the market environment, information and commentary were required on capital investment schemes, foreign investments, economic growth rates, health and safety regulations (clearly important in this market), inflation rates, tariff protection, and so on together with an assessment of their effect on the lubricants market.

Under the heading 'market', key product groups and key market sectors were defined (in this case the British Standard Industrial Classification System was used). It was left to each subsidiary to specify what the particular key industries were in their particular territories. Data sheets were provided for this purpose.

In the case of the competitive and the internal audit, each operating unit was merely asked to provide, for each major product, its strengths and weaknesses and those of competitive products; likewise for opportunities and threats. To assist with this process, a checklist was provided which included, inter alia, international approvals from original equipment manufacturers, compliance with health and safety regulations, and so on. Some data sheets were provided for market share analysis by key industry, pricing against competitive products, and so on.

At each operating level, this kind of information can be gathered by means of the hierarchy of audits illustrated in Figure 12.13 with each manager completing an audit for his or her area of accountability. While the overall format can be universal for a large and diversified group, uniformity is only necessary for units engaged in like activities. The advantages which accrue to the several headquarters levels are substantial in terms of measuring worldwide potential for products and market segments. Without such an information-collecting vehicle, it is difficult to formulate any overall strategic view.

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

Since, in anything but the smallest of undiversified companies, it is not possible for top management to set detailed objectives for operating units, it is suggested that at this stage in the planning process, strategic guidelines should be issued. One way of doing this is in the form of a strategic planning letter. Another is by means of a personal briefing by the chief executive at 'kick-off' meetings. As in the case of the audit, these guidelines would proceed from the broad to the specific, and would become more detailed as they progressed through the company towards operating units. Table 12.1 contains a list of the headings under which strategic guidelines could be set.

Under marketing, for example, at the highest level in a large group, top management may ask for particular attention to be paid to issues such as the technical impact of microprocessors on electro-mechanical component equipment, leadership and innovation strategies, vulnerability to attack from the flood of products from countries such as India, China and Korea, and so on. At operating company level, it is possible to be more explicit about target markets, product development, and the like.

It is important to remember that it is top management's responsibility to determine the strategic direction of the company, and to decide such issues as when businesses are to be managed for cash, where to invest heavily in product development or market extension for longer-term gains,

Financial Remittances <ul style="list-style-type: none">• dividends• royalties Gross margin % Operating profit Return on capital employed Debtors Creditors Bank borrowings Investments Capital expenditure Cash flow controls	Operations Land Buildings Plant Modifications Maintenance Systems Raw materials supplies Purchasing Distribution: <ul style="list-style-type: none">• stock and control• transportation• warehousing
Manpower and organization Management Training Industrial relations Organization Remuneration and pensions	Marketing Target markets Market segments Brands Volumes Market shares Pricing Image Promotion Market research Quality control Customer service

Table 12.1: Chief executive's strategic planning letter (possible areas for which objective and strategies or strategic guidelines will be set).

and so on. If this is left to operating managers to decide for themselves, they will tend to opt for actions concerned principally with today's products and markets, because that is what they are judged on principally. There is also the problem of their inability to appreciate the larger, company-wide position.

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

In a very large company without any procedures for managing this process, it is not difficult to see how control can be weakened and how vulnerability to rapid changes in the business environment around the world can be increased. This interdependence between the top-down/bottom-up process is illustrated in Figures 12.14 and 12.15, which show a similar hierarchy in respect of objective and strategy setting to that illustrated in respect of audits.

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

Figure 12.16 is another way of illustrating the total corporate strategic and planning process. (This was first shown in Chapter 2.) This time, however, a time element is added, and the relationship between strategic planning letters, long-term corporate plans and short-term operational plans is clarified. It is important to note that there are two 'open loop' points on this last diagram. These are the key times in the planning process when a subordinate's views and findings should be subjected to the closest examination by a superior.

It is by taking these opportunities that marketing planning can be transformed into the critical and creative process it is supposed to be, rather than the dull, repetitive ritual it so often turns out to be.



Figure 12.14: Interdependence of strategic and operational planning.

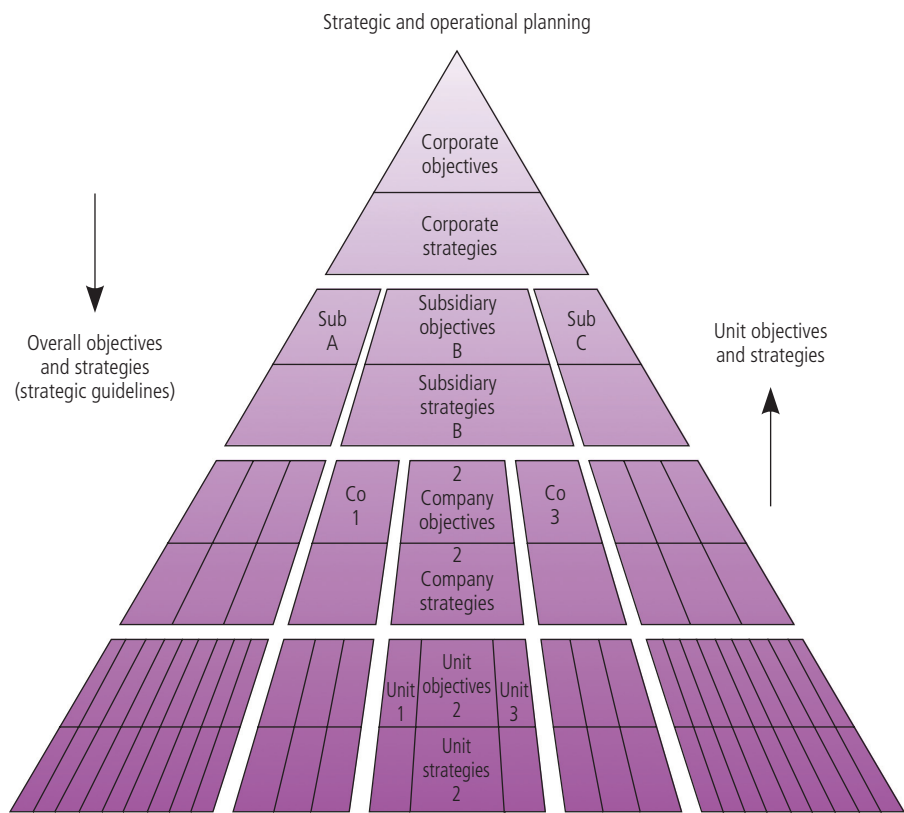


Figure 12.15: The interdependence of top-down/bottom-up planning.

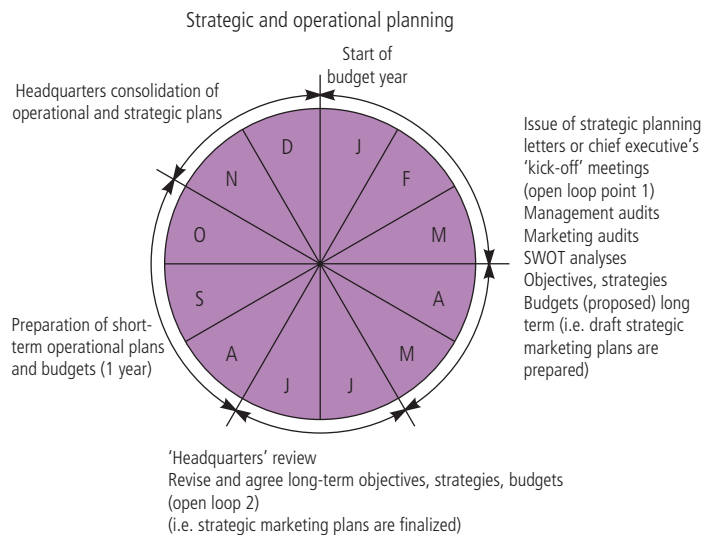


Figure 12.16: A planning timetable.

These figures should be seen as one group of illustrations showing how the marketing planning process fits into the wider context of corporate planning.

Final Thought

In conclusion, we must stress that there can be no such thing as an off-the-peg marketing planning system.

Nonetheless, both our research and our experience have indicated that marketing planning remains one of the last bastions of management ignorance, largely because of the complexity of the process and its organizational, political and cultural implications.

It is for these reasons, and because so many of the readers of the previous edition of this book asked for one, that we added a final chapter which contains both a very brief summary of the main points described in the book and a simple, step-by-step system which can become the basis of your own planning procedures. The system provided has been used successfully in businesses ranging from big international business-to-business companies to small domestic service organizations.

In the end, marketing planning success comes from an endless willingness to learn and to adapt the system to your people and your own circumstances. It also comes from a deep understanding about the nature of marketing planning, which is something that in the final analysis cannot be taught.

Success comes from *experience*. Experience comes from making mistakes. We can minimize these if we *combine common sense* and *sweet reasonableness* with the models provided in this book. But be sure of one thing, above all else. By themselves, the models will not work. However, if you read this book carefully and use the models sensibly, marketing planning becomes one of the most powerful tools available to a business today.

We wish you every success in your endeavours.

TEN BARRIERS TO MARKETING PLANNING

This book has described a number of barriers to effective marketing planning. The ten principal barriers are:

1. Confusion between marketing tactics and strategy.
2. Isolating the marketing function from operations.
3. Confusion between the marketing function and the marketing concept.
4. Organizational barriers – the tribal mentality, for example, the failure to define strategic business units (SBUs) correctly.
5. Lack of in-depth analysis.
6. Confusion between process and output.
7. Lack of knowledge and skills.

8. Lack of a systematic approach to marketing planning.
9. Failure to prioritize objectives.
10. Hostile corporate cultures.

The '10S' Approach to Overcoming these Barriers

Figure 12.17 summarizes the '10S' approach developed by the authors to overcome each of these barriers. The sections which follow elaborate briefly on each of the '10Ss'. Ten fundamental principles of marketing planning are provided.

Marketing planning – Principle 1. Strategy before tactics

Develop the strategic marketing plan first. This entails greater emphasis on scanning the external environment, the early identification of forces emanating from it, and developing appropriate strategic responses, involving all levels of management in the process.

A strategic plan should cover a period of between three and five years, and only when this has been developed and agreed should the one-year operational marketing plan be developed.

Never write the one-year plan first and extrapolate it.

Marketing planning – Principle 2. Situate marketing within operations

For the purpose of marketing planning, put marketing as close as possible to the customer. Where practicable, have both marketing and sales report to the same person, who should not normally be the chief executive officer.

Marketing planning – Principle 3. Shared values about marketing

Marketing is a management process whereby the resources of the whole organization are utilized to satisfy the needs of selected customer groups in order to achieve the objectives of both parties. Marketing, then, is first and foremost an attitude of mind rather than a series of functional activities confined to the marketing department. However, use the expression 'market led' or 'customer driven' to describe the philosophy, *not* 'marketing driven'.

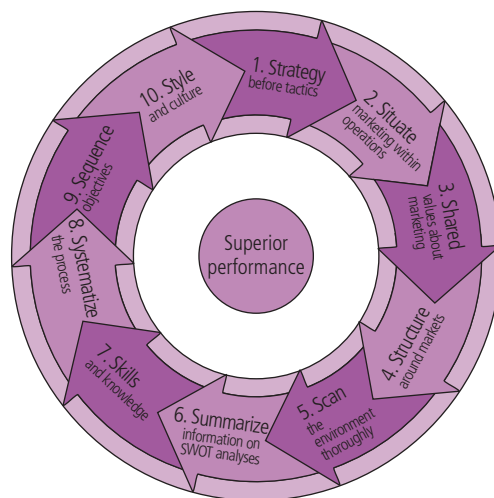


Figure 12.17: Marketing planning for competitive strategy.

Marketing planning – Principle 4. Structure around markets

Organize company activities around customer groups if possible rather than around products or functional activities and get marketing planning done in these strategic business units. Without excellent marketing planning in SBUs, corporate marketing planning will be of limited value.

Marketing planning – Principle 5. Scan the environment thoroughly

For an effective marketing audit to take place:

- Checklists of questions customized according to level in the organization should be agreed.
- These should form the basis of the organization's MIS.
- The marketing audit should be a *required* activity.
- Managers should not be allowed to hide behind vague terms like 'poor economic conditions'.
- Managers should be encouraged to incorporate the tools of marketing in their audits, e.g. product lifecycles, portfolios, and so on.

Marketing planning – Principle 6. Summarize information in SWOT analyses

Information is the foundation on which a marketing plan is built. From information (internal and external) comes intelligence.

Intelligence describes the *marketing plan*, which is the intellectualization of how managers perceive their own position in their markets relative to their competitors (with competitive advantage accurately defined – e.g. cost leader, differentiation, niche), what objectives they want to achieve over some designated period of time, how they intend to achieve their objectives (strategies), what resources are required, and with what results (budget).

A 'SWOT' should:

- be focused on each specific segment of crucial importance to the organization's future
- be a summary emanating from the marketing audit
- be brief, interesting and concise
- focus on *key* factors only
- list *differential* strengths and weaknesses vis-à-vis competitors, focusing on competitive advantage
- list *key* external opportunities and threats only
- identify and pin down the real issues – it should not be a list of unrelated points
- enable the reader to grasp instantly the main thrust of the business, even to the point of being able to write marketing objectives
- follow the implied question 'which means that . . . ?' to get the real implications
- not over-abbreviate.

Marketing planning – Principle 7. Skills and knowledge

Ensure that all those responsible for marketing in SBUs have the necessary marketing knowledge and skills for the job. In particular, ensure that they understand and know how to use the more important tools of marketing, such as:

1. Information
 - how to get it
 - how to use it.
2. Positioning
 - market segmentation
 - Ansoff
 - Porter.

- 3. Product lifecycle analysis
 - gap analysis.
- 4. Portfolio management
 - BCG matrix
 - directional policy matrix.
- 5. The 4Ps management
 - product
 - price
 - place
 - promotion.

Additionally, marketing personnel require communications and interpersonal skills.

Marketing planning – Principle 8. Systematize the process

It is essential in complex organizations to have a set of written procedures and a well-argued common format for marketing planning. The purposes of such a system are:

- 1. To ensure that all key issues are systematically considered.
- 2. To pull together the essential elements of the strategic planning of each SBU in a consistent manner.
- 3. To help corporate management to compare diverse businesses and to understand the overall condition of, and prospects for, the organization.

Marketing planning – Principle 9. Sequence objectives

Ensure that all objectives are prioritized according to their impact on the organization and their urgency and that resources are allocated accordingly.

A suggested method for prioritization is given in Figure 12.18.

Marketing planning – Principle 10. Style and culture

Marketing planning will not be effective without the active support and participation of the culture leaders. But, even with their support, the type of marketing planning has to be appropriate for the phase of the organizational lifeline. This phase should be measured before attempting to introduce marketing planning.

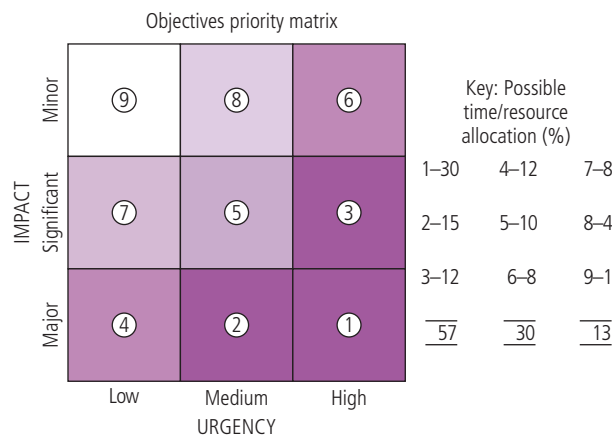


Figure 12.18: Objectives priority matrix.

APPLICATION QUESTIONS

1. Does the principle of hierarchies of audits, SWOTs, objectives, strategies and programmes apply in your company? If not, describe how they are handled.
2. If it does, describe in what ways it differs from the principles outlined here.
3. Design a simple system for your company, or describe in what ways your existing system could be improved.

CHAPTER 12 REVIEW

Conditions that must be satisfied

1. Any closed-loop planning system, especially if it is based just on forecasting and budgeting, will deaden any creative response and will eventually lead to failure.
2. Marketing planning which is not integrated with other functional areas of the business at general management level will be largely ineffective.
3. The separation of operational and strategic marketing planning will lead to divergent plans, with the short-term viewpoint winning because it achieves quick results.
4. The chief executive must take an active role.
5. It can take three years to introduce marketing planning successfully.

Try Exercises 12.1 and 12.2

Ten principles of marketing planning

1. Develop the strategic plan first; the operational plan comes out of this.
2. Put marketing as close as possible to the customer and have marketing and sales under one person.
3. Marketing is an attitude of mind, not a set of procedures.
4. Organize activities around customer groups, not functional activities.
5. A marketing audit must be rigorous. No vague terms should be allowed, and nothing should be hidden. Managers should use tools like portfolio analysis and product lifecycle.
6. SWOT analyses should be focused on segments that are critical to the business; concentrate only on key factors which lead to objectives.
7. People must be educated about the planning process.
8. There has to be a plan for planning.
9. All objectives should be prioritized in terms of their urgency and impact.
10. Marketing planning needs the active support of the chief executive and must be appropriate for the culture.

Planning horizon

There is a natural point of focus in the future beyond which it is pointless to plan for. This can differ from firm to firm, depending on its business. Generally, small firms can use shorter horizons, because they are flexible, to adjust to change. Large firms need longer horizons.

Planning paradox

Companies often set out to achieve the impossible. It is not unknown to see planning objectives which seek to:

- maximize sales
- minimize costs

- increase market share
- maximize profits.

Not only are these incompatible, but they damage the credibility of the managers who subscribe to such commitments.

Organizational barriers

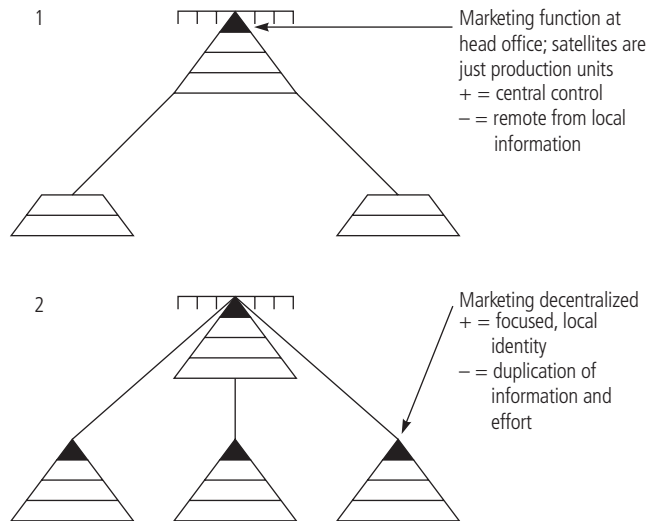
A number of potential barriers exist:

1. *Cognitive* – not knowing enough about marketing planning.
2. *Cultural* – the company culture is not sufficiently developed for marketing planning.
3. *Political* – the culture carriers feel threatened by marketing.
4. *Resources* – not enough resources are allocated to marketing.
5. *Structural* – lack of a plan and organization for planning.
6. *Lack of a good management information system.*

Try Exercise 12.3

Centralization versus decentralization

For multi-unit/international organizations there are two possibilities.



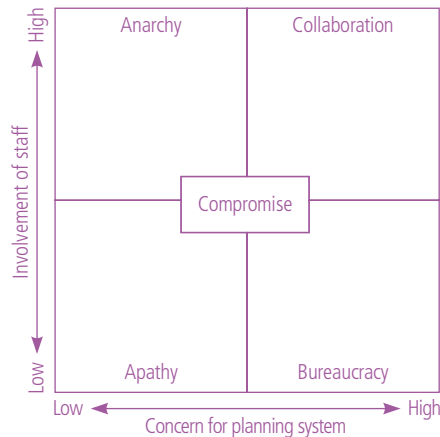
Choose an approach where the advantages outweigh the disadvantages.

Try Exercise 12.4

Questions raised for the company

1. Q: What influences whether research is carried out internally or by external consultants?
A: There can be a number of factors – speed, timing, cost, nature of the research problem, skill requirements, the need for anonymity or objectivity, access of information, etc. Each decision must be taken on its merits.
2. Q: What criteria should be used to assess external researchers?
A: Again, there are a number of issues to consider.

- (a) Reputation – in general, in the industry, for particular types of research, etc.
 - (b) Capability and experience – how long established, quality and qualifications of staff, number of staff, repeat business, recommendations and references, etc.
 - (c) Organization – size, links with sources of information, premises, location, geographical coverage, full-time or part-time interviewers, terms of business, etc.
3. Q: Are there different approaches to marketing planning?
A: We believe there are. Please see the following diagram.



The most successful marketing plans are collaborative. Here, relevant executives take part in the process in a caring way, and at the same time planning is done rigorously.

EXERCISES

As the brief notes have indicated, there are a number of conditions to be met if the marketing planning process is not to become a sterile, closed-loop system. The ten principles of marketing planning listed in the notes go a considerable way to ensuring that the process does not degenerate into a ritualized 'numbers game'. However, there are still some problematical issues to be addressed.

Exercise 12.1 looks at the theory issue of how formalized the planning process should be, and how to take the correct steps to get close to the ideal system for your company.

Exercise 12.2 examines how to set up a timetable for planning. This is particularly useful in getting all contributors to the marketing plan working in unison, and coming up with the necessary information at the appropriate time.

In these exercises, you will focus on the marketing planning system best suited to your company.

By way of consolidating all of your work through this book, you will design an appropriate planning system and lay down the 'ground rules' for its implementation.

(Continued)

Selecting the appropriate approach

Exercise 12.1 Designing the marketing planning system

Figure 12.19 shows how the degree of formalization of the marketing planning process relates to company size and the diversity of its operations.

1. Select a position on this figure which best describes your company’s situation.
2. In the space below, write down a few key words or sentences that would best describe the marketing planning system you would need for your company, e.g. high formaliza-
tion, etc.

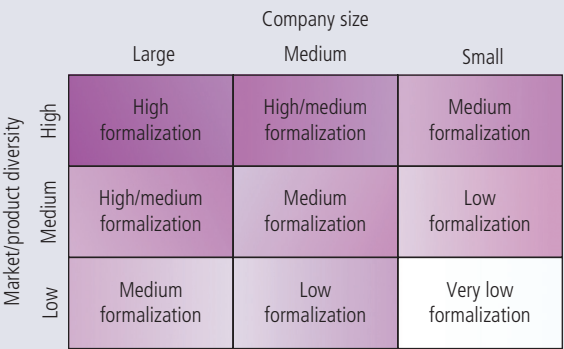


Figure 12.19: Marketing planning.

Identifying the improvement areas

1. Imagine that it is possible to measure the efficiency of a marketing planning system on a scale of 0–100, where 100 is equivalent to a 100 per cent efficiency, i.e. the system works well and conforms with your model. How would you rate the current approach to marketing planning in your company? To what extent does it match up with your ideal?
2. Enter your score into Figure 12.20, drawing a horizontal line as shown.

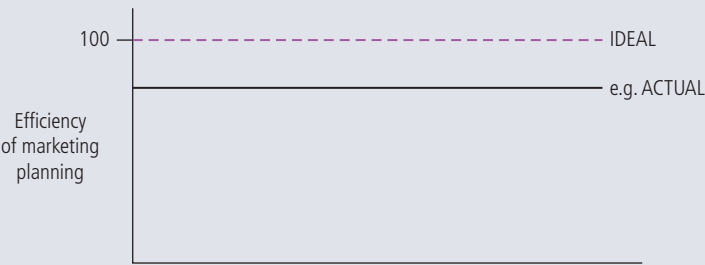


Figure 12.20: Efficiency of marketing plannings ideal and actual.

The difference between your score line and the ideal must represent where there is room for improvement.

Transfer your score line to the worksheet, the force field diagram, then complete the worksheet by following the instructions given below.

Worksheet Force field diagram (1) (Exercise 12.1)



- Identify all those factors that have 'pushed' your actual efficiency line below the ideal. Add them to the worksheet, showing them as actual forces pushing down. If you can, represent the biggest forces with longer arrows, as shown in Figure 12.21. You will probably have more than three factors, so list as many as you can. Remember, you should be noting only those that affect the marketing planning system, not the company's general approach to marketing. We will call these downward forces 'restraining forces', because they are acting against improvement.

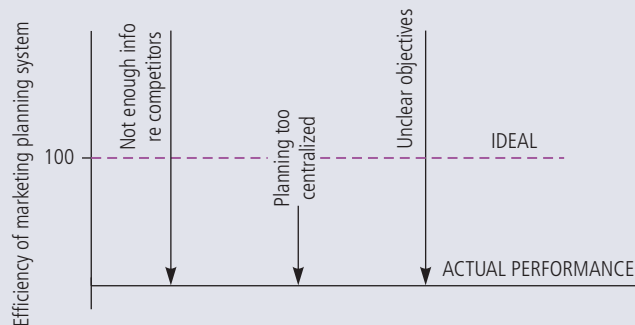


Figure 12.21: Force field diagram (2).

- Now ask yourself, why isn't the actual performance line you have drawn lower than it is? The reason is, of course, that there are several parts of the system that work well, or there are other strengths in your company. Identify these positive forces and add them to the worksheet, as shown in Figure 12.22, again relating the arrow size approximately to the influence of each factor.

Again, the factors shown above are only examples. You will identify many more. We call these 'driving forces' because they are pushing towards improvement.

(Continued)

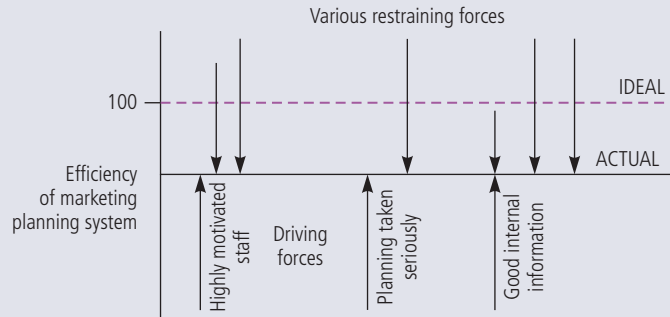


Figure 12.22: Force field diagram (3).

5. The worksheet should now be complete, showing the two sets of forces lined up against each other. What next? Well, it might have struck you that what you have assembled is somewhat analogous to a ship at sea. Your ship (the marketing planning system) is wallowing below its ideal level in the water but is prevented from sinking by buoyant forces (driving forces). To restore the ship to its correct level, it would be natural to remove or jettison some of the cargo (the restraining forces), not to try to get out and push from below. As it is for the ship, so it is for your marketing planning system, therefore:
 - a) Select the major restraining forces and work out ways that you can reduce their impact, or preferably eliminate them altogether. These will be the source of the greatest improvements, but some remedies might need time to take effect.
 - b) So, concurrently, select minor restraining forces and plan to eliminate them also. Although their impact on improvement might be less, you will probably find they respond more quickly to treatment.
 - c) Finally, select the smallest driving forces and work out if there are any ways to increase their impact.
6. Assemble your various responses to 5(a), (b) and (c) together into a comprehensive improvement plan, then take steps to get it accepted and acted upon.

Put most of your energy into removing the restraining factors. To focus on the major driving forces, for example, trying to make highly motivated staff even more motivated, is likely to be counterproductive.

Force field analysis theory

The force field analysis, upon which much of designing a system is based, stems from the work of Kurt Lewin (*Field Theory in Social Science*, Harper, 1951). His reasoning, adapted to the programme situation, operates thus:

1. If a company's marketing system is functioning well, then the company could be said to have no problems. Diagrammatically, the efficiency level could be shown at something approaching 100 per cent. See Figure 12.23.



Figure 12.23: Force field diagram (4).

2. Few companies reach this happy state of affairs. Without resorting to precise measurement (a consensus of views is generally enough), most companies would 'score' their planning system somewhat lower, as shown in Figure 12.24.

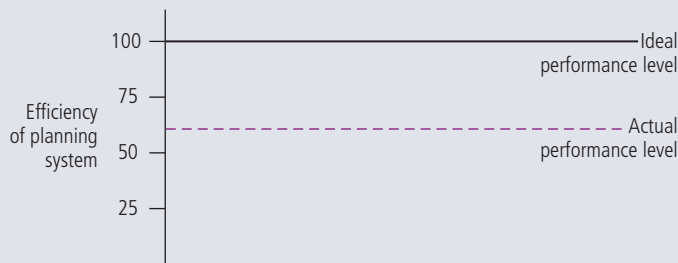


Figure 12.24: Force field diagram (5).

3. Wherever the 'actual' line is drawn, it poses two interesting questions upon which the subsequent analysis hinges, namely:
- What causes the performance level to be where it is?
 - Why doesn't it fall any lower?
4. Clearly the answer to 3(a) is that things are going wrong in the system; that there are missing or malfunctioning areas. Until these are put right, there will always be a drag on the efficiency, holding it down. These negative forces are termed *restraining forces*, because they are restraining improvement.
5. Similarly, the reason that efficiency doesn't drop lower than has been shown is that there must be several parts of the planning system that work quite well. There are many strengths in the system. These positive factors are termed *driving forces*, because they are the forces pushing towards better efficiency.
6. In Figure 12.13, for the efficiency of the planning system to be below the ideal level, then the restraining forces must be greater than the driving forces.
7. Let us take a simple illustration. We are driving a car and it is going more slowly than it ought to because the brakes are rubbing (restraining force). If we want to resume driving at normal speed then we have two courses of action open to us:
- we can put our foot down on the accelerator (increase the driving force)
 - we can free the brakes (remove the restraining force).

(Continued)

We can see that by putting our foot down all sorts of troubles are likely to materialize. Unless something is done to free the brakes, then probably they would overheat, perhaps catch fire or jam up completely.

8. A similar overheating could take place in the company's marketing planning system unless it is tackled properly. To get lasting improvements, it will be important to identify all the restraining and driving forces. Indeed, many of the earlier exercises were designed to do just this. Using this information, it will be important to *plan how to reduce or remove the restraining forces and, only when that is done, consider how to plan to boost the driving forces.*
9. Figure 12.25 is an example of how a finished force field diagram might look, although most people will have identified several more factors than shown here. Many of the factors identified by you ought to be unique to your company.

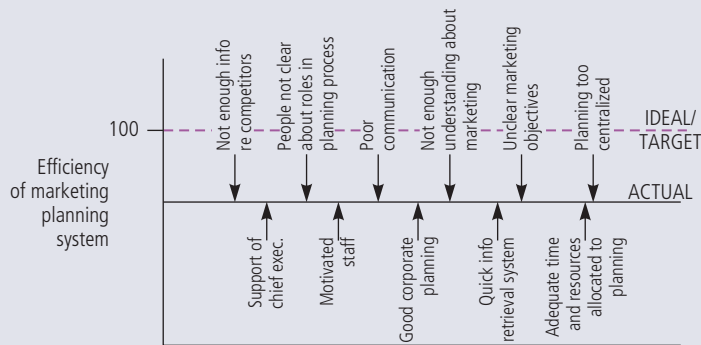


Figure 12.25: Completed force field analysis.

Notes

1. Remember that only factors that affect the marketing planning process ought to appear in the force field diagram.
2. It is possible to draw the force arrows proportional in length to their influence.

Exercise 12.2 Implementing the marketing planning system

Perhaps you will be unable to implement a marketing planning system until your improvement plan from Exercise 12.1 has eliminated the more serious obstacles. Nevertheless, from what you have read in this book, you will know that a successful marketing planning system will have to follow these steps.

1. There will have to be guidance provided by the corporate objectives.
2. A marketing audit must take place.
3. A gap analysis must be completed.
4. A SWOT analysis must be drawn up.
5. Assumptions and contingencies must be considered.

6. Marketing objectives and strategies must be set.
7. Individual marketing programmes must be established.
8. There must be a period of review and measurement.

Because of the work required, all this takes time. Various people might have to participate at different stages. There will certainly have to be several meetings or discussions with other functional departments, either to get information or to ensure collaboration.

Therefore, in order to keep the planning 'train' on the 'rails', it will be in everybody's interest to be clear about the sequencing of these different activities, to have a schedule or timetable.

As the company gets more experienced in planning, then probably the timetable can be tightened up and the whole planning period shortened. However, to get events into perspective, it is often helpful to present a timetable of the planning activities, as shown in Figure 12.26. The circle represents a calendar year and the time periods are merely examples – not to be taken as recommended periods.



Figure 12.26: Marketing planning timetable.

In the second planning year, months 11 and 12 could be used to evaluate the first year's plan and thereby prepare information for the next round of corporate planning.

This diagrammatic approach clearly shows how the planning process is a continual under-current throughout the year.

Now, as your final task, try drawing up the planning timetable for your company using Figure 12.27.

(Continued)

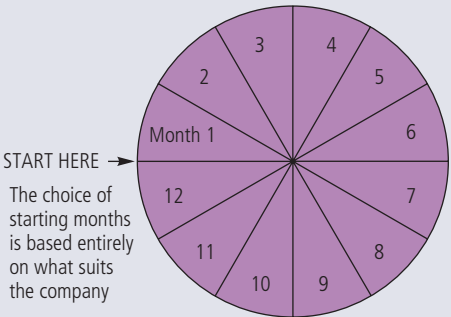


Figure 12.27: Marketing planning timetable template.

Exercise 12.3 Marketing planning questionnaire – organizational issues

You are asked to answer a series of statements about your organization’s approach to marketing planning. Since this quest is for useful and genuine data, please try to be as accurate and objective as you can as you complete this document.

You score the questionnaire by entering a number, 1–5, only in the position indicated by the line next to each statement. Choose your scores, using these criteria:

- 1. If you strongly disagree with statement
- 2. If you tend to disagree with statement
- 3. If you don’t know if you agree or disagree
- 4. If you tend to agree with statement
- 5. If you strongly agree with statement.

- 1. The chief executive and directors show an active interest in marketing planning
- 2. The chief executive and directors demonstrate their understanding of marketing planning
- 3. The chief executive and directors use the marketing plan as the basis for making key marketing decisions
- 4. The chief executive and directors allocate adequate resources to ensure the marketing plan is completed satisfactorily
- 5. The need for a marketing plan is clearly explained to all managers
- 6. There is adequate information/data upon which to base a marketing plan
- 7. Our marketing plan has a good balance between short-term and long-term objectives

A	B	C	D	E
				-
-				
			-	
	-			
-				
	-			
		-		

	A	B	C	D	E
8. People are clear about their role in the marketing planning process					-
9. Line managers are trained to understand how the marketing planning process operates	-				
10. Line operational managers believe the marketing plan is a useful document				-	
11. Enough time is allowed for the planning process		-			
12. It is made easy for line managers to understand the plan	-				
13. Marketing planning is never starved for lack of resources		-			
14. It is reasonable for a company like ours to have a well-thought-out marketing plan				-	
15. Reasons for past successes or failures are analysed			-		
16. In our organization we don't leave planning just to the planners; other managers have a valuable contribution to make					-
17. Our organizational style encourages a sound marketing planning process				-	
18. There is a clear understanding of the marketing terminology we use in our organization	-				
19. Market opportunities are highlighted by the planning process			-		
20. Functional specialists contribute to the marketing planning process					-
21. We limit our activities so that we are not faced with trying to do too many things at one time		-			
22. Taking part in marketing planning in our organization holds a high prospect of being rewarded, either financially or in career terms				-	
23. Only essential data appear in our plans			-		
24. Marketing does not operate in an 'ivory tower'				-	
25. From the wealth of information available to use, we are good at picking out the key issues	-				
26. There is a balance between narrative explanation and numerical data in our plans			-		
27. Our field sales force operates in a way which is supportive to our marketing plan					-
28. Our plan demonstrates a high level of awareness of the 'macro' issues facing us	-				

(Continued)

	A	B	C	D	E
29. Inputs to the planning process are on the whole as accurate as we can make them		-			
30. Marketing planning is always tackled in a meaningful and serious way			-		
31. Our plan doesn't duck the major problems and opportunities faced by the organization				-	
32. There is a high awareness of 'micro' issues in our plan	-				
33. Our plans recognize that in the short term we have to match our current capabilities to the market opportunities		-			
34. Inputs to the marketing planning process are an integral part of the job of all line managers					-
35. Marketing planning is a priority issue in our organization				-	
36. Our planning inputs are not 'massaged' to satisfy senior executives		-			
37. People understand and are reasonably happy that our marketing planning process is logical and appropriate	-				
38. We use the same timescale for our marketing plans as we do for finance, distribution, production and personnel		-			
39. We view our operational plan as the first year of our long-term plan, not as a separate entity			-		
40. Senior executives do not see themselves as operating beyond the confines of the marketing plan				-	
41. The advocates of 'correct' marketing planning are senior enough in the company to make sure it happens			-		
42. People are always given clear instructions about the nature of their expected contribution to the marketing plan		-			
43. We try to make data collection and retrieval as simple as possible	-				
44. Our marketing plans do not go into great detail, but usually give enough information to make any necessary point			-		
45. The role of specialists is made quite clear in our planning process					-
46. We are always prepared to learn any new techniques that will make our marketing planning process more effective	-				

47. The role of marketing planning is clearly understood in the organization
48. Marketing research studies (by internal staff or agencies) are often used as inputs to our marketing planning process
49. Our marketing planning is regularly evaluated in an attempt to improve the process
50. The chief executive and directors receive information which enables them to assess whether or not the marketing plan is coming to fruition as expected

A	B	C	D	E
				-
	-			-
		-		
				-
TOTAL SCORES				

Add up the total scores in each column.

The Rationale behind the questionnaire

There are many ways of looking at organizations and establishing 'models' of how they operate. One very common model is the organization chart, which attempts to show how responsibility is distributed throughout the company and to clarify the chains of command.

Other models are derived from the inputs and outputs of the company. For example, a financial model is built up by analysing all the necessary financial inputs required to conduct the business and monitoring the efficiency by which these are converted into sales revenue.

The questionnaire in this exercise is based on a particularly useful model, one which helps us to understand the relationship between different facets of the organization. By understanding the nature of these relationships, we are better placed to introduce organizational change – in this case, an improved marketing planning system.

There are three main assumptions behind this model:

1. *That the organization today is to some extent often very strongly conditioned by its historical background.* For example, if historically there has never been a pressing need for a comprehensive marketing planning system because of favourable trading conditions, then this will be reflected in the current planning system and the attitudes of the company's staff.
2. *That the organization today is to some extent sometimes strongly conditioned and directed by its future goals.* For example, the company that senses its marketing planning processes need to improve will take steps to introduce changes. That these changes will make an impact on organizational life is self-evident. Furthermore, much of the resistance to be overcome will stem from the 'historical' forces mentioned above.

(Continued)

3. *What actually happens in an organization is determined by the skills, knowledge, experience and beliefs of the organization's personnel.* Thus at the heart of any organization is the collective expertise or 'knowledge' at its disposal. This will ultimately determine the success it has in any work it undertakes, whether it is making goods or providing services.

Clearly, then, the level of 'knowledge' will also be a determining factor in the quality and scope of the company's marketing planning process. These assumptions provide the following 'skeleton' of our organizational model (see Figure 12.28):

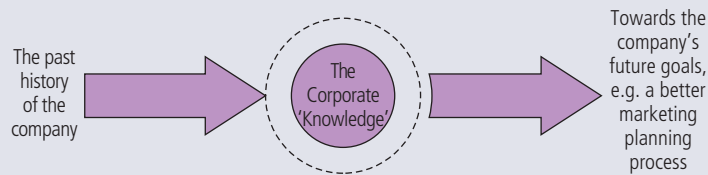


Figure 12.28: Knowledge and marketing planning.

There are still important elements missing from this model. Irrespective of the company's corporate sum of available skills and knowledge, nothing can be produced without physical resources being made available. The key resources required for marketing planning will be accurate data, means of storing and retrieving the data, adequate staff and time to analyse the data.

There are still important elements missing from this model. Irrespective of the company's corporate sum of available skills and knowledge, nothing can be produced without physical resources being made available. The key resources required for marketing planning will be accurate data, means of storing and retrieving the data, adequate staff and time to analyse the data.

However, having the right resources isn't the whole solution; the company must also develop the best systems or routines to optimize the use of these resources. In marketing planning terms, concern is likely to focus on routines associated with collecting data, evaluating past performance, spotting marketing opportunities, sifting essential information from non-essential information, and so on.

Routines, however, do not necessarily look after themselves. As soon as any system is set up, roles and relationships need to be defined. Who is going to do what to ensure that things happen?

Again, in marketing planning terms this will call into question the role of various members of staff from the chief executive downwards. How clear are people about their role in the planning process? Should planning just be left to the planning department? What is the role of functional

specialists? Who actually collects marketing data? Whom do they present it to? Many questions have to be answered if the subsequent routines are going to function smoothly.

Even this isn't the end of the story, because once roles are defined, there is still the problem of setting up the right organizational structure and climate, one that will enable people to fulfil their roles in a productive way.

From a marketing planning viewpoint, structure and climate issues surface in several ways. For example, the level of commitment to the planning process, the degree to which functional specialists are integrated into the planning process, the degree to which long- and short-term issues are accommodated, the extent to which the company is prepared to tackle the real and important issues it faces, the openness of communications, and so on.

It is now possible to see how the completed model looks (see Figure 12.29):

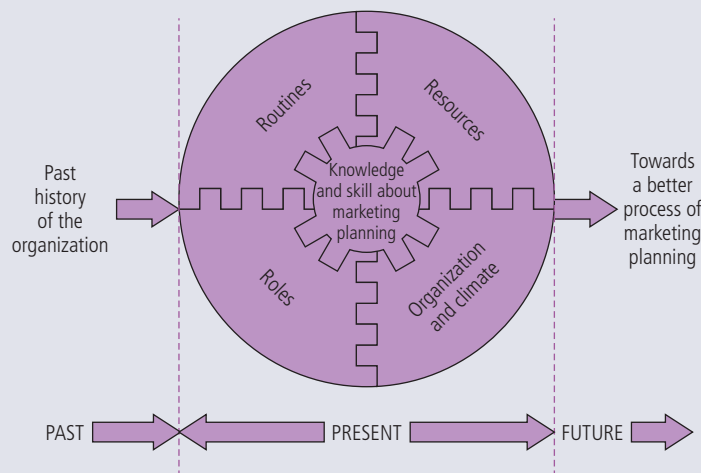


Figure 12.29: Marketing planning model.

From the foregoing explanation, it is possible to see how the different facets of the organization all interrelate.

- A. the 'corporate knowledge', about marketing planning
- B. the resources allocated to planning
- C. the routines or systems that are used
- D. the roles and relationships of those engaged in marketing planning
- E. the organizational structure and climate, and the extent to which it supports marketing planning.

Thus, to introduce an improved marketing planning system might call for changes in all these areas. Some personnel might need training, more or different resources might be

(Continued)

required, routines or systems might need improving, roles and relationships perhaps need to be reappraised, and the structure and climate of the organization re-examined.

Conversely, only one or two of these areas might need tackling. The questionnaire is designed to provide a 'snapshot' of the company and to help you identify which areas might be the starting point for introducing improvements.

Interpretation of Exercise 3.2

Add up the scores for columns A, B, C, D and E and write them in the boxes provided. Each of the letters represents a potential barrier to marketing planning, namely:

- A. Cognitive barrier, i.e. knowledge and skills
- B. Resource barrier, i.e. lack of time, people, data
- C. Systems/routine barrier, i.e. lack of procedures
- D. Organizational climate barrier, i.e. belief and interest in marketing planning
- E. Behaviour barrier, i.e. the roles people play

The maximum score for each of these areas is 50 points. The higher the score, the less that potential barrier to marketing is likely to be making an impact. In other words, the areas with low scores (below 30) will probably be the areas worth investigating initially in the search for improvement.

Personal notes

List what actions need to be taken.

Exercise 12.4 Organizational structure

Business environments are always changing. Demand patterns change, new technology comes in, new legislation is introduced, there is an economic crisis, and so on.


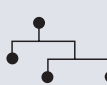

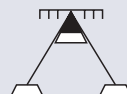

Since the key to successful marketing is to have a suitable organization structure, one that can adjust and cope with the environment, it is not surprising that much experimentation has taken place with the different types of structure. Perhaps no one has yet found the perfect answer to this complex problem of getting the organization right. Nevertheless, research studies have shown that, in certain circumstances, some types of structure are going to be more successful than others.

The accompanying worksheet tries to encapsulate these findings in a fairly crude way, showing that structure will to some extent relate to company size and the diversity of its operations. The degree of formality in the marketing planning process will also be related to these factors.

Please answer the following questions:

1. Where would you place your company on the size/complexity of operations continuum?
2. How does your current structure compare with that suggested on the chart?
3. Do the breakdown signals sound familiar?
4. In what ways do you think your structure ought to change?

Worksheet Organizational structure (Exercise 12.3)

Company size	small						large
Diversity of products	low						high
Diversity of markets	low						high
Degree of formalization of planning	low						high
Typical organizational structure							
Description	'Pioneer'	'Scientific'	'Matrix'	'Centralized'	'Decentralized'		
Description	No need for big systems One person can cope Frequent but informal communications Highly flexible	System becomes developed Specialist roles created Communications more formal	More flexibility in dealing with products and markets Communication frequent and informal	Centralized marketing restores element of control Expertise from specialist roles	Marketing specialists in close touch with operating units		
Breakdown signals	Person can't cope Becomes difficult to get answers	Communications breakdown People get frozen into roles	As size/diversity increases, management loses control Communication breakdown	Get out of touch with what is happening in the field Slow responding	Duplication of effort, work Costly in manpower		

Personal notes

Exercise 12.5 Simulation Practice⁷

In your game:

- a) Reflect upon your company's performance so far. To what extent has this been driven by the strategy and to what extent has this been driven by the implementation?
- b) Reflecting both on your company and how you work as a team, what are your barriers to better implementation?

(Continued)

- c) What forces are at play in your team? How can you reduce the restraining forces and enhance the driving forces?
- d) How can you improve your ability to implement the strategy more *effectively* (e.g. faster, across the entire market, hitting the objectives on time and achieving greater impact on the competitors)?
- e) How can you improve your ability to implement the strategy more *efficiently* (e.g. by using less resources and generating more profits)?
- f) Can you improve the way you are organized as a team?

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